

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of the text of this document should be read. Investment in the Company is speculative and involves a high degree of risk.

If you have sold or transferred your Existing Ordinary Shares in the Company you should send this document along with the Form of Proxy and the accompanying Non-CREST Application Form (if enclosed) at once to the purchaser or transferee or the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, this document, the Form of Proxy and the Non-CREST Application Form (if enclosed) should not be sent or transmitted into any Restricted Jurisdiction.

This document constitutes an admission document in accordance with the AIM Rules for Companies. This document is not an approved prospectus for the purposes of Sections 85 and 87 of FSMA. This document does not constitute a financial promotion and has not been approved for issue as such in the United Kingdom for the purposes of Section 21 of FSMA.

The Company, the Directors and the Proposed Directors, whose names appear on page 3, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

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 UK Listing Authority ("UKLA").

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

The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Company's securities to the Official List. Further, neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the New Ordinary Shares to be admitted to trading on any other recognised trading exchange. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM on 30 July 2010.

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## Qonnectis plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with registered number 3923150)  
(ISIN: GB00B61K8F13)*

### **Proposed acquisition of American Leak Detection Holding Corp., Proposed approval of a waiver of the obligations under Rule 9 of the City Code, Capital Reorganisation, Open Offer of up to 1,332,946 New Ordinary Shares at 75 pence per share, Proposed change of name to Water Intelligence plc, Notice of General Meeting and Admission of the Enlarged Share Capital to trading on AIM**

**NOMINATED ADVISER AND BROKER**



**Merchant John East Securities Limited**

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Merchant John East Securities Limited ("MJES"), which is authorised and regulated by the Financial Services Authority of the United Kingdom, is acting as nominated adviser and broker to Qonnectis plc in connection with the arrangements set out in this document and is not acting for anyone else and will not be responsible to anyone other than Qonnectis plc for providing the protections afforded to customers of MJES or for providing advice in relation to the contents of this document and the admission of the Ordinary Shares to trading on AIM. In particular, MJES, as nominated adviser to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors or Proposed Directors or to any other person in respect of his or her decision to acquire Ordinary Shares in reliance on any part of this document. MJES accepts no liability for the accuracy of any information or opinions contained in or for the omission of any material information from this document, for which the Company and its Directors and Proposed Directors are solely responsible.

This document contains forward looking statements. These statements relate to the Enlarged Group's future prospects, developments and business strategy. Forward looking statements are identified by their use of terms and phrases, including without limitation, statements containing the words "believe", "anticipated", "expected", "could", "envisage", "estimate", "may" or the negative of those, variations or similar expressions including references to assumptions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Enlarged Group, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors" set out in Part II of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements speak only as at the date of this document. The Company disclaims any obligations to update any such forward looking statements in this document to reflect events or developments.

**The whole of this document should be read. Your attention is drawn, in particular, to Part I "Letter from the Chairman of Qonnectis plc" and Part II "Risk Factors" for a more complete discussion of the factors that could affect the Enlarged Group's future performance and the industry in which it will operate.**

A notice convening a General Meeting of Qonnectis plc to be held at the offices of MJES, 51-55 Gresham Street, London EC2V 7HQ on 29 July 2010 commencing at 10.00 a.m. is set out at the end of this document. The Form of Proxy for use in connection with the General Meeting is enclosed with this document and should be returned to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU as soon as possible but in any event not later than 10.00 a.m. on 27 July 2010, being 48 hours (excluding weekends and public holidays) before the time appointed for the holding of the General Meeting. The completion and depositing of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the General Meeting.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 28 July 2010. The procedure for acceptance and payment is set out in Part III of this document and where relevant, in the Non-CREST Application Form.

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## Directors, Proposed Directors and Advisers

<b>Directors and Registered Office</b>	Harry John Miles Offer ( <i>Chairman</i> ) Barbara Joyce Spurrier ( <i>Interim Chief Executive and Finance Director</i> ) Patrick Jude DeSouza ( <i>Non-Executive Director</i> ) Stanford Philip Berenbaum ( <i>Non-Executive Director</i> )  <i>all of whose address for business is at the Company's registered office</i>  St John's Innovation Centre Cowley Road Cambridge Cambridgeshire CB4 0WS	
<b>Proposed Directors</b>	Richard John "Ric" Piper ( <i>Proposed Non-Executive Director</i> ) (William) Michael Reisman ( <i>Proposed Non-Executive Director</i> ) Stephen Lee Leeb ( <i>Proposed Non-Executive Director</i> )	
<b>Company Secretary</b>	Barbara Joyce Spurrier	
<b>Nominated Adviser and Broker</b>	Merchant John East Securities Limited 10 Finsbury Square London EC2A 1AD	
<b>Legal adviser to the Company</b>	<i>As to English Law:</i> Faegre & Benson LLP 7 Pilgrim Street London, EC4V 6LB	<i>As to US Law:</i> Faegre & Benson LLP 2200 Wells Fargo Center 90 South Seventh Street Minneapolis MN 55402 – 3901
<b>Legal adviser to ALDHC</b>	Arnold & Porter (UK) LLP Tower 42 25 Old Broad Street London EC2N 1HQ	
<b>Legal adviser to the Nominated Adviser and Broker</b>	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP	
<b>Reporting Accountants</b>	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD	
<b>Registrars</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

## Definitions

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

<b>“A Deferred Shares”</b>	the existing A deferred shares of 0.1p each in the capital of the Company
<b>“Act”</b>	the UK Companies Act 2006 (as amended)
<b>“Acquisition”</b>	the proposed acquisition by the Company of the entire issued share capital of ALDHC, further details of which are set out in paragraphs 10 and 11.1.1 of Part VII of this document
<b>“Acquisition Agreements”</b>	the conditional agreements dated 7 July 2010 between (1) the Company; and (2) the Vendors, further details of which are set out in paragraph 11.1.1 of Part VII of this document
<b>“Admission”</b>	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules
<b>“ALD”</b>	American Leak Detection, Inc., a company incorporated in California
<b>“ALDHC”</b>	American Leak Detection Holding Corp., a Delaware corporation and parent company of ALD
<b>“ALDHC Debt”</b>	the Rennick Notes and the Porter Note
<b>“AIM”</b>	AIM, the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange
<b>“Annual General Meeting”</b>	the annual general meeting of the Company convened for 10.00 a.m. on 2 August 2010, notice of which is set out in the report and accounts of the Company accompanying this document
<b>“Articles” or “Articles of Association”</b>	the articles of association of the Company to be adopted pursuant to Resolution 7 at the General Meeting, a summary of which is set out in paragraph 4 of Part VII of this document
<b>“B Deferred Shares”</b>	the new deferred shares of 119p each arising from the Capital Reorganisation
<b>“Bank Facility”</b>	the bank facility from The Bank of Southern Connecticut, as described in paragraph 11.2.1 of Part VII of this document
<b>“Basic Entitlement”</b>	an entitlement to apply to subscribe for 11 Open Offer Shares for every 4,500 Existing Ordinary Shares held on the Record Date pursuant to the Open Offer and so in proportion for any other number of Existing Ordinary Shares held
<b>“Board” or “Directors”</b>	the existing directors of the Company, whose names appear on page 3 of this document
<b>“Business Days”</b>	any day (excluding Saturdays, Sundays or public holidays) on which banks are open in London for normal banking business and the London Stock Exchange is open for trading

## Definitions (continued)

<b>“Buyer”</b>	Qconnectis Acquisition Co., a wholly owned Subsidiary of the Company incorporated in the State of Delaware
<b>“BWGF”</b>	Blue Water and Green Fields, Inc., a Delaware corporation owned as to 20 per cent. by ALD and 80 per cent. by Plain Sight
<b>“Capital Reorganisation”</b>	the proposed consolidation and sub-division of every 1,200 Existing Ordinary Shares into one New Ordinary Share and one B Deferred Share
<b>“Capital Reorganisation Record Date”</b>	6.00 p.m. on 29 July 2010 (or such later time and date as the Board (or duly authorised committee of the Board) may determine)
<b>“Capita Registrars”</b>	a trading name of Capita Registrars Limited
<b>“City Code” or “Code”</b>	the City Code on Takeovers and Mergers
<b>“Company” or “Qconnectis”</b>	Qconnectis plc, a public limited company registered in England and Wales under registered number 3923150
<b>“Concert Party”</b>	certain of the Vendors, as described on page 20 of Part I of this document
<b>“Consideration Shares”</b>	up to 7,324,687 New Ordinary Shares to be issued to the Vendors and the Remaining ALDHC Shareholders as consideration for the Acquisition
<b>“CREST”</b>	the computer-based system established under the CREST Regulations which enables title to units of relevant securities (as defined in the CREST regulations) to be evidenced and transferred without a written instrument and in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations)
<b>“CREST Manual”</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms)
<b>“CREST member”</b>	a person who has been admitted by CREST as a system-member (as defined in the CREST Manual)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>“CREST sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor a CREST member admitted to CREST as a sponsored member
<b>“Deferred Shares”</b>	the existing deferred shares of 1p each in the capital of the Company
<b>“DTR” or “Disclosure and Transparency Rules”</b>	the Disclosure and Transparency Rules (in accordance with section 73A(3) of FSMA) being the rules published by the Financial Services Authority from time-to-time relating to the

## Definitions (continued)

	disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made
<b>“Enlarged Group”</b>	the Company as enlarged by the Acquisition, to include ALDHC and its subsidiaries
<b>“Enlarged Share Capital”</b>	the ordinary share capital of the Company following Admission and the completion of the Acquisition and the Open Offer
<b>“Excess Application Facility”</b>	the arrangement pursuant to which Qualifying Shareholders may apply for Open Offer Shares in excess of their Basic Entitlements
<b>“Excess CREST Open Offer Entitlement”</b>	in respect of each Qualifying CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to his Basic Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility, which is conditional, <i>inter alia</i> , on him taking up his Basic Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
<b>“Excess Open Offer Entitlement”</b>	in respect of each Qualifying non-CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to his Basic Entitlement pursuant to the Excess Application Facility, which is conditional, <i>inter alia</i> , on him taking up his Basic Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
<b>“Excess Shares”</b>	the Open Offer Shares for which Qualifying Shareholders may apply in excess of their Basic Entitlement through the Excess Application Facility
<b>“Excluded Overseas Shareholder(s)”</b>	other than as agreed in writing by the Company, MJES and as permitted by applicable law, Shareholders who are located or have registered addresses in a Restricted Jurisdiction
<b>“Excluded Territories”</b>	the United States, Australia, Canada, Japan and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law
<b>“Existing Ordinary Shares”</b>	the 545,296,103 Ordinary Shares in issue at the date of this document
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company registered in England and Wales with registered number 2878738, the operator of CREST
<b>“Form of Proxy”</b>	the form of proxy sent to Shareholders enclosed with this document for use by Shareholders in connection with the General Meeting
<b>“FSMA”</b>	the Financial Services and Markets Act 2000



## Definitions (continued)

<b>“General Meeting”</b>	the general meeting of the Company, to be held at the offices of MJES, 51-55 Gresham Street, London EC2V 7HQ on 29 July 2010 at 10.00 a.m. and any adjournment thereof to be held for the purpose of considering and, if thought fit, passing the Resolutions
<b>“HMRC”</b>	HM Revenue & Customs
<b>“Independent Directors”</b>	Harry Offer and Barbara Spurrier
<b>“Irrevocable Undertakings”</b>	the undertaking by each of the Independent Directors to vote in favour of the Resolutions
<b>“Issue Price”</b>	75p per Offer Share
<b>“Loan Notes”</b>	£295,000 principal of loan notes issued by the Company pursuant to an instrument dated 8 January 2010 and which are guaranteed by ALD
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Merger”</b>	the short form merger under the law of the State of Delaware which may be entered into to acquire any stock in ALDHC held by the Remaining ALDHC Shareholders
<b>“MJES”</b>	Merchant John East Securities Limited, the Company’s nominated adviser and broker
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007 (SI 2007/2 157)
<b>“New Board”</b>	Patrick DeSouza, Stanford Berenbaum, Harry Offer, Ric Piper, Michael Reisman and Stephen Leeb
<b>“New Ordinary Shares”</b>	new ordinary shares of 1p each in the capital of the Company arising from the Capital Reorganisation
<b>“Non-CREST Application Form”</b>	the application form which accompanies this document for use by Qualifying Non-CREST Shareholders relating to applications for Open Offer Shares (including in respect of Excess Shares under the Excess Application Facility)
<b>“Notice”</b>	the notice convening the General Meeting, which is set out at the end of this document
<b>“Open Offer”</b>	the invitation to Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price on the terms and subject to the conditions set out or referred to in Part III of this document and, where relevant, in the Non-CREST Application Form
<b>“Open Offer Shares”</b>	up to 1,332,946 New Ordinary Shares for which Qualifying Shareholders are being invited to apply under the terms of the Open Offer
<b>“Options” or “Share Options”</b>	options to subscribe for New Ordinary Shares under the Share Option Scheme
<b>“Ordinary Shares”</b>	ordinary shares of 0.1p each in the capital of the Company

## Definitions (continued)

<b>“Overseas Shareholders”</b>	Shareholders who are located or resident in, or who are citizens of, or who have registered addresses in, territories other than the United Kingdom
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“Plain Sight”</b>	Plain Sight Systems, Inc., a principal shareholder of ALDHC
<b>“Porter Note”</b>	a promissory note dated 18 December 2009 issued by BWGF in favour of Porter Capital Corporation in the amount of \$350,987 more fully described at paragraph 11.4 of Part VII of this document
<b>“Proposals”</b>	means (a) the Capital Reorganisation; (b) the Acquisition; (c) the Open Offer; (d) the Waiver; (e) the change of name of the Company; and (f) Admission
<b>“Proposed Directors”</b>	the proposed directors of the Company whose names are listed as such on page 3 of this document and whose appointments will become effective on Admission
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in uncertificated form
<b>“Qualifying non-CREST Shareholders”</b>	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in certificated form
<b>“Qualifying Shareholders”</b>	holders of Existing Ordinary Shares on the Company’s register of members at the Record Date (other than certain Overseas Shareholders)
<b>“Receiving Agent”</b>	Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
<b>“Record Date”</b>	close of business on 2 July 2010
<b>“Remaining ALDHC Shareholders”</b>	those shareholders of ALDHC whose stock may be acquired pursuant to the Merger
<b>“Rennick Notes”</b>	the two promissory notes delivered by ALDHC and Plain Sight to The Rennick Living Trust on 26 February 2006 in an aggregate amount of \$6.2 million more fully described at paragraph 11.22 of Part VII of this document
<b>“Resolutions”</b>	the resolutions set out in the Notice
<b>“Restricted Jurisdiction(s)”</b>	each of Australia, Canada, Japan, New Zealand, The Republic of South Africa, The Republic of Ireland and the United States
<b>“Share Option Scheme”</b>	the Company’s existing share option scheme, a summary of which is set out in paragraph 9 of Part VII of this document
<b>“Shareholders”</b>	holder(s) of Existing Ordinary Shares, all of whom are deemed to be independent for the purposes of the Code
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland



## Definitions (continued)

<b>“UKLA”</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes Part VI of FSMA
<b>“uncertificated” or “in uncertificated form”</b>	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“Underwriting Agreement”</b>	the conditional agreement dated 7 July 2010, between (1) the Company, (2) the Directors and the Proposed Directors, (3) Plain Sight and (4) MJES relating to the Open Offer, details of which are set out in paragraph 11.1.7 of Part VII of this document
<b>“US” OR “United States”</b>	the United States of America
<b>“USE instruction”</b>	has the meaning given in the CREST Manual
<b>“Vendors”</b>	the Concert Party (whose details are set out in Part I of this document) (other than James Carter and Pam Vigue) and such other shareholders of ALDHC who become parties to the Acquisition Agreements prior to Admission
<b>“Waiver”</b>	the waiver by the Panel of obligations under Rule 9 of the City Code as described in Part I of this document
<b>“\$”</b>	US dollars, the lawful currency of the United States

## Statistics relating to the Open Offer

Issue Price	75 pence
Basis of Open Offer	11 New Ordinary Shares for every 4,500 Existing Ordinary Shares and so in proportion for any other number of Existing Ordinary Shares held
Number of Existing Ordinary Shares	545,296,103
Number of New Ordinary Shares in issue following the Capital Reorganisation	454,414
Number of New Ordinary Shares to be issued pursuant to the Acquisition following the Capital Reorganisation	7,324,687
Number of New Ordinary Shares to be issued pursuant to the Open Offer following the Capital Reorganisation	Up to 1,332,946
Open Offer Shares as a percentage of the Enlarged Share Capital	Up to 13.55 per cent.
Consideration Shares as a percentage of the Enlarged Share Capital	Up to 78.09 per cent.
Estimated minimum proceeds of the Open Offer*	£657,414.75
Maximum proceeds of the Open Offer	c. £1 million
Consolidation Ratio	1 New Ordinary Share for every 1,200 Existing Ordinary Shares
Number of New Ordinary Shares in issue immediately following the Acquisition, the Open Offer, the Capital Reorganisation and Admission**	Up to 9,836,052

\* Based on sub-underwriting commitments received

\*\* Based on maximum take-up under the Open Offer

## Expected timetable of principal events

Record date for the Open Offer	2 July 2010
Announcement of ALD Acquisition and Open Offer	7 July 2010
Posting of Admission Document, Form of Proxy and, to Qualifying non-CREST Shareholders, the Non-CREST Application Forms	7 July 2010
Basic Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	8 July 2010
Recommended latest time for requesting withdrawal of nil paid stock from CREST	4.30 p.m. 22 July 2010
Latest time for depositing Basic Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. 23 July 2010
Latest time and date for splitting Non-CREST Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. 26 July 2010
Latest time and date for receipt of Forms of Proxy for General Meeting and receipt of electronic proxy appointments via the CREST system	10.00 a.m. 27 July 2010
Latest time and date for receipt of completed Non-CREST Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. 28 July 2010
Expected time and date of announcement of results of the Open Offer	7.00 a.m. 29 July 2010
General Meeting	from 10.00 a.m. 29 July 2010
Expected time of announcement of results of the General Meeting	By 4.30 p.m. 29 July 2010
Record date for the Capital Reorganisation	6.00 p.m. on 29 July 2010
Admission of Enlarged Share Capital and commencement of dealings on AIM	8.00 a.m. 30 July 2010
Expected date for CREST accounts to be credited	30 July 2010
Despatch of share certificates by no later than	6 August 2010

### Notes:

- (1) If you have any questions on the procedure for acceptance and payment, you should contact Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone: Capita Registrars on 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399 between 8.30 a.m. and 5.30 p.m. Monday to Friday excluding Bank Holidays. Calls to the Capita Registrars 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registration +44 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.
- (2) The date set out in the Expected Timetable of Principal Events above and mentioned throughout this document may be adjusted by Qconnectis in which event details of the new dates will be notified to AIM and, where appropriate to Shareholders.
- (3) All references to time in this document are to time in London.

## PART I

### Letter from the Chairman of Qconnectis plc

#### Qconnectis plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with registered number 3923150)*

*Directors:*

Harry Offer (*Chairman*)  
Barbara Spurrier (*Interim Chief Executive and Finance Director*)  
Patrick DeSouza (*Non-Executive Director*)  
Stanford Berenbaum (*Non-Executive Director*)

*Registered Office:*

St John's Innovation Centre  
Cowley Road  
Cambridge  
Cambridgeshire  
CB4 0WS

7 July 2010

*To all Shareholders, all Warrant holders, Option holders and Loan Note holders*

Dear Shareholder,

**Proposed acquisition of American Leak Detection Holding Corp.,  
Proposed approval of a waiver of the obligations under Rule 9 of the City Code,  
Capital Reorganisation, Open Offer of up to 1,332,946 New Ordinary Shares  
at 75 pence per share,  
Proposed change of name to Water Intelligence plc,  
Notice of General Meeting and  
Admission of the Enlarged Share Capital to trading on AIM**

#### **Introduction**

On 11 January 2010, the Company announced that it had reached agreement, subject to contract and shareholder and regulatory approval, for the proposed acquisition of American Leak Detection, Inc., and that it had raised £395,000 to provide immediate working capital and in anticipation of the proposed acquisition. The fundraising was effected by the issue of the Loan Notes and the issue of 100,000,000 Existing Ordinary Shares at par. Due to the announcement of the identification of a potential acquisition, which would result in a reverse takeover under the AIM Rules, trading in the Company's shares has remained suspended since that time.

The Company has today announced that its wholly owned subsidiary, Qconnectis Acquisition Co., has entered into the Acquisition Agreements conditional, amongst other things, on Admission, to acquire 91.57 per cent. of issued share capital of ALDHC, which owns the entire issued share capital of ALD. In the event that the Acquisition Agreements are completed, Qconnectis Acquisition Co. may elect to enter into the Merger under the law of the State of Delaware which would result in the compulsory acquisition of any remaining shares of ALDHC. The Enlarged Group will be renamed Water Intelligence plc. ALD will continue to operate in its current territories under its existing brand. In addition, the Company has also announced today that it intends to raise up to approximately £1 million to fund future growth of the Enlarged Group by way of an Open Offer of 1,332,946 New Ordinary Shares at 75p per share, following the implementation of the Capital Reorganisation, the terms of which are set out below. MJES has procured sub-underwriting commitments in respect of 876,553 New Ordinary Shares representing £657,414 as at the date of this document (subject to clawback).

The consideration will be satisfied by the issue of the Consideration Shares. Based on the Issue Price, the Acquisition values ALD at £5.5 million. Further details of the terms and conditions of the Acquisition are set out below under the heading “Principal Terms of the Acquisition”.

The Acquisition will result in a change of control of the Company and a fundamental change in its business and will constitute a reverse takeover under the AIM Rules. In addition, both Patrick DeSouza and Stanford Berenbaum are significant shareholders in ALDHC. As such, the Independent Directors are seeking Shareholder approval for the Acquisition at the General Meeting.

Patrick DeSouza is a director of ALDHC and a major shareholder in Plain Sight and Stanford Berenbaum is President and Chief Executive Officer of ALD as well as a shareholder in Plain Sight. Accordingly, neither Patrick DeSouza nor Stanford Berenbaum has taken part in any of the Board’s deliberations concerning the Acquisition.

The purpose of this document is to give you further information regarding the matters described above and to seek your approval of the Resolutions, which include the Rule 9 Waiver, at the General Meeting. The notice of General Meeting is set out at the end of this document.

Following completion of the Acquisition and the issue of the Offer Shares pursuant to the Open Offer, the Concert Party will have a maximum aggregate holding of 6,899,048 New Ordinary Shares, representing 73.55 per cent. of the Enlarged Share Capital (assuming the minimum take-up under the Open Offer). Following Admission and implementation of the Proposals, the Concert Party will hold in excess of 30 per cent. of the Enlarged Share Capital and would normally incur an obligation, under Rule 9 of the City Code, to make a general offer to the other Shareholders to acquire their shares. However, subject to the approval of the other Shareholders on a poll (all of whom are independent of the Concert Party) at the General Meeting, the Panel has agreed to waive this obligation. An explanation of the provisions and impact of the City Code in relation to the Concert Party is set out in the paragraph entitled “the City Code” below.

The Proposals are conditional, *inter alia*, on the passing of the Resolutions, the entry into and drawdown of the Bank Facility and repayment of the ALDHC Debt and Admission. If the Resolutions are approved by Shareholders, it is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on AIM on 30 July 2010.

**Whilst the New Board believes that the combined businesses of ALDHC and the Company together with Admission represent a significant opportunity for the Enlarged Group, Qonnectis shareholders should be aware that in the absence of the Acquisition being completed the Company will have exhausted its cash resources and be unable to take advantage of business opportunities available as part of a combined group. Therefore, failure to pass the Resolutions will result in the Company needing to seek alternative financing arrangements which the Directors believe would be difficult to find in the current economic environment. Failure to secure alternative financing would result in the Company being unable to meet its obligations as they fall due and lead to inevitable liquidation. Therefore, the Directors believe that the Proposals afford the Company its last realistic opportunity to survive and to restart its business.**

## **Background information on the Company**

Qonnectis was incorporated on 10 February 2000 and admitted to trading on AIM on 24 February 2005. At that time, the Company was a telematics and IT services provider to the utility markets, offering services aiming to achieve significant cost savings through more efficient operation of water and energy networks, improved energy conservation and environmental protection and identification of problems and irregularities in usage of energy and water. Following admission to trading on AIM, the Company went on to win several large contracts, both in the UK and internationally, including with a major office and retail complex in Hong Kong, a UK-based national water conservation consultancy and a large UK emergency services authority. On 11 October 2006, the Company announced that it had been awarded a project with a utility customer being Thames Water, to develop an innovative product, which was named ‘Leakfrog’. Several orders for the Leakfrog product were placed in the year to 30 June 2008, building upon the significant progress made by the Company since its admission to AIM. However, in

the first half of the year to 30 June 2009, a significant order originally placed in the year to 30 June 2008 was not repeated due to circumstances outside the Company's control.

This, combined with certain other factors, placed a variety of working capital constraints on the Company, which in turn limited its ability to win and deliver new sales contracts. On 3 July 2009, the Company announced that it was in discussions with a number of parties which could lead to additional funding, in the absence of which, the Directors believed that the Company would have insufficient funds to continue trading. The Company subsequently announced on 30 July 2009 that the attempts to secure this funding had not been successful and the directors at that time had requested a suspension in the trading of the Company's shares on AIM, pending clarification of its financial position.

Following preliminary discussions with ALD, the Company executed a letter of agreement with Plain Sight regarding a potential reverse takeover in late September 2009. On 11 January 2010, the Company announced that it had raised £395,000 by the issue of £295,000 of Loan Notes and £100,000 by the placing of 100,000,000 Existing Ordinary Shares at par. The repayment obligations under the Loan Notes have been guaranteed in full by ALD. The Loan Notes are due to be repaid on Admission and the holders of the Loan Notes have agreed to use the proceeds to subscribe for New Ordinary Shares at a 25 per cent. discount to the Issue Price. In addition, it was also announced on 11 January 2010 that Patrick DeSouza and Stanford Berenbaum had joined the Board as Non-executive Directors. The Independent Directors believe that the fundraising would not have been achieved without the involvement of ALD and the pending Acquisition.

The New Board believes that the Enlarged Group, following the Open Offer and Admission, will have expansion opportunities as a result of ALD's thirty-year track record in providing premium non-invasive water leak detection services and the Company's water monitoring line of products. In addition, ALD's balance sheet and recurring cashflows, experienced management team, current product offering and size of its addressable market all justify the Board's recommendation of the transaction to Shareholders.

As stated above, trading in the Company's shares has been suspended since July 2009. The suspension has been lifted today on the publication of this document and the release of the Company's results for the 18 month period ended 31 December 2009. It should be noted, however, that completion of the Acquisition is subject to a number of conditions being satisfied and that there can be no guarantee that such conditions will be satisfied. Therefore, any dealing prior to the Resolutions being passed will be in the Existing Ordinary Shares only and not reflect ALDHC as part of the Company's group.

## **Information on ALD**

### ***History and overview***

ALD's business was founded in California in 1974 by Richard Rennick. The company expanded steadily across the US through franchise sales and eventually entered the international market in 1989. In early 2006, ALD was acquired by ALDHC, which is 92 per cent. owned by Plain Sight, Patrick DeSouza, Stan Berenbaum and certain other individuals. By 2009, ALD and its franchises had grown into a business with in excess of \$50 million of franchise system-wide sales and a US brand leader in the leak detection market.

ALD focuses on the accurate, non-destructive detection of all types of leaks including hidden water and sewer leaks, together with repair and other related services. ALD's service technicians utilise proprietary training and specialist equipment such as infrared cameras and acoustic devices to pinpoint leaks, employing less invasive methods to find the source of a leak compared with breaking or drilling holes in walls and floors. Because leaking water can travel along water lines or leaks may be pinhole size in various places along a water pipe, in many instances, ALD's service offerings have the potential to reduce the repair costs for the consumer compared with typical plumbing solutions as they do not rely on a 'trial-and-error' method of exposing whole sections of pipe to locate leaks.

In addition to the four corporate territories directly owned and controlled by ALD, ALD operates a franchise structure, with approximately 129 franchise agreements executed with franchisees established



in the US and seven other regions internationally, including Canada, Australia, Brazil, Venezuela and the EU. Further details on the franchise system are set out below.

### ***ALD's business***

ALD's principal customers are residential, commercial and municipal and it focuses predominantly on the following areas of leak detection:

- the detection of leaks in interior and exterior plumbing systems;
- the detection of the location of indicated leaks;
- the detection of slab (concrete/basement/raised floor) leaks;
- the detection of leaks in walls;
- the detection and location of existing utility pipes;
- the detection of leaks in swimming pools, fountains and spas; and
- the detection of leaks in sewer systems.

On the detection of a leak or suspicion that a leak has occurred, ALD or one of its franchisees will typically receive a call from a homeowner or business owner. Calls can also come from referral sources such as insurance adjustors, contractors, restoration companies or plumbers, who have been called out but require specialist help. A service vehicle is then dispatched to the location where the detection work can begin.



A typical call-out fee for a leak detection job ranges from \$250 to \$350. After two hours, an additional \$125 per hour is usually applied for the technician's time and skill and in such cases the leak detection is usually more complex. Franchisees have flexibility to adjust the typical call-out fee.

The customer is typically then given a report on the location of the leak, the recommended course of action and the likely remediation cost, if any. If the customer opts to have the remediation work carried out, it can be done immediately thereafter if the technician's schedule permits. If not, a further appointment is booked and the technician(s) returns as soon as possible. The range of remediation work can vary from simple pipe repairs costing a few hundred dollars to entire pipe replacement jobs (for example on older properties) which can cost in excess of \$7,500.

ALD also performs services for municipal customers. This includes leak survey work. Typically, municipalities and large water systems are concerned about regulatory compliance, water leaks and potential fines and penalties, lost revenue, operational efficiency improvements and of course, reducing the potential for water contamination, property damage, liability and water outage events. In conducting leak surveys, ALD uses sonic leak detection equipment as well as correlation equipment. Correlation and computer equipment helps compare sound travel times at various pipe locations to help determine the location of a leak.

As leaks are detected on behalf of customers, ALD also seeks to leverage its customer base by selling additional follow-through solutions for remediation of leaks and related solutions to maintain pipes and water quality. For example, in addition to leak detection services, certain ALD franchisees also perform traditional, as well as, non-invasive methods of leak remediation. Non-invasive leak remediation systems made available to ALD franchisees include the 'ePipe™', an epoxy based coating system which allows technicians to restore pipes in situ. Damaged or leaky pipes are restored within the walls or floors, without the need to remove or replace the entire pipe, significantly limiting any damage caused in comparison.

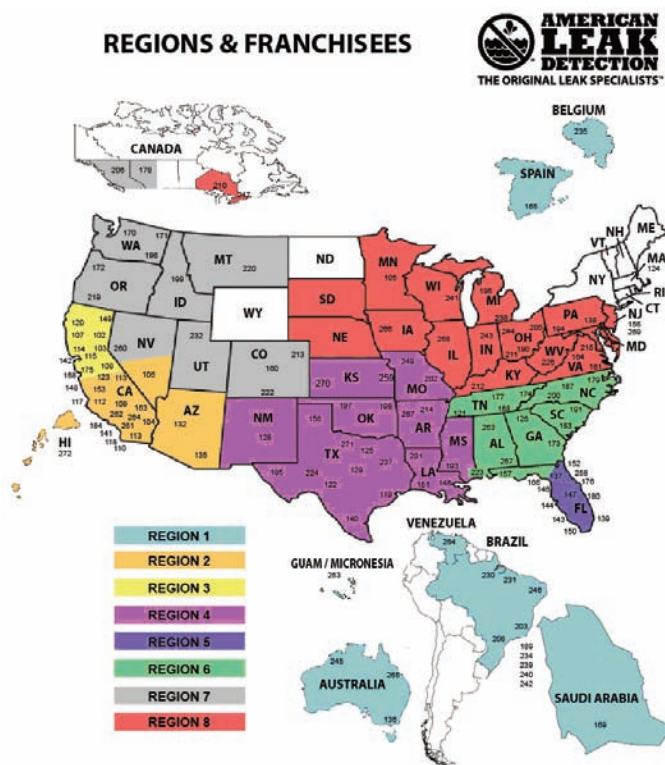
Certain ALD franchisees also perform bioremediation services and sell associated bioremediation products. These services and products, marketed mainly to commercial customers, are designed to help keep drain lines clean and clear by removing fats and grease build-up using eco-friendly managed solutions.

ALD has an agreement with Leslie’s Swimming Pool Supplies (“Leslie’s”), the largest specialist retailer of swimming pool supplies in the US, to help retro-fit and install new pool drains to comply with a US federal law that mandated the installation of specific drain covers. The relevant legislation promotes the safe use of commercial pool, spas and hot tubs by imposing mandatory federal requirements for suction entrapment avoidance. As a result of ALD franchisee presence throughout the US, Leslie’s contracted ALD to carry out drain cover installations in swimming pools and spas for certain of Leslie’s nationwide US commercial accounts, including hotel chains.

ALD is also a member of a number of trade associations, including the American Water Works Association (“AWWA”), the largest organisation of water professionals in the world, representing more than 100 countries. AWWA members represent a broad spectrum of the water community: treatment plant operators and managers, scientists, environmentalists, manufacturers, academics, regulators, and others with an interest in water supply and public health.

**Franchisees**

ALD’s business operates through a system of franchises. There are currently 114 franchise agreements with franchisees operating multiple service vehicles established in the US, with an additional 15 franchise agreements outside the US. The initial investment required from prospective unit-level franchisees on the purchase of a franchise currently ranges from approximately \$83,000 to \$233,350. This investment covers the initial franchise/exclusive territory fee, the appropriate training and proprietary and other equipment. The level of the fee is dependent on the size of the territory in which the franchise will be based and other applicable demographics. The standard franchise agreement is for an initial period of ten years after which the agreement is capable of being renewed by the parties for an additional period. New franchisees begin by offering residential leak detection and associated services. As the business develops, they are subsequently authorised to offer services to municipalities, water districts, industrial estates and large commercial customers.



ALD is a member of the International Franchise Association (IFA). Founded in 1960, the IFA is comprised of thousands of franchisors, franchisees, and suppliers. The organisation seeks to protect, enhance and promote franchising worldwide through legislative, educational and networking opportunities.

For its franchise system, ALD established the American Leak Detection Advisory Council (ALDAC). ALDAC is comprised of ALD franchise owners who provide advice and counsel on the planning and growth development of the ALD franchise system.

One of the objectives of the Enlarged Group following Admission will be to buy back and further develop certain existing franchise businesses.

### ***Research and development***

ALD uses sophisticated leak detection and related equipment. Certain of ALD's equipment is proprietary, including its XLT 50 Leak Finder (ALD's principal leak detector) as well as "LeakVue." LeakVue helps ALD technicians verify any change in a body of water, such as a swimming pool, the results of which are transferred wirelessly to a PDA device.

LeakVue was developed by Plain Sight, historically a major shareholder of ALDHC. Incorporated in 2000 by a group of scientists affiliated with Yale University, Plain Sight is principally a technology holding company and has a platform of over 15 patents and filings for new product offerings focused in various markets, including infrastructure services. Through its close relationship with Yale and the US Defense Department (particularly Defense Advanced Research Projects Agency or DARPA), Plain Sight has developed and owns a diverse patent portfolio and a range of proprietary technologies that it licenses to businesses across a wide range of markets from defence (e.g. Lockheed Martin) to resource management (e.g. Eaton Corporation). Over the last decade, Plain Sight has received over \$10 million in research funding from DARPA and other government agencies to advance its technologies.

ALD will have the right to utilise future technology related to the field of water supply and water metering developed by Plain Sight and its scientists following Admission on a royalty free basis for the first \$5,000,000 of any product sales which include intellectual property under the licence, with a fee of three per cent. paid on any further sales. Further information on this arrangement is set out in paragraph 12.3 of Part VII of this document.

The New Board intends to apply part of the proceeds from the Open Offer in expanding ALD's research and development activities in order to maintain ALD's competitive advantage over more standardised service providers in the water services sector. Further details on the use of proceeds are set out below.

### ***Revenue model***

ALD's key revenue streams are described below:

- *Franchise Royalties*  
Royalties typically account for almost two thirds of ALD's revenue. Franchisees pay monthly royalties based on a percentage of gross monthly sales, ranging from six to 10 per cent.
- *ALD Corporate Owned Locations*  
ALD derives revenue from sales at its premises in Palm Springs, San Bernadino, Boston and Fort Lauderdale. Corporate sales typically make up approximately 25 per cent. of ALD's total annual revenue.
- *New Franchise Sales*  
ALD also derives revenue from the sale of new franchises to franchisees. While not a priority over the past few years, the New Board intends to exploit the opportunity it believes there exists by expanding franchise operations into the UK, the EU as well as underdeveloped areas in the US.
- *ALD Warehouse*  
ALD supplies its franchisees with equipment and materials. This service is a convenience for franchisees. However, a modest mark-up is applied to the goods and hence additional revenue is generated. It is intended that, following Admission, Qconnectis products will be available to franchisees for operational use or resale through the ALD warehouse.

### ***The Leak Detection Market***

The New Board is of the view that both the residential/commercial and the municipal/utility markets present significant opportunities for a business with a brand, reputation and existing international presence, such as ALD.

On the residential side, an example of just one market in which ALD franchisees achieve higher margin sales is the location and remediation of pool and spa leaks. A report published by SBI Energy in May 2007 estimated that there were in excess of 8 million swimming pools in the US. The New Board estimates that approximately half of these pools are in-ground pools. Most, if not all, pools and spas

will have leak problems during their service life. The New Board's view is that with the application of growth capital, continued penetration of this market segment is possible.

From a more general perspective, the Water Infrastructure Network estimated in 2000 that over 20 years, \$940 billion would be required for investment in water and sewer infrastructure improvement works. The World Bank has estimated the costs to utilities of water lost before reaching the consumer due to leaky pipes and poor maintenance at approximately \$14 billion per annum. These costs increase when also considering water wasted due to leaks after reaching the end-user; whether commercial or residential. The US government has estimated that more than 1 trillion gallons of water leak from US homes each year, at a cost of approximately \$1.5 billion. 10 per cent. of these homes have leaks that waste more than 90 gallons per day. The costs to end-users can also be significant when considering the damage to property following a leak. In the US, it is estimated that \$10.4 billion is spent each year to repair the effects of leaks. In the UK, this figure is approximately £1.8 billion.

ALD's customers are not only providers and end-users of water but also organisations such as insurance companies and restoration companies. Increasingly, with infrastructure spending on the rise in the US and around the world, ALD is beginning to focus on municipal work such as water surveys of pipes in addition to its traditional leak detection offerings.

The Enlarged Group will seek to address these opportunities using ALD's existing established international consumer base as a place from which to grow. In addition to the expanded geographical reach, the New Board seeks to identify opportunities for the Enlarged Group to cross-sell complimentary products and services developed by the Company to ALD's existing customers and Qconnectis's prior municipal customers.

### **Barriers to entry and competition**

The New Board believes that its competitive advantages include its full range of service offerings, its brand and over 30 years of experience, the specialised equipment it uses, the training it provides its franchise owners and technicians working from business run directly by ALD, its marketing system and the key relationships it has with channel partners such as insurance and restoration companies. For certain segments of its business, ALD may face competition from others, including independent plumbers, repair services, other leak detection companies and services.

The New Board is aware of certain other companies or businesses that offer leak detection services. However, as far as it is aware, these businesses tend to be small owner run-operations without the franchise or branding presence of ALD.

### **Current trading and prospects**

#### *Qconnectis*

In the first quarter of 2010, Qconnectis generated modest revenues through a sale of 250 units of its Leakfrog product to Northumbrian Water, a new customer, and renewals of contracts for data monitoring services for London Fire Brigade. Overhead costs have been kept under control in order to preserve the Company's cash resources from the fundraising completed in January 2010, which at 31 March 2010, stood at approximately £144,000.

#### *ALD*

The first two months of 2010 produced a stable trading performance for ALD with consistent monthly revenue and earnings during a period in which, in ALD's management's opinion, the US economy was still emerging from the poor macroeconomic conditions in 2009. ALD generated turnover of approximately \$930,000 and franchise royalty income remained steady at 65 per cent. of revenue. ALD continues to perform in line with its management's expectations for the current financial year.

Qconnectis currently provides products which alert the consumer to a potential leak through the monitoring of a normal water usage rate and has historically supplied its products to utilities, such as Thames Water. At present, ALD specialises in pinpointing existing water leaks non-invasively so that they may be remediated with minimal damage to the surrounding area, i.e. walls and floors etc. Whilst



ALD does service municipalities in the United States, the majority of its customer base in the US is from the residential market. Following the Acquisition, the Enlarged Group aims to be able to provide its collective existing customers a broader and more complete range of products and services. Specifically, the New Board hopes that Qonnectis's existing UK water utility customers will benefit from the offering of non-invasive leak detection services and that ALD's current consumers can be supplied with water usage monitoring and successor products to help them to more effectively identify the presence of a leak.

In contemplation of completion of the Acquisition and Admission, the New Board has already been in active discussions with certain water utilities and potential franchisees in the UK. Although there can be no guarantees that these discussions will be successfully concluded, the New Board is hopeful that new revenue streams can be established following Admission.

### **Reasons for Admission, the Open Offer and use of the proceeds**

The New Board intends to use the net proceeds of the Open Offer to:

- maximise ALD's franchise and corporate-run opportunities;
- establish a UK operation, which will facilitate ALD's services being utilised in the UK water services industry, and an additional US operation in Connecticut; and
- develop, through the Company's arrangements with Plain Sight, additional water metering products and devices, including possibly a next generation wireless water flow analyser to be called 'Reporter', which may be expected to be in production by the end of 2011.

The New Board believes that the Acquisition and Admission should:

- enhance the status of the Enlarged Group's brand and market recognition;
- assist the Company in raising additional equity capital for the further development of the Enlarged Group's business;
- take advantage of future acquisition opportunities complementary to the current business model, should any arise;
- improve the Enlarged Group's ability to effect buy backs (where possible, using New Ordinary Shares to form all or part of the consideration) of developed franchise areas in the US which may benefit from being part of corporate run operations of the scale of ALD and the resulting efficiencies;
- enable the Enlarged Group to better recruit key personnel for expansion; and
- provide liquidity for investors through the ability to buy and sell New Ordinary Shares.

### **Principal terms of the Acquisition**

On 7 July 2010, Qonnectis entered into the Acquisition Agreements pursuant to which it has conditionally agreed to acquire 91.57 per cent. of the issued share capital of ALDHC, the consideration for which will be satisfied by the issue of the Consideration Shares (representing up to 78.09 per cent. of the Enlarged Share Capital), payable on Admission.

The Acquisition Agreements contain warranties from the Vendors in relation to their title to the capital stock of ALDHC, warranties by the Company in relation to its authority to issue the Consideration Shares and certain indemnities from the Vendors and by the Company.

The Acquisition is conditional upon, *inter alia*:

- (i) the entry into and the drawdown under the Bank Facility and repayment of the ALDHC Debt;
- (ii) the Acquisition Agreements becoming unconditional in all respects, save for Admission; and
- (iii) Admission of the Consideration Shares having occurred.

Further details of the proposed transaction structure and the Acquisition Agreements are set out in paragraphs 10 and 11.1.1 of Part VII of this document, respectively.

In the event that the Acquisition Agreements are completed, Qonnectic Acquisition Co. may elect to enter into the Merger which would result in the compulsory acquisition of any shares of ALDHC held by the Remaining ALDHC Shareholders and which, if implemented, would be filed and become effective on the day of Admission.

## **Capital Reorganisation**

The Capital Reorganisation is being proposed because, historically, the bid-offer spread for the Company's Existing Ordinary Shares has represented a relatively large proportion of the mid-market price. The New Board believe that the proposed consolidation will help to reduce the spread and increase liquidity when trading in the New Ordinary Shares commences. Accordingly, the New Board have decided that a share reorganisation will be effected on the basis of one New Ordinary Share and one B Deferred Share for every 1,200 Existing Ordinary Shares.

Holders of fewer than 1,200 Existing Ordinary Shares will not be entitled to receive a New Ordinary Share following the Capital Reorganisation. Shareholders with a holding in excess of 1,200 Existing Ordinary Shares, but which is not exactly divisible by 1,200, will have their holding of New Ordinary Shares rounded down to the nearest whole number of New Ordinary Shares following the Capital Reorganisation. Fractional entitlements, whether arising from holdings of fewer or more than 1,200 Existing Ordinary Shares, will be sold in the market and the proceeds will be retained for the benefit of the Company.

The Existing Ordinary Shares have been admitted to CREST. Application will be made for Enlarged Share Capital to be admitted to CREST, all of which may then be held and transferred by means of CREST. It is expected that the New Ordinary Shares arising as a result of the Capital Reorganisation in respect of Existing Ordinary Shares held in uncertificated form, i.e. in CREST, will be credited to the relevant CREST accounts on 30 July 2010 and that definitive share certificates in respect of the New Ordinary Shares arising as a result of the Capital Reorganisation from Existing Ordinary Shares held in certificated form will be despatched to relevant Shareholders by 6 August 2010. No temporary documents of title will be issued. Share certificates in respect of Existing Ordinary Shares will cease to be valid on 29 July 2010 and, pending delivery of share certificates in respect of New Ordinary Shares will be certified against the register. The record date of the Capital Reorganisation is 29 July 2010.

The rights attaching to the New Ordinary Shares will be identical in all respects to those of the Existing Ordinary Shares.

The B Deferred Shares will have no voting rights and will not carry any entitlement to attend general meetings of the Company; nor will they be admitted to AIM or any other market. They will carry only a priority right to participate in any return of capital to the extent of £1 in aggregate over the class. In addition, they will carry only a priority right to participate in any dividend or other distribution to the extent of £1 in aggregate over the class. In each case, a payment to any one holder of B Deferred Shares shall satisfy the payment required. The Company will be authorised at any time to effect a transfer of the B Deferred Shares without reference to the holders thereof and for no consideration.

Accordingly, the B Deferred Shares will, for all practical purposes, be valueless and it is the Board's intention, at an appropriate time, to have the B Deferred Shares cancelled, whether through an application to the Companies Court or otherwise. No certificates will be issued in respect of the B Deferred Shares.

The ISIN of the New Ordinary Shares will be GB00B3PFSR32 on Admission.

## **The City Code**

The issue of the Consideration Shares to the Concert Party gives rise to certain considerations under the Code. Brief details of the Panel, the Code and the protections they afford to Shareholders are described below.

The Takeover Code is administered by the Takeover Panel. The Takeover Code applies to all offers for public companies which have their registered office in the UK, Channel Islands and the Isle of Man, if any of their securities are admitted to trading on a regulated market in the UK or any stock exchange in the Channel Islands or the Isle of Man or which are considered by the Panel to have their place of



central management and control in these jurisdictions. Accordingly, Shareholders are entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires an interest (as defined in the Takeover Code) in shares which (taken together with shares in which he is already interested and in which persons acting in concert with him are interested), carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company, but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares, increasing the percentage of shares carrying voting rights, are acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares acquired during the 12 months prior to the announcement of the offer.

The members of the Concert Party are deemed to be acting in concert for the purposes of the Takeover Code. On Admission, the Concert Party, details of whom are set out below, will be interested in up to 6,899,048 New Ordinary Shares representing up to 73.55 per cent. of the Company's enlarged issued voting capital.

A table showing the interests in the Company's New Ordinary Shares held by the members of the Concert Party on Admission is set out below:

	<b>Number of Consideration Shares received pursuant to the Acquisition</b>	<b>Number of Open Offer Shares being subscribed for**</b>	<b>Percentage of the Enlarged Share Capital**</b>
Patrick DeSouza*	2,728,230	–	29.09
Plain Sight	1,829,756	40,000	19.93
Stanford Berenbaum*	1,070,926	–	11.42
Ronald Coifman*	219,962	–	2.34
Michael Reisman*	147,378	–	1.57
Frederick Warner*	120,543	–	1.28
Andreas Coppi*	120,543	–	1.28
James Carter	78,478	–	0.84
Komodo Trust for Health and Education	73,689	–	0.79
Stephen Leeb*	73,689	–	0.79
Bryan DeSouza	73,689	–	0.79
Pam Vigue	73,247	–	0.78
Todd Carter*	68,015	–	0.73
James Bass*	36,844	–	0.39
Jeffrey Greenberg	29,475	–	0.31
Laura Hills*	29,475	–	0.31
Eric Remole	29,475	–	0.31
Nicholas Black*	26,159	–	0.28
David Sandell	14,738	–	0.16
Lana Gayevsky	7,369	–	0.08
Steven Fishman	7,368	–	0.08
	<b>6,859,048</b>	<b>40,000</b>	<b>73.55</b>

\* also a shareholder in Plain Sight

\*\* this assumes minimum take-up under the Open Offer

The Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise as a result of the Proposals, subject to the approval of Shareholders, all of whom are independent of the City Code. Accordingly, Resolution 2 is being proposed at the General Meeting and will be taken on a poll.

**Following completion of the Acquisition and formal approval of the other Proposals, the members of the Concert Party will be interested in shares carrying more than 50 per cent. of the voting rights of the Company and (for as long as they continue to be treated as acting in concert) would be able to acquire further shares, without incurring an obligation to make an offer to shareholders of the Company under Rule 9, although individual members of the Concert Party will not be able to increase their percentage interests in shares through 30 per cent. or between 30 and 50 per cent. of the voting rights of the Company without Panel consent.**

### **Information on the Concert Party**

The Concert Party comprises the vendors of ALDHC, excluding John Oliver, Terry Vitello, Phil Meckley, Janice Dwyer and Natalie Gomez.

Plain Sight was founded by a group of scientists affiliated with Yale University and is a technology holding company. It was incorporated in 2000 and is based in New Haven, Connecticut where it has close links to Yale University, a Plain Sight shareholder.

ALDHC is Plain Sight's principal operating business and accounts for a significant proportion of its revenues. Further information on Plain Sight is set out above under the heading "Research and development".

Plain Sight's registered office is 19 Whitney Avenue, New Haven, Connecticut 06510. Its directors are Patrick DeSouza, Ronald Coifman, Stanford Berenbaum, Stephen Leeb and Micheal Reisman. The major shareholders are Patrick DeSouza, Ronald Coifman and Stanford Berenbaum who hold 23.87 per cent., 16.11 per cent. and 8.64 per cent. of the voting issued share capital, respectively. Plain Sight does not produce accounts.

Patrick DeSouza is the sole director of ALDHC and a director of Plain Sight and Stanford Berenbaum is a member of the senior management of Plain Sight. Both are Directors of the Company. Further details on Patrick DeSouza and Stanford Berenbaum can be found in the paragraph headed New Board below.

Michael Reisman and Stephen Leeb are directors of Plain Sight and are Proposed Directors of the Company. Further details on Michael Reisman and Stephen Leeb can be found in the paragraph headed New Board below.

Ronald Coifman, Andreas Coppi, Frederick Warner and Jonathan Berger are all senior employees or board members or shareholders of Plain Sight. Together Patrick DeSouza, Stanford Berenbaum, Michael Reisman, Stephen Leeb, Ronald Coifman, Andreas Coppi, Frederick Warner and Jonathan Berger own 58.62 per cent. of the voting issued share capital of Plain Sight.

James Carter and Pam Vigue are Senior Director of Corporate Field Services and Chief Financial Officer of ALD, respectively. Further details on James Carter and Pam Vigue can be found in the paragraph headed Senior Management of ALD below.

Todd Carter, Nicholas Black, James Bass, Jeffrey Greenberg, Laura Hills, Eric Remole, Steven Fishman, David Sandell, Lana Gayevsky and Nicholas Rockefeller (who is a trustee of the Komodo Trust for Health & Education) are all business associates of Patrick DeSouza and Stanford Berenbaum. Bryan DeSouza is Patrick DeSouza's brother.

## Details of the Open Offer

### *Structure*

The Directors have given a great deal of thought as to how to structure the proposed fundraising and have concluded that the Open Offer is the most suitable option available to the Company and its Shareholders.

Up to 1,332,946 New Ordinary Shares will be issued through the Open Offer at 75 pence per Open Offer Share (to raise gross proceeds of approximately £1 million). MJES has agreed as agent for the Company to use its reasonable endeavours to procure sub-underwriting commitments in respect of the Open Offer, and in accordance with, the terms of the Underwriting Agreement. Sub-underwriting commitments in respect of 876,553 New Ordinary Shares representing £657,414 have been procured at the date of this document (subject to clawback).

### *Allocations under the Open Offer*

In the event that valid acceptances are not received in respect of any of the Open Offer Shares under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility.

### *Basic Entitlements*

Prior to the proposed Capital Reorganisation, and subject to the fulfilment of the conditions set out below and in Part III of this document, Qualifying Shareholders are being given the opportunity, on and subject to the terms and conditions of the Open Offer, to apply for any number of Open Offer Shares (subject to the limit on the number of Excess Shares that can be applied for using the Excess Application Facility) at the Issue Price. Qualifying Shareholders have a Basic Entitlement of:

#### **11 Open Offer Shares for every 4,500 Existing Ordinary Shares**

registered in the name of the relevant Qualifying Shareholder on the Record Date and so in proportion for any other number of Existing Ordinary Shares held.

Basic Entitlements under the Open Offer will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Qualifying Shareholders with fewer than 4,500 Existing Ordinary Shares will not be able to apply for Excess Shares pursuant to the Excess Application Facility.

The aggregate number of Open Offer Shares available for subscription pursuant to the Open Offer will not exceed 1,332,946 New Ordinary Shares.

### *Excess Application Facility*

Subject to availability, the Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Excess Shares in excess of their Basic Entitlement up to an aggregate maximum number of shares equal to the maximum number of Open Offer Shares available under the Open Offer. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete the relevant sections on the Non-CREST Application Form. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 4.2 of Part III (*Terms and Conditions of the Open Offer*) for information on how to apply for Excess Shares pursuant to the Excess Application Facility. Excess applications may be allocated in such manner as the Directors determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

### *Application procedure under the Open Offer*

Qualifying Shareholders may apply for any whole number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to above. The Basic Entitlement, in the case

of Qualifying Non-CREST Shareholders, is equal to the number of Basic Entitlements as shown in Box 2 on their Non-CREST Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Basic Entitlements.

Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlement and also in respect of their Excess CREST Open Offer Entitlement as soon as practicable after 8.00 a.m. on 8 July 2010.

Application will be made for the Basic Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. It is expected that the Basic Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 8 July 2010. The Basic Entitlements and Excess CREST Open Offer Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on 8 July 2010. Applications through the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that their Non-CREST Application Form is not a negotiable document and cannot be traded.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part III (*Terms and Conditions of the Open Offer*) and, where relevant, on the Non-CREST Application Form.

#### *Conditionality*

The Open Offer is conditional upon the following:

- the entry into and the drawdown under the Bank Facility and repayment of the ALDHC Debt;
- the passing of the Resolutions to be proposed at the General Meeting to be held on 29 July 2010;
- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 30 July 2010; and
- the Underwriting Agreement becoming unconditional in all respects and not being terminated prior to Admission.

If the Resolutions are not passed or Admission does not take place at 8.00 a.m. on 30 July 2010 (or such later time and/or date as the Company may determine, not being later than 1.00 p.m. on 31 July 2010) or if the Underwriting Agreement is terminated, the Open Offer will lapse, any Basic Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will, after that time and date be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying Non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, without interest, as soon as practicable thereafter.

#### *Application for Admission*

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. Subject to, among other things, the Resolutions being passed, it is expected that Admission will become effective at 8.00 a.m. on 30 July 2010 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on the same day. No temporary documents of title will be issued.

The Open Offer Shares to be issued pursuant to the Open Offer will, following Admission, rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the date of this document and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the New Ordinary Shares after Admission.

In connection with the applications for Admission and the Open Offer, the Company has entered into the Underwriting Agreement with MJES pursuant to which MJES has agreed as agent of the Company to use its reasonable endeavours to procure sub-underwriting commitments for the Offer Shares. For more information on the Underwriting Agreement, see paragraph 11.1.7 of Part VII.

#### *Important notice*

**Shareholders should note that the Open Offer is not a rights issue. Qualifying Shareholders should be aware that in the Open Offer, unlike with a rights issue, any Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlements will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareholders who do not apply under the Open Offer, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility or sub-underwriters procured by MJES and that the net proceeds will be retained for the benefit of the Company.**

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding(s) of Shares prior to the close of business on 2 July 2010 is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchasers under the rules of the London Stock Exchange.

#### **Effect of the Open Offer**

Upon completion of the Open Offer, the Open Offer Shares will represent approximately 9.35 per cent. of the Enlarged Share Capital, based on the estimated minimum proceeds and 13.55 per cent. based on the maximum proceeds being received.

#### **Open Offer Shares**

The Open Offer Shares will be issued pursuant to authorities to be sought at the General Meeting. Following the issue of the Open Offer Shares pursuant to the Open Offer, a Qualifying Shareholder who does not take up any of his Basic Entitlement (and does not take up any Excess Shares under the Excess Application Facility) will suffer a dilution of approximately 95 per cent. to his economic interests in the Company. If a Qualifying Shareholder subscribes for his Basic Entitlement in full but does not take up any Excess Shares under the Excess Application Facility he will suffer a dilution of approximately 82 per cent. to his economic interests in the Company.

#### **New Board**

I will remain on the board of the Company as a Non-executive director following Admission. Conditional on Admission, Patrick DeSouza and Stanford Berenbaum will assume the roles of Chairman and Chief Executive Officer, respectively, Barbara Spurrier will be stepping down and Ric Piper, Michael Reisman and Stephen Leeb will be appointed as Non-executive Directors.

Brief details on the proposed New Board are set out below:

##### ***Patrick J. DeSouza (aged 51), Proposed Executive Chairman***

Dr DeSouza is President and Chief Executive Officer of Plain Sight and is a graduate of Columbia College, the Yale Law School and Stanford Graduate School. He has 18 years of operating and advisory leadership experience with both public and private companies in the defence, software/Internet and asset management industries. Over the course of his career, Mr DeSouza has had significant experience in corporate finance and cross-border mergers and acquisition transactions. He has practised corporate and securities law as a member of the New York and California bars. Mr DeSouza has also worked at the White House as Director for Inter-American Affairs on the National Security Council. He is the author of *Economic Strategy and National Security* (2000) and has been a visiting lecturer at Yale Law School.



***Stanford P. Berenbaum (aged 43), Proposed Chief Executive***

Mr Berenbaum is President and Chief Executive Officer of ALD. He earned his Doctor of Jurisprudence degree, cum laude, from Wayne State University. He was formerly partner in the Antitrust, Trade Regulation and Franchising Department of the Detroit-based law firm Honigman Miller, as well as Vice President and General Counsel of Little Caesar Enterprises, Inc., an international pizza restaurant operator and franchisor. Mr Berenbaum, licensed to practice before the US Supreme Court, is a member of the California and Michigan state bars and is also an International Franchise Association Certified Franchise Executive.

***Harry Offer (aged 47), Proposed Non-executive Director***

Mr Offer is a Director of the Offer Group Ltd and sold his interest in Screenedata Limited, a start up business in which he was a 50 per cent. shareholder and director in a trade sale in 2007. Harry has an MA from Cambridge and gained an MBA from Cranfield in 1993 in addition to his MRICS qualification in 1990 and is currently a trustee of The Richmond Charities' Almshouses.

***Ric Piper (aged 57), Proposed Non-executive Director***

Mr Piper qualified as a Chartered Accountant in 1977. He was appointed Finance Director of Logica (UK) in 1990 and was Group Finance Director of WS Atkins from 1993 to 2002. Since 2003, he has held the role of Chairman or Non-executive Director for several AIM and privately owned businesses. Mr Piper has been a partner with Restoration Partners Limited, which advises technology businesses, since 2006.

Mr Piper is an Audit Committee member of the Science and Technologies Facilities Council (and its predecessor, the Particle Physics & Astronomy Research Council), and is a member of the Financial Reporting Review Panel. Currently he is a Non-executive Director with Matchtech Group plc, an AIM listed technical and professional recruitment company, and with Turbo Power systems Inc, the Toronto Stock Exchange and AIM listed power generation and conditioning equipment supplier.

***Michael Reisman (aged 70), Proposed Non-executive Director***

Prof. Reisman is a director of Plain Sight and currently serves as Myres S. McDougal Professor of International Law at the Yale Law School, where he has been on the faculty since 1965 and has previously been a visiting professor in Tokyo, Berlin, Basel, Paris, Geneva and Hong Kong. He is a Fellow of the World Academy of Art and Science and a former member of its Executive Council, the President of the Arbitration Tribunal of the Bank for International Settlements, a member of the Advisory Committee on International Law of the Department of State, Vice-Chairman of the Policy Sciences Center, Inc., and a member of the Board of The Foreign Policy Association.

He has published widely in the area of international law and served as arbitrator and counsel in many international cases. He was also President of the Inter-American Commission on Human Rights of the Organization of American States, Vice-President and Honorary Vice-President of the American Society of International Law and Editor-in-Chief of the American Journal of International Law. He has served as arbitrator in the Eritrea/Ethiopia Boundary Dispute and in the Abyei (Sudan) Boundary Dispute.

***Stephen Leeb (aged 63), Proposed Non-executive Director***

Dr Leeb is a director of Plain Sight and acts as chairman of Leeb Capital Management, Inc., a registered investment advisory firm based in the New York. In his role as chairman, Dr Leeb guides the company's investment decisions which are then implemented within the portfolios under the firm's management.

He is also a member of the advisory boards of a number of private US companies and founded the Leeb Group, a publisher of financial newsletters. Dr Leeb has written seven published books on investments and financial trends.

Dr Leeb received his bachelor's degree in Economics from the University of Pennsylvania's Wharton School of Business and earned his master's degree in Mathematics and Ph.D. in Psychology from the University of Illinois.



### *Senior Management of ALD*

#### ***Pamela Vigue*** (aged 49), *Chief Financial Officer*

Ms Vigue, having received her Bachelor of Science degree in Accounting from California State University, San Bernardino, joined ALD in 1998 and has over 25 years experience in the accounting field.

#### ***Jimmy Carter Sr.*** (aged 46), *Sr. Director of Corporate Field Services*

Mr Carter has 25 years experience in leak detection and repair. As an expert in the municipal leak detection field, Mr Carter is as a frequent lecturer, speaker and advisor to Rural Water Association and American Water Works Association. Mr Carter has a variety of licenses, including several California State Plumbing Licenses, and is certified in Infrared Thermography and PADI open water diving, which allows him to investigate difficult to locate leaks, such as those in residential pools

#### ***Lisa Stickley*** (aged 45), *Director of Marketing*

Ms Stickley has over 20 years experience in the marketing, advertising, communications and PR sectors. She received her degree in Fashion and Business Marketing from Oregon State University and is also an International Franchise Association Certified Franchise Executive.

#### ***Judy Howard*** (aged 56), *Director of Franchisee Relations*

Having joined ALD over 13 years ago, Ms Howard is the company's director of Franchise Relations and provides support to ALD franchise owners.

#### ***Michelle Hoglund*** (aged 55), *Director of Human Resources and Administration*

Ms Hoglund, having completed Portland State University's Professional Development Program and received the university's Certificate in Human Resource Management, is ALD's director of Human Resources and Administration and has over 13 years of experience in the human resource field.

### **Lock-in and orderly market arrangements**

Under the terms of the Underwriting Agreement referred to in paragraph 11.1.7 of Part VII of this document, each of the New Board and Plain Sight has undertaken to the Company and MJES that he or she will not (and will procure that any person with whom he or she is connected will not) sell or otherwise dispose of any interest in New Ordinary Shares (excluding any Open Offer Shares) beneficially owned or otherwise held or controlled by him or her for a period of 12 months following Admission, save in limited circumstances such as, *inter alia*, the acceptance of an offer for the Company or the giving of an irrevocable undertaking to accept an offer so long as it is open to all shareholders; or a disposal pursuant to a court order, or required by law or any competent authority. Each of the New Board and Plain Sight has also undertaken that for a further period of 12 months after the first anniversary of the date of Admission, he or she will not (and will use all reasonable endeavours to procure that no person connected with him or her shall) dispose of any New Ordinary Shares, save in certain limited circumstances, without the consent of MJES, not to be unreasonably withheld. Ronald Coifman has agreed to the same terms pursuant to the terms of the lock in deed summarised in paragraph 11.1.8 of Part VII of this document. In addition, Barbara Spurrier, who is standing down from the Board on Admission, has undertaken not to dispose of any New Ordinary Shares for a period of one year from Admission without the consent of MJES.

### **Financial information on the Company and ALD**

The Company's annual report and accounts for the 18 month period ended 31 December 2009 have been posted to Shareholders with this document and are available to download from the Company's website, [www.qonnectis.com](http://www.qonnectis.com). Your attention is drawn to the "Current Trading and Prospects" section in this Part I above.

The following table sets out key financial information relating to ALDHC for the three years ended 31 December 2009. The figures below have been extracted without material adjustment from the financial information on ALDHC, set out in Part V of this document.

In order to make a proper assessment of the financial position of the ALDHC group, you should not rely solely on the summary information set out below but should read the whole of this document, including the financial information set out in Parts V and VI of this document.

(\$ millions)	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Royalties	3.817	3.867	3.933
Parts and Equipment sales	0.288	0.428	0.453
Franchise sales	0.018	0.126	0.025
Corporate owned sales	1.422	1.774	1.491
<b>Total revenue</b>	<b>5.545</b>	<b>6.195</b>	<b>5.902</b>
Cost of sales	(0.274)	(0.366)	(0.433)
Gross profit	5.271	5.829	5.469
GP margin	95.10%	94.10%	92.70%
Operating, administrative & selling expenses	4.279	5.131	4.655
<b>EBITDA*</b>	<b>0.992</b>	<b>0.698</b>	<b>0.814</b>
Stock based compensation	(0.042)	(0.126)	(0.126)
Depreciation and amortisation	(0.424)	(0.442)	(0.404)
<b>Operating profit</b>	<b>0.526</b>	<b>0.130</b>	<b>0.284</b>
Finance costs (net)	(0.288)	(0.363)	(0.307)
<b>Profit/(loss) before tax</b>	<b>0.238</b>	<b>(0.233)</b>	<b>(0.023)</b>

\* before stock based compensation charges

## Loan Notes and Warrants

On 11 January 2010 Qconnectis announced that it had issued £295,000 principal of guaranteed loan notes. The Loan Notes attract an interest rate of eight per cent. per annum and are repayable (together with accrued interest) upon completion of the proposed acquisition of ALD. Holders of Loan Notes have also been issued with Warrants to subscribe for Ordinary Shares at a 25 per cent. discount to the Issue Price. Loan Note holders have agreed to apply the proceeds of the repayment of Loan Notes upon completion of the proposed acquisition of ALD to exercise the Warrants granted to them.

If the Acquisition does not occur, the Loan Notes are repayable in two equal tranches on the first and second anniversaries of the date of issue. Repayment of the Loan Notes has been guaranteed in full by ALD, in consideration for which, ALD has been granted security by way of a fixed and floating charge over all of the Company's assets. In addition and again, if Admission does not occur, the Company has agreed to issue preferred convertible loan notes ("Preferred Loan Notes") to ALD in consideration of, among other things, any amounts loaned to the Company by ALD and any monies paid to any third party by ALD as a result of the repayment guarantee under the Loan Notes. The Preferred Loan Notes shall bear interest at 18 per cent. per annum and shall be redeemable at twice the principal amount (and unpaid interest). The Preferred Loan Notes shall be convertible, at ALD's option and subject to the grant of a waiver of the obligations under Rule 9 of the Code by independent shareholders at that time (if necessary), into Ordinary Shares at 0.1p per share. The Company has also agreed to permit ALD, at that time, to appoint a majority of the directors on the Board of the Company.

Further details of the Loan Notes and warrants are set out in paragraphs 11.1.2 and 11.1.3 of Part VII of this document.

The Company has also agreed to issue warrants to MJES to subscribe for 187,526 New Ordinary Shares at the Issue Price for a period of four years from Admission. The warrants are constituted by an instrument, further details of which are contained in paragraph 11.1.9 of Part VII of this document.

Under the Bank Facility, ALDHC will grant The Bank of Southern Connecticut a warrant over 70,000 shares of common stock in ALDHC at an exercise price of \$1 per share. The New Board will procure that the Company will grant replacement warrants over 70,000 New Ordinary Shares with an exercise price of 63 pence per share.

## **Share options**

The New Board believes that the recruitment, motivation and retention of key employees is vital for the successful growth of the Enlarged Group. The New Board considers that an important element in achieving these objectives is the ability to incentivise and reward staff (including executive directors) by reference to the market performance of the Company in a manner which aligns the interests of those staff with the interest of shareholders generally. The New Board intends to adopt new share option plans following Admission, pursuant to which options to acquire New Ordinary Shares will be granted to directors and employees of the Enlarged Group. If appropriate, the Board intends to adopt one policy for eligible employees based in the UK and one for eligible employees based in the US.

It is expected that the total number of New Ordinary Shares that may be committed under the schemes, if implemented, will represent in aggregate a maximum of 15 per cent. of the Company's issued ordinary share capital from time to time.

Further details of the existing Share Option Scheme and the New Board's proposals for eligible employees based in the US are set out in paragraph 9 of Part VII of this document.

## **Amendments to the Articles of Association**

Resolution 7 seeks the approval of Shareholders for a number of amendments to the Company's Articles of Association primarily to reflect the provisions of the Act which came into force in October 2009.

The principle changes between the proposed and the existing Articles of Association are summarised below:

### *Definitions*

The definition of the Companies Act 1985 has been removed to cater for the fact that the Act has brought into force in its entirety. Consequential amendments are made throughout the Articles to reflect the new act.

### *Conversion of Shares into Stock*

The existing Articles provide that the Company can convert any fully paid up shares into stock of the same class. This is no longer allowed under the Act and such provision has been removed.

### *Electronic form*

The Articles have further been amended to enable the Company to utilise electronic means, such as for the receipt of notices or documents, in accordance with the provisions of the Act.

### *Borrowing powers*

The limitation on the Company's power to borrow has been removed so that the Company can be flexible in its future financing arrangements.

A copy of the proposed Articles of Association showing all the changes to the existing Articles of Association is available for inspection, as noted at paragraph 19 of Part VII of this document, and will be available for inspection at the General Meeting.

## **Corporate governance**

The New Board recognises the importance of sound corporate governance and the New Board intends to ensure that, following Admission, the Company adopts policies and procedures which reflect the Corporate Governance Guidelines for AIM companies published by the Quoted Companies Alliance ("QCA").

Following the implementation of the Proposals, the New Board will meet monthly to review key operational issues and the strategic development of the Enlarged Group. The financial performance of the Enlarged Group will be reported and monitored. All matters of a significant nature will continue to be discussed in the forum of a board meeting. The New Board will be responsible for internal controls to minimise the risk of financial or operational loss or material misstatement. The controls established will be designed to meet the particular needs of the Company having regard to the nature of its business.

The Company has also established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. Each committee will consist of Ric Piper and Michael Reisman, with Ric Piper chairing the Audit Committee and Michael Reisman chairing the Remuneration Committee.

The Audit Committee will determine the terms of engagement of the Enlarged Group's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee will receive and review reports from management and the Enlarged Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Enlarged Group.

The Audit Committee will have unrestricted access to the Enlarged Group's auditors.

The Remuneration Committee will review the scale and structure of the executive directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors will be set by the entire board.

Corporate governance measures are designed to manage rather than eliminate risk of failure to achieve business objectives or abuse of internal controls, and can only provide reasonable and not absolute insurance against material misstatement, loss or abuse.

The Company will on Admission adopt a share dealing code and ensure, in accordance with Rule 21 of the AIM Rules, that the New Board and applicable employees do not deal in any New Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by the Directors and applicable employees.

The Directors believe that the Company has sufficient experience in accounting systems and controls which will provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Enlarged Group.

## **Dividend policy**

The New Board's objective is to grow the Enlarged Group's business. Future income generated by the Enlarged Group for at least the first three years following Admission, will be re-invested to implement its growth strategy. In view of this and the adverse tax consequences arising out of the Company's potential dual tax status (see paragraph 15 in Part VII of this document), it is very unlikely that the New Board will recommend a dividend in the early years following Admission.

However, the New Board intends that the Company will recommend or declare dividends at some future date once they consider it commercially prudent for the Company to do so, bearing in mind the financial position and resources required for its development.

## **Taxation**

The Company has received provisional clearance from HMRC that the Enlarged Group will meet the investor company requirements for the Enterprise Investment Scheme ("EIS") and Venture Capital Trust ("VCT") legislation.

Further information regarding UK taxation with relation to the Ordinary Shares, the Offer Shares and Admission is set out in paragraph 15 of Part VII of this document. These details are intended as a general guide only to the position under current UK taxation law as at the date of this document. If a Shareholder is in any doubt as to his or her tax position he or she should consult his or her own independent financial adviser immediately.

## **CREST**

The Existing Ordinary Shares are eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in the New Ordinary Shares may take place within the CREST system if the relevant shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

## **General Meeting**

The notice convening the General Meeting is set out at the end of this document. A General Meeting has been convened for 10.00 a.m. on 29 July 2010 at the offices of MJES, 51-55 Gresham Street, London EC2V 7HQ for the purpose of considering and, if thought fit, passing the following resolutions:

### **Ordinary resolutions to:**

- (1) approve the Acquisition;
- (2) approve the Waiver;
- (3) authorise the Directors to allot relevant equity securities under Section 551 of the Act; and
- (4) approve the Capital Reorganisation.

### **Special resolutions to:**

- (5) disapply statutory pre-emption rights;
- (6) change the name of the Company to Water Intelligence plc; and
- (7) adopt the Articles of Association to reflect certain provisions of the Act.

To be passed, Resolutions 1 to 4 require a majority of not less than 50 per cent. and Resolutions 5 to 7 will require a majority of not less than 75 per cent. of the Shareholders voting in person or by proxy in favour of each Resolution. In addition, in accordance with the requirements by the Panel, Resolution 2 shall be taken on a poll of Shareholders.

## **Irrevocable undertakings to approve the Proposals**

The Independent Directors have irrevocably undertaken to the Company to vote in favour of the Resolutions to be proposed at the General Meeting, in respect of their aggregate beneficial holdings totalling 40,097,300 Existing Ordinary Shares, representing approximately 7.35 per cent. of the Existing Ordinary Shares.

## **Admission and dealings**

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on 30 July 2010.

## **Further information**

The attention of Shareholders is drawn to the information contained in Parts II to VII of this document which provide additional details on the Proposals and the Enlarged Group.

## **Action to be taken**

### *General Meeting*

You will find enclosed with this document a Form of Proxy. Whether you intend to be present at the General Meeting or not, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it by post or by hand (during normal business hours only) to the Registrar at PXS, 34 Beckenham Road, Beckenham BR3 4TU using the accompanying pre-paid envelope (for use in the UK only) as soon as possible and, in any event, so as to be received by no later than 10.00 a.m. on 27 July 2010. **If you hold Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar (CREST participant ID RA10), so that it is received by no later than 10.00 a.m. on 27 July 2010. The completion and return of a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled.**

If the Form of Proxy is not returned or the CREST Proxy Instruction submitted by 10.00 a.m. on 27 July 2010, your vote will not count.



## *Open Offer*

### *Qualifying Non-CREST Shareholders (i.e. holders of Shares who hold their Shares uncertificated form)*

If you are a Qualifying Non-CREST Shareholder you will receive a Non-CREST Application Form which gives details of your Basic Entitlement under the Open Offer (as shown by the number of Basic Entitlements set out in Box 2 of the Non-CREST Application Form). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Non-CREST Application Form in accordance with the procedure for application set out in paragraph 4.1 of Part III (*Terms and Conditions of the Open Offer*) and on the Non-CREST Application Form itself. Qualifying non-CREST Shareholders who wish to subscribe for more than their Basic Entitlement should complete Boxes 6, 7, 8 and 9 on the Non-CREST Application Form. Completed Non-CREST Application Forms, accompanied by full payment in accordance with the instructions in paragraph 4.1(d) of Part III (*Terms and Conditions of the Open Offer*), should be posted using the accompanying pre-paid envelope (if posted from the UK) or returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in either case, as soon as possible and in any event so as to be received by no later than 11.00 a.m. on 28 July 2010. If you do not wish to apply for any Open Offer Shares under the Open Offer, you should not complete or return the Non-CREST Application Form.

### *Qualifying CREST Shareholders (i.e. holders of Shares who hold their Shares in uncertificated form)*

If you are a Qualifying CREST Shareholder you will not be sent a Non-CREST Application Form. You will receive a credit to your appropriate stock account in CREST in respect of the Basic Entitlement under the Open Offer and also an Excess CREST Open Offer Entitlement for use in connection with the Excess Application Facility. You should refer to the procedure for application set out in paragraph 4.2 of Part III (*Terms and Conditions of the Open Offer*). The relevant CREST instructions must have settled in accordance with the instructions in paragraph 4.2 of Part III (*Terms and Conditions of the Open Offer*) by no later than 11.00 a.m. on 28 July 2010.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an appropriately qualified independent professional adviser.

## **Recommendation**

The Independent Directors, having been so advised by MJES, consider the Proposals to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole. In providing advice to the Board, MJES has taken into account the Independent Directors' commercial assessments.

Patrick DeSouza and Stanford Berenbaum are directors, senior managers and shareholders of Plain Sight and, as a result, have a conflict of interest for the purpose of Rule 25.1 (Note 3) of the City Code and therefore have taken no part in the deliberations of the Board and have been excluded from the recommendation of the Board.

Accordingly, the Independent Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as they have undertaken to do in respect of their aggregate holdings of 40,097,300 Ordinary Shares representing approximately 7.35 per cent. of the Existing Ordinary Shares, by signing and returning the Form of Proxy to the Company's Registrars.

Yours faithfully

**Harry Offer**  
*Chairman*

## PART II

### Risk factors

Potential investors should carefully consider the risks described below before making a decision to invest in the Company. This Part II contains what the Directors and the Proposed Directors believe to be the principal risk factors associated with an investment in the Company. It should be noted that this list is not exhaustive and that other risk factors will apply to an investment in the Company. If any of the following risks actually occur, the Enlarged Group's business, financial condition and/or results or future operations could be materially adversely affected. In such circumstances, the trading price of the New Ordinary Shares could decline and an investor may lose all or part of his investment.

There can be no certainty that the Enlarged Group will be able to implement successfully the strategy set out in this document. Additional risks and uncertainties not currently known to the Directors or Proposed Directors or which the Directors or Proposed Directors currently deem immaterial, may also have an adverse effect on the Enlarged Group.

This document contains forward-looking statements that involve risks and uncertainties. The Enlarged Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Enlarged Group which are described below and elsewhere in this document. Prospective investors should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Enlarged Group.

An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

#### Specific risks relating to the Enlarged Group

##### *Attraction and retention of key management, employees, franchisees and technicians*

The successful operation of the Enlarged Group will depend partly upon the performance and expertise of its current and future management, employees, franchisees and technicians. The loss of the services of certain of these members of the Enlarged Group's key management or employees, or a loss of the ability to continue to attract and retain qualified employees, franchisees or technicians may have a material adverse effect on the Enlarged Group.

##### *Expansion opportunities for the Enlarged Group*

The Enlarged Group may not be able to achieve its planned rate of expansion. If the Enlarged Group is unable to sell new franchises successfully, further develop existing franchise areas, develop underperforming franchise areas or develop new products and services to be sold into existing sales channels, the Company's future growth in revenue and profits may be adversely affected.

##### *The ability to buy-back existing franchisees*

The New Board anticipates that a part of the Enlarged Group's growth will arise from its ability to buy-back certain territories covered by existing franchise agreements. While the Enlarged Group has been approached by a number of existing franchisees who have expressed an interest to sell their existing territories, there is no obligation for franchisees to sell such territories and any decision to do so is likely to be of a commercial nature. There can be no guarantee that the Enlarged Group will be able to reach agreement with any of the franchisees. The inability of the Enlarged Group to effect its strategy would have an adverse impact on the projected growth of the Enlarged Group.

### *Sourcing suitable franchisees*

The Enlarged Group's expansion plans are dependent on its ability to recruit prospective franchisees. If candidates of a suitable calibre cannot be found, the rate of growth of the franchise network of outlets may be restricted. Despite ALD's extensive training programme and centralised support system, unsuitable franchisees may be engaged who may not develop the franchise (and consequently Enlarged Group's revenue) in line with ALD's expectations. The Enlarged Group must ensure that such franchisees are successfully replaced. There may also be delays converting confirmed interests into operational franchises, making it difficult to predict the results of the Enlarged Group's franchisee recruitment programme with precision.

### *Underperforming franchisees*

The Enlarged Group must ensure that it attracts the right candidates with the appropriate profile for appointment as franchisees. Once a confirmed interest has been converted into an operational franchise, the Enlarged Group must ensure that the franchisee has aligned its strategy appropriately to that of the Enlarged Group. The Enlarged Group must adequately motivate the franchisee to implement selling techniques and to ensure appropriate incentivisation. If such incentivisation is not successfully employed, there may be an increase in the number of unsuccessful franchisees, resulting in increased churn rates. This increase, while having a negative impact on the costs of the Enlarged Group, could also have damaging effect on the reputation of the Enlarged Group and the ALD brand.

### *Financial management of outlets by franchisees*

Franchisees may experience financial difficulties. Whilst the Enlarged Group will offer management assistance with franchised businesses which do not perform, financially stressed franchises could divert management resources and inhibit the progress of the Enlarged Group or damage the ALD brand in a particular location or territory.

### *Reduction in royalty income*

The Enlarged Group will be highly reliant on the establishment and preservation of a good working relationship with ALD franchisees. Should this relationship breakdown for any reason, for example, should the franchisee disagree with the strategies employed by the management of the Enlarged Group, the franchisee may choose to cease operations or to sell or close their business or stop paying royalties, leading to a reduction in royalty income.

### *Seasonal effects on sales*

In certain geographical areas, the leak detection business is subject to certain seasonal fluctuations in sales due to the change in weather. ALD has typically, in some geographical regions, experienced a low level of sales in winter. This subsequently has the impact of fluctuations in revenue. Bouts of severe or extreme weather may have an adverse effect on the Enlarged Group's financial position and the subsequent financial reporting periods.

Expansion of the Enlarged Group may require considerable management time which may in turn inhibit management's ability to conduct the day to day business of the Company.

### *Rapid growth*

If the Enlarged Group's business and operations experience rapid growth and its systems and controls have not been developed to manage this growth effectively, the Enlarged Group's business and operating results could be harmed and the Enlarged Group may have to incur significant expenditure to implement the additional operational and control requirements necessary to meet such growth.

### *Reliance on intellectual property*

The Enlarged Group will rely on intellectual property laws and third party non-disclosure agreements to protect its intellectual property rights. Despite precautions which may be taken by the Enlarged Group to protect its products, unauthorised parties may attempt to copy, or obtain and use its products. To the extent that intellectual property rights protect the Enlarged Group, litigation may be necessary to

protect such rights and could result in substantial costs to, and diversification of effort by, the Enlarged Group with no guarantee of success. The failure or inability of the Company to protect its proprietary information, and the expense of doing so, could have a material adverse effect on its operating results and financial condition.

#### *Performance of franchisees and exposure to brand damage*

The Enlarged Group depends, in large part, on the ALD brand. The vast majority of franchises are owned and operated by franchisees who are responsible for delivering the high standards of the ALD brand to customers. This includes ALD standards as it relates to office procedures and administration, human resources, injury and illness prevention, customer service, marketing and proper use of approved equipment. Whilst franchisees are required to operate within the company's standards, they are given a degree of autonomy to ensure they operate in a way that suits their local area. Despite its standards and compliance methods, the Enlarged Group may be unable to always prevent franchises from failing to comply at all times with these standards.

The failure of a franchisee, and in particular, the failure of a material franchisee responsible for the management of a significant number of business, to operate within the Enlarged Group's business model in relation to matters such as servicing particular customer issues within operational guidelines, the services offered, and the training of staff, could damage the Enlarged Group's reputation and adversely impact on the overall financial performance of the Enlarged Group.

Franchisees, as independent business operators, may from time to time disagree with the Enlarged Group's business strategy or with the Enlarged Group's interpretation of respective rights and obligations under the relevant franchise agreements. This may lead to disputes between the Enlarged Group and the franchisees, which the Enlarged Group expects to occur from time to time. To the extent the Enlarged Group has disputes with one or a number of franchisees, who may be able to exercise a degree of influence over the Enlarged Group's business and pressurise the Enlarged Group to resolve the disputes in their favour, this could have a material adverse effect on the Enlarged Group's profitability, results of operations and/or cash flows. Any such disputes would also have the effect of diverting the attention of the Enlarged Group's management from their normal business.

#### *The reputation, value and protection of the ALD brand*

The Enlarged Group is reliant on the ALD brand and associated trademarks and is dependant, in part, on the continued ability to use existing registered trademarks and service marks to promote its products, increase brand awareness, and further develop the business of the Enlarged Group. If the Enlarged Group's efforts to protect ALD's existing intellectual property prove to be inadequate, the value of the ALD brand could be harmed, which could adversely affect the Enlarged Group's business, results of operations, financial condition and/or prospects.

Although the ALD brand name is a registered trademark in the United States and the logo used to distinguish the company's brand is protected, such intellectual property rights might not be enough to prevent imitation of the Enlarged Group's brand and concepts by others or to prevent third parties from claiming violations of their trademarks and proprietary rights by the Enlarged Group. Furthermore, although the Enlarged Group will seek to ensure that it has adequate controls over the use of the its trademark in the UK and other international territories, it is possible that others could take certain action resulting in damage to the reputation of the Enlarged Group's brand and intellectual property, thus potentially impacting on overall sales revenues.

For example, any wrongful trading by any franchisee of the Enlarged Group or poor quality of products associated with the Enlarged Group's brand, could impact on consumer perception of the brand and affect consumer demand for the Enlarged Group's products. In addition, any business failure of one or more of the Enlarged Group's franchisees, and in particular the failure of a material franchisee, could adversely affect the Enlarged Group's business, results of operations, financial condition or prospects, due to the association of failure with the Enlarged Group's business model.

### *Entry into new markets*

The Enlarged Group's future growth will be highly dependent on its ability to generate business in new sectors and additional geographical markets. Whilst the New Board believes that the areas they are targeting in the medium term will prove rewarding there is no guarantee that the Enlarged Group will be able to generate the level of sales or profitability anticipated if the costs of entry into and operating in these new areas prove to be higher than expected.

### *Existing products and development of new products*

Whilst the New Board is not aware of any material issues or defects with Qonnectis' existing products, the Enlarged Group's future prospects could be damaged by any future liability or claim that may arise in connection with historic sales of products by Qonnectis.

The Enlarged Group's future growth will also be dependent on its ability to develop and sell new products, including for example the next generation wireless water flow analyser to be called 'Reporter'. There can be no guarantees that new products will be successfully developed or if developed, successfully sold to customers, which could affect the Enlarged Group's future revenues and profits.

### *Current operating results as an indication of future results*

The Enlarged Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Accordingly, Shareholders or potential investors should not rely on comparison with the ALD's results to date as an indication of future performance. Factors that may affect the Enlarged Group's operating results include increased competition, and anticipated costs and expenses and slower than expected growth. It is possible that, in the future, the Enlarged Group's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the New Ordinary Shares may decline significantly.

### *Government regulation regarding franchising*

As a franchisor, ALD is subject to federal regulation and certain state laws in the United States that govern the offer and sale of franchises. In addition, many state franchise laws in the United States impose substantive requirements on franchise agreements, including limitations on non-competition provisions and the termination or non-renewal of a franchise. Countries targeted for future expansion also might have similar laws regulating franchising. Legislation has been introduced from time to time in the United States at the federal and state level and other countries that would provide for regulation of substantive aspects of the franchisor-franchisee relationship. As proposed, such legislation would limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise or impose requirements on the assignment of a franchise, the ability of a franchisor to designate sources of supply, and other aspects of the franchise relationship.

### *ALD could face liability based on its franchise activities.*

A franchisee or government agency may bring legal action against ALD based on the franchisor-franchisee relationships. Various federal and state laws in the United States govern ALD's relationship with its franchisees and its potential offer and sale of a franchise. If ALD fails to comply with these laws, it could be liable for damages to franchisees and fines or other penalties. Expensive litigation with its franchisees or government agencies may adversely affect both its profits and its important relations with its franchisees.

### *Appraisal rights*

In the event that any of the Remaining ALDHC Shareholders do not sign an Acquisition Agreement prior to Admission, the Company may elect to implement the Merger, which would result in those Remaining ALDHC Shareholders' shares of ALDHC common stock being compulsorily acquired through a short form merger. In this case, a Remaining ALDHC Shareholder may elect to exercise appraisal rights pursuant to the Delaware General Corporation Law. These shareholders are entitled to



an appraisal by the Delaware Court of Chancery of the fair value of each share of ALDHC common stock held by the shareholder and, following conclusion of the process (which is more fully described at paragraph 10.3 of Part VII of this document) to receive payment from ALDHC in cash of the appraised fair value of the shares. The determination by the Court of Chancery of the fair value of shares of ALDHC common stock would be made exclusive of any element of value arising from the accomplishment or expectation of the proposed transaction, and could be higher or lower than the value of the Company ordinary shares. Each Remaining ALDHC Shareholder that chooses to exercise appraisal rights must pay his or her own attorney and expert witness fees. If any Remaining ALDHC Shareholders exercise appraisal rights, the resulting payments would reduce the amount of cash available to the Enlarged Group, which may affect the operations of the Enlarged Group. Although appraisal rights are the exclusive remedy available to a minority shareholder challenging a short-form merger, shareholders may seek to make other claims against ALDHC and its directors and officers.

In the event that the Merger is not implemented, the Remaining ALDHC Shareholders would have no statutory appraisal rights pursuant to the Delaware General Corporation Law.

### **General risks relating to the Enlarged Group**

#### *Competition*

ALD may face significant competition, including from domestic and overseas competitors who have greater capital and other resources and superior brand recognition than the Enlarged Group and may be able to provide better products or adopt more aggressive pricing policies. There is no assurance that the Enlarged Group will be able to compete successfully in such a marketplace.

#### *Litigation*

While the Enlarged Group currently has no material outstanding litigation, there can be no guarantee that the current or future actions of the Enlarged Group will not result in litigation, both with and without merit. The Enlarged Group may therefore in future be party to litigation in the course of its business. Any litigation, by the Enlarged Group or against it, may be costly and lengthy and there can be no assurance that the Enlarged Group will prevail. Litigation could also involve a significant diversion of resources and management attention and be disruptive to normal business operations. An unfavourable resolution of a particular law suit or the costs or adverse publicity associated with substantial litigation could have a material adverse effect on the Enlarged Group's business, operating results or financial condition.

#### *Indemnification and exculpation of ALDHC directors*

The organisational documents of ALDHC provide for the indemnification of ALDHC's directors and officers for certain actions taken in their capacity as directors and officers, and also prohibit ALDHC from pursuing certain claims against the directors and officers. If any ALDHC director or officer becomes subject to litigation, that director or officer could, with certain exceptions, require ALDHC to pay expenses relating to the litigation, including judgments resulting from the litigation.

#### *The Enlarged Group's objectives may not be fulfilled*

The value of an investment in the Enlarged Group is dependent upon the Enlarged Group achieving the aims set out in this document. There can be no guarantee that the Enlarged Group will achieve the level of success that the New Board expects.

#### *Internal systems and controls*

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

#### *Other directorships/interests*

It is possible that members of the New Board may, following Admission, be interested in or act, in a limited capacity, in the management or conduct of the affairs of other companies. Should any conflicts of interest be identified, they will be declared to the New Board and dealt with appropriately.

#### *Controlling shareholders*

Following Admission, in excess of 50 per cent. of the Enlarged Share Capital will be held by the Concert Party. The Concert Party will, therefore, be able to exercise significant influence over the Enlarged Group's corporate actions and activities and the outcome in general of matters pertaining to the Enlarged Group, including the appointment of the Enlarged Group's board of directors and the approval of significant change of control transaction. This control may in the future have the effect of making certain transactions more difficult without the support of the members of the Concert Party and may have the effect of delaying or preventing an acquisition or other change in control of the Enlarged Group.

#### *Economic, political, judicial, administrative, taxation or other regulatory matters*

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

The share price of publicly traded companies can be highly volatile. The price at which the Company's issued shares will be publicly traded and the price which investors may realise for their shares in the Company will be influenced by a large number of factors, some specific to the Enlarged Group and its operations and some which may affect the sector in which the Enlarged Group operates or publicly traded companies generally.

#### *Foreign exchange rate fluctuations may adversely affect the Company's results*

The Company records its transactions and prepares its financial statements in pounds sterling, but a substantial proportion of the Enlarged Group's income following the Acquisition will be received in US Dollars. To the extent that the Enlarged Group's foreign currency assets and liabilities are not matched, fluctuations in exchange rates between pounds sterling, the US Dollar and the Euro may result in realised or unrealised exchange gains and losses on translation of the underlying currency into pounds sterling that may increase or decrease the Company's results of operations and may adversely affect the Enlarged Group's financial condition, each as stated in pounds sterling. In addition, if the currencies in which the Enlarged Group earns its revenues and/or holds its cash balances we can against the currencies in which it incurs its expenses, this could adversely affect the Enlarged Group's profitability and liquidity. Where a substantial net foreign currency liability exists, the Enlarged Group will consider hedging against it to minimise foreign currency expense. However, such hedging is based on estimates of liabilities and future revenues and will not fully eliminate future foreign currency exchange fluctuations.

#### *General*

If any or all of the above risks actually occur, the Enlarged Group's business, financial conditions, results or future operations could be adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors and Proposed Directors, or which the Directors and Proposed Directors currently deem immaterial, may also have an adverse effect upon the Enlarged Group.

### **Market risks**

#### *AIM*

Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share that is traded on AIM may be less readily realisable and may carry a higher degree of risk than an investment in a share listed on the Official List of the UK Listing Authority. The price which investors may realise for their holding of Ordinary Shares, as and when they are able to do so,

may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous.

It may be difficult for an investor to sell his or her Ordinary Shares and he or she may receive less than the amount paid by him or her for them. The market for shares in smaller public companies, including the Company's, is less liquid than for larger public companies. Consequently, the share price may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's profits or net assets.

#### *Requirement for further funds*

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

ALD has historically generated sufficient cash surpluses to meet repayments due under its previous debt arrangements. The New Board expects that the Enlarged Group will also generate sufficient cash to meet both interest and capital payments under its new commercial bank facility. However, in the event of very poor market conditions or a material deterioration of the Enlarged Group's business, there is no guarantee that in the future, the Enlarged Group's cashflow will enable it to satisfy its obligations under the bank facility. Any default under such facility would have material adverse consequences on the business of the Enlarged Group and the value of its shares.

#### *Liquidity*

Whilst the Company is applying for the re-admission of its shares to trade on AIM, there can be no assurance that an active trading market for the Companies shares will be maintained.

#### *There may be volatility in the price of the Ordinary Shares*

The Issue Price may not be indicative of the market price for the New Ordinary Shares following Admission. The market price of the New Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in sentiment in the market regarding the Company, the sector or equities generally, any regulatory changes affecting the Enlarged Group's operations, variations in the Enlarged Group's operating results and/or business developments of the Enlarged Group and/or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, news reports relating to trends in the Enlarged Group's markets or the wider economy and the publication of research analysts' reports regarding the Company or the sector generally.

#### *Holder of Existing Ordinary Shares who do not acquire New Ordinary Shares pursuant to the Open Offer will experience a dilution of their percentage ownership of the Ordinary Shares*

To the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their Shareholdings represent of the ordinary share capital of the Company will, following Admission be reduced accordingly. Subject to certain exceptions, Shareholders in the United States and other Excluded Territories will not be able to participate in the Open Offer.

#### *Pre-emptive rights may not be available for US and other non-UK holders of Ordinary Shares*

In the case of an increase of the share capital of the Company for cash, the existing Shareholders are generally entitled to pre-emption rights pursuant to the Act unless such rights are waived by a special resolution of the Shareholders at a general meeting (as proposed in respect of the Open Offer), or in certain circumstances stated in the Articles. To the extent that pre-emptive rights are applicable, US and certain other non-UK holders of the Ordinary Shares may not be able to exercise pre-emptive rights for

their New Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and, in the case of US holders, unless a registration statement under the US Securities Act is effective with respect to those rights or an exemption from the registration requirements thereunder is available. The Open Offer will not be registered under the US Securities Act. Qualifying Shareholders who have a registered address, or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers about whether they require any governmental or other consents or need to observe any other formalities to enable them to participate in the Open Offer.

### **Taxation framework**

This document has been prepared in accordance with current UK, and certain US, tax legislation, practice and concession and interpretation thereof. Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to its shareholders or alter post tax returns to its shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

#### *Treatment of the Company as a US Corporation for US Federal Tax Purposes*

The acquisition of ALDHC by the Company is expected to be treated as an "inversion transaction" under the US federal tax rules, with the result that the Company will be treated as a US corporation for US federal tax purposes, while continuing to be treated as a UK company for UK tax purposes. This dual residency of the Company may result in possible double taxation to the Company unless relief is available under the UK:US double tax treaty or foreign tax credits are available to, and effectively used by, the Company in the respective jurisdictions. Non-US holders of the Company's New Ordinary Shares generally will be subject US withholding tax on dividends and, in certain limited circumstances, may be subject to US federal income tax on the disposal of the New Ordinary Shares. Your attention is drawn to the section headed "US Taxation" at paragraph 16 of Part VII of this document.

Investors should consult with their independent tax advisors regarding the impact on their personal tax affairs of the dual resident status of the company, as well as the specific tax consequences to such investors of the purchase, ownership or disposal of New Ordinary Shares in the Company, including the effect and applicability of any US federal gift or estate, state, local, non-US or other tax laws and the possible effects of changes in such tax laws.

## PART III

### Terms and Conditions of the Open Offer

#### 1. Introduction

The Company proposes to issue up to 1,332,946 New Ordinary Shares in order to raise gross proceeds of up to approximately £1 million by way of the Open Offer. Upon completion, and assuming maximum take-up under the Open Offer, of the Open Offer, the New Ordinary Shares will represent approximately 13.56 per cent. of the Enlarged Share Capital.

The New Ordinary Shares to be issued pursuant to the Open Offer will, following Admission, carry the right to receive all dividends and distributions declared, made or paid on or in respect of the New Ordinary Shares to be issued pursuant to the Capital Reorganisation after Admission.

Subject to and in accordance with the terms of the Underwriting Agreement MJES has agreed as agent for the Company to use its reasonable endeavours to procure sub-underwriting commitments for the Open Offer. MJES has entered into certain sub-underwriting arrangements in respect of 876,553 New Ordinary Shares at the date of this document.

The Open Offer is an opportunity for Qualifying Shareholders to apply to subscribe for Open Offer Shares at the Issue Price in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding of Shares prior to the close of business on 2 July 2010 is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchasers under the rules of the London Stock Exchange.

A summary of the arrangements relating to the Open Offer is set out below. This document and, for Qualifying Non-CREST Shareholders, the Non-CREST Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 of this Part III (*Terms and Conditions of the Open Offer*) which gives details of the procedure for application and payment for the Open Offer Shares.

#### 2. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Non-CREST Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Open Offer Shares (subject to the limit on the number of Excess Shares that can be applied for using the Excess Application Facility) at the Issue Price (payable in full on application and free of all expenses) and will have a Basic Entitlement of:

##### **11 Open Offer Shares for every 4,500 Existing Ordinary Shares**

registered in the name of each Qualifying Shareholder on the Record Date and so in proportion for any other number of Existing Ordinary Shares then registered. Applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlements.

Basic Entitlements will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Qualifying Shareholders with fewer than 409 Existing Ordinary Shares will not be able to apply for Excess Shares under the Excess Application Facility.

Qualifying Shareholders may apply to acquire less than their Basic Entitlement should they so wish. In addition, Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility, up to an aggregate maximum number of shares equal to the maximum number of Open Offer



Shares available under the Open Offer. Please refer to paragraphs 4.1(c) and 4.2(c) of this Part III (*Terms and Conditions of the Open Offer*) for further details of the Excess Application Facility.

**Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Basic Entitlements, as will holdings under different designations and in different accounts.**

Qualifying CREST Shareholders will have their Basic Entitlements credited to their stock accounts in CREST and should refer to paragraphs 4.2(a) to 4.2(l) of this Part III (*Terms and Conditions of the Open Offer*) and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply to acquire any number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to below. The Basic Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box 2 on the Non-CREST Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST.

The Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Excess Shares in excess of their Basic Entitlement up to an aggregate maximum number of shares equal to the maximum number of Open Offer Shares available under the Open Offer. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete Boxes 6, 7, 8 and 9 on the Non-CREST Application Form. Excess applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all.

The aggregate number of Open Offer Shares available for subscription pursuant to the Open Offer (including under the Excess Application Facility) is 1,332,946 New Ordinary Shares.

Following the issue of the New Ordinary Shares pursuant to the Open Offer, a Qualifying Shareholder who does not take up any of his Basic Entitlement (and does not take up any Excess Shares under the Excess Application Facility) will suffer a dilution of approximately 95 per cent. to his economic interests in the Company. If a Qualifying Shareholder subscribes for his Basic Entitlement in full but does not take up any Excess Shares under the Excess Application Facility he will suffer a dilution of approximately 82 per cent. to his economic interests in the Company.

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their Non-CREST Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Basic Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply to take up their Basic Entitlements and Excess CREST Open Offer Entitlements, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility or will be placed under the Open Offer and the net proceeds will be retained for the benefit of the Company. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. If valid acceptances are not received in respect of all the Open Offer Shares under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility or will be subscribed by certain investors pursuant to the Open Offer and the net proceeds will be retained for the benefit of the Company.**

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

Application will be made for the Basic Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. The conditions for such admission having already been met, the Basic Entitlements

and Excess CREST Open Offer Entitlements are expected to be admitted to CREST with effect from 8 August 2010.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

### **3. Conditions and further terms of the Open Offer**

The Open Offer is conditional upon the following:

- (a) the drawdown of the Bank Facility and the repayment of the ALDHC Debt;
- (b) the passing of the Resolutions to be proposed at the General Meeting to be held on 29 July 2010;
- (c) Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 30 July 2010; and
- (d) the Underwriting Agreement becoming unconditional in all respects.

Accordingly, if any of these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Revocation of applications for New Ordinary Shares cannot occur after dealings have begun.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form on or before 6 August 2010. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST on or before 30 July 2010.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. Admission is expected to occur on 30 July 2010, when dealings in the Open Offer Shares are expected to begin.

All monies received by the Receiving Agent in respect of Open Offer Shares will be placed on deposit by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

### **4. Procedure for application and payment**

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has a Non-CREST Application Form in respect of his Basic Entitlement or a Qualifying Shareholder has Basic Entitlements and Excess CREST Open Offer Entitlements credited to his CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Basic Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2(g) of this Part III (*Terms and Conditions of the Open Offer*).

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Basic Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Basic Entitlements and Excess

CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

**Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Non-CREST Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy enclosed with this document.**

4.1 *If you have a Non-CREST Application Form in respect of your entitlement under the Open Offer*

(a) *General*

Subject as provided in paragraph 6 of this Part III (*Terms and conditions of the Open Offer*) in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive a Non-CREST Application Form. The Non-CREST Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 1. It also shows the number of Open Offer Shares which represents their Basic Entitlement under the Open Offer, as shown by the total number of Basic Entitlements allocated to them set out in Box 2. Box 3 shows how much they would need to pay if they wish to take up their Basic Entitlement in full. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Any Qualifying Non-CREST Shareholders with fewer than 409 Existing Ordinary Shares will not receive a Basic Entitlement. Any Qualifying Non-CREST Shareholder with fewer than 409 Existing Ordinary Shares will not be able to apply for Excess Shares pursuant to the Excess Application Facility (see paragraph 4.1(c) of this Part III (*Terms and Conditions of the Open Offer*)). Qualifying Non-CREST Shareholders may apply for less than their Basic Entitlement should they wish to do so. Qualifying Shareholders wishing to apply for Open Offer Shares representing less than their Basic Entitlement may do so by completing Boxes 6, 8 and 9 of the Non-CREST Application Form. Qualifying Non-CREST Shareholders may also apply for Excess Shares under the Excess Application Facility up to an aggregate maximum number of shares equal to the maximum number of Open Offer Shares available under the Open Offer by completing Boxes 6, 7, 8 and 9 of the Non-CREST Application Form (see paragraph 4.1(c) of this Part III (*Terms and Conditions of the Open Offer*)). Qualifying Non-CREST Shareholders may hold such a Non-CREST Application Form by virtue of a *bona fide* market claim (see paragraph 4.1(b) of this Part III (*Terms and Conditions of the Open Offer*)).

The instructions and other terms set out in the Non-CREST Application Form form part of the terms of the Open Offer to Qualifying Non-CREST Shareholders.

(b) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Non-CREST Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer. Non-CREST Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 26 July 2010. The Non-CREST Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Non-CREST Application Form and immediately send it to either the stockbroker, bank or other agent

through whom the sale or transfer was effected for transmission to the purchaser or to the Registrar in accordance with the instructions set out in the accompanying Non-CREST Application Form. The Non-CREST Application Form should not, however, be forwarded to or transmitted in or into a Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Non-CREST Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4.2(b) of this Part III (*Terms and Conditions of the Open Offer*).

(c) *Excess Application Facility*

Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility, should they wish. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares, up to an aggregate maximum number of shares equal to the maximum number of Open Offer Shares available under the Open Offer, may do so by completing Boxes 6, 7, 8 and 9 of the Non-CREST Application Form. The total number of Open Offer Shares is fixed and will not be increased in response to any Excess Applications. Excess Applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

(d) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire all or any of the Open Offer Shares to which they are entitled should complete the Non-CREST Application Form in accordance with the instructions printed on it. Completed Non-CREST Application Forms should be posted in the accompanying pre-paid envelope or returned by post or by hand (during normal office hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (who will act as Receiving Agent in relation to the Open Offer), so as to be received by Capita Registrars, in either case, by no later than 11.00 a.m. on 28 July 2010, after which time Non-CREST Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If a Non-CREST Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Non-CREST Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided.

Completed Non-CREST Application Forms should be returned with a cheque or banker's draft drawn in sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on the application.

Cheques should be drawn on a personal account in respect of which the Qualifying Shareholder has sole or joint title to the funds and should be made payable to "Capita Registrars Limited Re: Qonnectis plc Open Offer" and crossed "A/C Payee Only". Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds by completing the account name on the back of the cheque or draft and adding the branch stamp) will not be accepted (see paragraph 5 of this Part III (*Terms and Conditions of the Open Offer*)). Payments via CHAPS, BACS or electronic transfer will not be accepted.



Cheques and banker's drafts will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Non-CREST Shareholders in respect of which cheques are not so honoured. If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate interest bearing bank account with any interest being retained for the Company until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

Subject to the provisions of the Underwriting Agreement, the Company may in its sole discretion, but shall not be obliged to, treat a Non-CREST Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Non-CREST Application Forms received after 11.00 a.m. on 28 July 2010; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 28 July 2010 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Non-CREST Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agent shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agent, MJES or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(e) *Effect of application*

By completing and delivering a Non-CREST Application Form, the applicant:

- (i) represents and warrants to the Company, the Receiving Agent and MJES that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;
- (iii) confirms that in making the application he is not relying on any information or representation in relation to the Enlarged Group other than those contained in this document and any documents incorporated by reference, and the applicant accordingly agrees that no person responsible solely or jointly for this document including any documents incorporated by reference or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained herein and further agrees that, having had the opportunity to read this document including



any documents incorporated by reference, he will be deemed to have had notice of all information in relation to the contained in this document (including information incorporated by reference);

- (iv) confirms that in making the application he is not relying and has not relied on MJES or any other person affiliated with MJES in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (v) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Enlarged Group or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or MJES;
- (vi) represents and warrants to the Company, the Receiving Agent and MJES that he is the Qualifying Shareholder originally entitled to the Basic Entitlements or that he received such Basic Entitlements by virtue of a *bona fide* market claim;
- (vii) represents and warrants to the Company, the Receiving Agent and MJES that if he has received some or all of his Basic Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Basic Entitlements by virtue of a *bona fide* market claim;
- (viii) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Non-CREST Application Form, subject to the Memorandum and Articles of Association of the Company;
- (ix) represents and warrants to the Company, the Receiving Agent and MJES that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor such person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer; and
- (x) represents and warrants to the Company, the Receiving Agent and MJES that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

All enquiries in connection with the procedure for application and completion of the Non-CREST Application Form should be made to the Registrar on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00am to 5.00pm (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

**Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Non-CREST Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy enclosed with this document.**

4.2 *If you have Basic Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer*

(a) *General*

Subject as provided in paragraph 6 of this Part III (*Terms and Conditions of the Open Offer*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Basic Entitlements equal to the number of Open Offer Shares which represents his Basic Entitlement equal to the number of Existing Ordinary Shares registered in his name as at the Record Date (see paragraph 4.2(c) for further details) multiplied by 11 and divided by 4,500. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlement and will be aggregated and made available under the Excess Application Facility. Any Qualifying CREST Shareholders with fewer than 409 Existing Ordinary Shares will not receive a Basic Entitlement. Any Qualifying Non-CREST Shareholder with fewer than 409 Existing Ordinary Shares will not be able to apply for Excess Shares pursuant to the Excess Application Facility (see paragraph 4.2(c) of this Part III (*Terms and Conditions of the Open Offer*)).

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Basic Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited, by 8.00 a.m. on 8 July 2010, or such later time and/or date as the Company may decide, a Non-CREST Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Non-CREST Application Forms will apply to Qualifying CREST Shareholders who receive such Non-CREST Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Registrar on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00am to 5.00pm (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice. Please note the Registrar cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Basic Entitlements. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

Each of the Basic Entitlements and the Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and the Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement and the Excess CREST Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *Excess Application Facility*

Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The Excess Application Facility enables Qualifying CREST Shareholders to apply for Excess Shares in excess of their Basic Entitlement up to an aggregate maximum number of shares equal to the maximum number of Open Offer Shares available under the Open Offer.

An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part III (*Terms and Conditions of the Open Offer*) in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Basic Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 4.2(f) below and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement and the relevant Basic Entitlement be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Basic Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE instruction must be sent to Euroclear in respect of any application under the Excess CREST Open Offer Entitlement.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number. Any fractional Excess Shares will be aggregated and sold for the benefit of the Company.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which

are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

All enquiries in connection with the procedure for application of Excess CREST Open Offer Entitlements should be made to the Registrar on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00am to 5.00pm (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

(d) *USE instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Basic Entitlement and Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Registrar under the participant ID and member account ID specified below, with a number of Basic Entitlements and/or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Registrar in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2(d)(i) above.

(e) *Content of USE instruction in respect of Basic Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to the Registrar);
- (ii) the ISIN of the Basic Entitlement. This is GB00B63F9731;
- (iii) the CREST Participant ID of the accepting CREST member;
- (iv) the CREST Member Account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as Receiving Agent. This is 7RA33;
- (vi) the member account ID of Capita Registrars in its capacity as Receiving Agent. This is 27006QON;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in paragraph 4.2 (e) (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 28 July 2010; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 28 July 2010.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 28 July 2010 in order to be valid is 11.00 a.m. on that day.

(f) *Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which the application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Registrar);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00B63CGH33;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as Receiving Agent. This is 7RA33;
- (vi) the member account ID of Capita Registrars in its capacity as Receiving Agent. This is 27006QON;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in paragraph 4.2(f)(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 28 July 2010; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 28 July 2010.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 28 July 2010 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlement security.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 30 July 2010 or such later time and date as the Directors determine (being no later than 3.00 p.m. on 31 July 2010), the Open Offer will lapse, the Basic Entitlements and Excess CREST Open Offer



Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(g) *Deposit of Basic Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Basic Entitlements set out in his Non-CREST Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Non-CREST Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer can be applied for through a Non-CREST Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Non-CREST Application Form.

A holder of a Non-CREST Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 28 July 2010. After depositing their Basic Entitlement into their CREST account, CREST holders will, shortly after that, receive a credit for their Excess CREST Open Offer Entitlement.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing a Non-CREST Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Non-CREST Application Form as Basic Entitlements or Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 23 July 2010 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Basic Entitlements or Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 21 July 2010, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlements and the Excess CREST Open Offer Entitlements following the deposit or withdrawal (whether as shown in a Non-CREST Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Basic Entitlements or in respect of the Excess CREST Open Offer Entitlements, as the case may be, prior to 11.00 a.m. on 28 July 2010. CREST holders inputting the withdrawal of their Basic Entitlement from their CREST account must ensure that they withdraw both their Basic Entitlement and the Excess CREST Open Offer Entitlement.

Delivery of a Non-CREST Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Non-CREST Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed "Do you want to deposit your Basic Entitlements into CREST?" on page 3 of the Non-CREST Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it is/they are not citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(h) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 28 July 2010 will constitute a valid application under the Open Offer.

(i) *CREST procedures and timings*

**CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 28 July 2010. In this connection CREST members and (where applicable) their CREST sponsors are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

(j) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question, without payment of interest;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question, without payment of interest; and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question, without payment of interest.

(k) *Effect of valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to the Company, the Receiving Agent and MJES that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrar's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) confirms that in making the application he is not relying on any information or representation in relation to the Group other than those contained in this document or any documents incorporated by reference, and the applicant accordingly agrees that no person responsible solely or jointly for this document including any document incorporated by reference or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained herein and further agrees that, having had the opportunity to read this document including any documents incorporated

- by reference, he will be deemed to have had notice of all the information in relation to the Group contained in this document (including information incorporated by reference);
- (v) confirms that in making the application he is not relying and has not relied on MJES or any other person affiliated with MJES in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
  - (vi) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Group or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or MJES;
  - (vii) represents and warrants to the Company, the Receiving Agent and MJES that he is the Qualifying Shareholder originally entitled to the Basic Entitlements and Excess CREST Open Offer Entitlements or that he has received such Basic Entitlements and Excess CREST Open Offer Entitlements by virtue of a *bona fide* market claim;
  - (viii) represents and warrants to the Company, the Receiving Agent and MJES that if he has received some or all of his Basic Entitlements and Excess CREST Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Basic Entitlements and Excess CREST Open Offer in relation to such Basic Entitlements by virtue of a *bona fide* market claim;
  - (ix) requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Memorandum and Articles of Association of the Company;
  - (x) represents and warrants to the Company, the Receiving Agent and MJES that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor such person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer; and
  - (xi) represents and warrants to the Company, the Receiving Agent and MJES that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.
- (l) *Company's discretion as to the rejection and validity of applications*
- Subject to the provisions of the Underwriting Agreement, the Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part III (Terms and Conditions of the Open Offer);
  - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in

substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;

- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrar has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

## 5. Money Laundering Regulations

### 5.1 *Holders of Non-CREST Application Forms*

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Non-CREST Application Form is lodged with payment (which requirements are referred to below as the “**verification of identity requirements**”). If the Non-CREST Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Non-CREST Application Form.

The person lodging the Non-CREST Application Form with payment and in accordance with the other terms as described above (the “**acceptor**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5, the “**relevant Open Offer Shares**”) shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of



identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

**Submission of a Non-CREST Application Form with the appropriate remittance will constitute a warranty to each of the Receiving Agent, the Company and MJES from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.**

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £13,100).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in sterling drawn on a branch in the UK of a bank or building society which bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, should be made payable to "Capita Registrars Limited Re: Qconnectis plc Open Offer" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only" in each case. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the Non-CREST Application Form; or
- (b) if the Non-CREST Application Form is lodged with payment by an agent which is an organisation of the kind referred to in paragraph 5.1(i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, The Republic of South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Non-CREST Application Form, written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at the address set out in the section headed "Directors, secretary, registered office and advisers" of this document.

To confirm the acceptability of any written assurance referred to in paragraph 5.1(b) above, or in any other case, the acceptor should contact the Receiving Agent on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00am to 5.00pm (London time) Monday to Friday (except UK public holidays).



Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

If the Non-CREST Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (approximately £13,100) or more and is/are lodged by hand by the acceptor in person, or if the Non-CREST Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and separate evidence of his address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 28 July 2010, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent or Qconnectis plc may, at its discretion, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

## 5.2 *Basic Entitlements and Excess CREST Open Offer Entitlements in CREST*

If you hold your Basic Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, the Registrar may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence as to the identity of the person or persons on whose behalf the application is made.

## 6. **Overseas Shareholders**

The making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in, countries other than the UK may be affected by the law or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

### 6.1 *General*

**The distribution of this document and the Non-CREST Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the UK or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or**

**nationals of, countries other than the UK may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.**

No action has been or will be taken by the Company or MJES or any other person to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the UK.

Receipt of this document and/or a Non-CREST Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

Due to restrictions under the securities laws of the Restricted Jurisdictions and certain commercial considerations, Non-CREST Application Forms will not be sent to, and neither Basic Entitlements nor Excess CREST Open Offer Entitlements will be credited to stock accounts in CREST of, Excluded Overseas Shareholders or their agents or intermediaries, except where the Company is satisfied, at its sole and absolute discretion, that such action would not result in the contravention of any registration or other legal requirement in the relevant jurisdiction.

No person receiving a copy of this document and/or a Non-CREST Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use any such Non-CREST Application Form and/or credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Non-CREST Application Form and/or credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares under the Open Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company or MJES nor any of their respective representatives is making any representation to any offeree or purchaser of Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or a Non-CREST Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or a Non-CREST Application Form and/or a credit of Basic

Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his custodian, agent, nominee or trustee, he must not seek to apply for Open Offer Shares unless the Company and MJES determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or a Non-CREST Application Form and/or transfers Basic Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part III (*Terms and Conditions of the Open Offer*) and specifically the contents of this paragraph 6.

Subject to paragraphs 6.2 to 6.8 below, any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares must satisfy himself as to the full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and pay any issue, transfer or other taxes due in such territories.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched by an Excluded Overseas Shareholder or on behalf of such a person by their agent or intermediary or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or, in the case of a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in a Restricted Jurisdiction or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 6.2 to 6.8 below.

Notwithstanding any other provision of this document or the Non-CREST Application Form, the Company reserves the right to permit any Qualifying Shareholder who is an Excluded Overseas Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or bankers' drafts or where such an Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exceptions, Excluded Overseas Shareholders will not qualify to participate in the Open Offer and will not be sent a Non-CREST Application Form nor will their stock accounts in CREST be credited with Basic Entitlements or Excess CREST Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this document or the Non-CREST Application Forms into any Restricted Jurisdiction. Receipt of this document and/or an Non-CREST Application Form and/or a credit of a Basic Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

## 6.2 *United States*

Subject to certain exceptions, this document is intended for use only in connection with offers of Open Offer Shares outside the United States and is not to be sent or given to any person within the United States. The Open Offer Shares offered hereby are not being registered under the US Securities Act, for the purposes of sales outside of the United States.

This document may not be transmitted in or into the United States and may not be used to make offers or sales to US holders of Shares.

Subject to certain exceptions, the Open Offer Shares will be distributed, offered or sold, as the case may be, outside the United States in offshore transactions within the meaning of, and in accordance with, Regulation S under the US Securities Act.

Each person to which the Open Offer Shares are distributed, offered or sold outside the United States will be deemed by its subscription for the Open Offer Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing the Open Offer Shares, as the case may be, that:

- (i) it is acquiring the New Ordinary Shares from the Company in an **“offshore transaction”** as defined in Regulation S under the US Securities Act; and
- (ii) the Open Offer Shares have not been offered to it by the Company or MJES by means of any **“directed selling efforts”** as defined in Regulation S under the US Securities Act.

Each subscriber acknowledges that the Company and MJES will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by its subscription for the Open Offer Shares, as the case may be, are no longer accurate, it shall promptly notify the Company and MJES. If such subscriber is subscribing for the Open Offer Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

Each subscriber acknowledges that it will not resell the Open Offer Shares without registration or an available exemption or safeharbour from registration under the US Securities Act.

## 6.3 *Canada*

This document is not, and is not to be construed as, a prospectus, an advertisement or a public offering of these securities in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or the merits of the Open Offer Shares, and any representation to the contrary is an offence.

In addition, the relevant exemptions are not being obtained from the appropriate provincial authorities in Canada. Accordingly, the Open Offer Shares are not being offered for subscription by persons resident in Canada or any territory or possessions thereof. Applications from any Canadian Person who appears to be or whom the Company has reason to believe to be so resident or the agent of any person so resident will be deemed to be invalid. Neither this document nor a Non-CREST Application Form will be sent to and no Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to a stock account in CREST of any Shareholder in the Company whose registered address is in Canada. If any Non-CREST Application Form is received by any Shareholder in the Company whose registered address is elsewhere but who is, in fact, a Canadian Person or the agent of a Canadian Person so resident, he should not apply under the Open Offer.

For the purposes of this paragraph 6.3, **“Canadian Person”** means a citizen or resident of Canada, including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of Canada or any political sub-division thereof.



#### 6.4 *Australia*

- (a) Neither this document nor the Non-CREST Application Form has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:
  - (i) directly or indirectly offer for subscription or purchase or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or
  - (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale, in Australia or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia). Accordingly, neither this document nor any Non-CREST Application Form will be issued to, and no Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to a CREST stock account of, Shareholders in the Company with registered addresses in, or to residents of, Australia.
- (b) The offer of any Open Offer Shares in Australia may only be made to persons who are “sophisticated investors” (within the meaning of section 708 (8) of the Australian Corporations Act 2001 (the “**2001 Act**”)) or to “professional investors” (within the meaning of section 708 (11) of the 2001 Act) or otherwise pursuant to one or more exemptions contained in section 708 of the 2001 Act, so that it is lawful to offer, or invite applications for, any Open Offer Shares without disclosure to persons under Chapter 6D of the 2001 Act. Furthermore, this Admission Document may only be made available in Australia to persons as set forth in this paragraph 6.4(b).

#### 6.5 *Other Restricted Jurisdictions*

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer of Open Offer Shares is being made by virtue of this document or the Non-CREST Application Forms into any Restricted Jurisdiction.

#### 6.6 *Other overseas territories*

Non-CREST Application Forms will be sent to Qualifying Non-CREST Shareholders and Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Non-CREST Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

#### 6.7 *Representations and warranties relating to Overseas Shareholders*

##### (a) *Qualifying Non-CREST Shareholders*

Any person completing and returning a Non-CREST Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, MJES and the Registrar that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Non-CREST Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful



to make or accept an offer to acquire Open Offer Shares or to use the Non-CREST Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Registrar may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in a Non-CREST Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the representation and warranty required by this sub-paragraph 6.7 (a).

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part II (*Terms and conditions of the Open Offer*) represents and warrants to the Company and MJES that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither it nor its client is within any Restricted Jurisdiction; (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) it is not accepting on a nondiscretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither it nor its client is acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

## 6.8 **Waiver**

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, in its absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing a Non-CREST Application Form and, in the event of more than one person executing a Non-CREST Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

## 7. **Withdrawal rights**

Persons wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the issue by the Company of an admission document supplementing this document must do so by lodging a written notice of withdrawal within two Business Days commencing on the Business Day after the date on which the supplementary admission document is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member. The notice of withdrawal must be deposited by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by facsimile to the Registrar (please call the Registrar on the shareholder helpline on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00am to 5.00pm (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable

international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice) so as to be received within two Business Days commencing on the Business Day after the date on which the supplementary admission document is published. Notice of withdrawal given by any other means or which is deposited with the Registrar after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares applied for in full and the allotment of such Open Offer Shares to such person becoming unconditional save to the extent required by statute. In such event, Shareholders are advised to seek independent legal advice.

In this regard, reference is also made to paragraph 9 of this Part III (*Terms and Conditions of the Open Offer*).

## **8. Admission, settlement, dealings and publication**

The result of the Open Offer is expected to be announced on 29 July 2010. Application will be made to AIM for Application to trading of the Open Offer Shares. It is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. on 30 July 2010.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 28 July 2010 (being the latest practicable date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 29 July 2010, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be on 30 July 2010). The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders a Non-CREST Application Form instead of crediting the relevant stock account with Basic Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using a Non-CREST Application Form, share certificates in respect of the New Ordinary Shares validly applied for are expected to be despatched by post by 6 August 2010. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the UK share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 4.1 of this Part III (*Terms and conditions of the Open Offer*), and the Non-CREST Application Form.

The result of the Open Offer will be announced and made public through an announcement on a Regulatory Information Service as soon as reasonably practicable after the results are known.

## **9. Times and dates**

The Company shall, in its discretion, and after consultation with its financial and legal advisers, be entitled to amend the dates on which Non-CREST Application Forms are despatched or amend or

extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the FSA, and make an announcement on a Regulatory Information Service approved by the FSA and, if appropriate, by Shareholders but Qualifying Shareholders may not receive any further written communication.

If a supplementary admission document is published by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is at least three Business Days after the date of publication of the supplementary admission document (and the dates and times of principal events due to take place following such date shall be extended accordingly).

#### **10. Taxation**

Certain statements regarding UK taxation and US federal income taxation in respect of the New Ordinary Shares and the Open Offer are set out in paragraphs 15 and 16 in Part VII. Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the UK, should immediately consult a suitable professional adviser.

#### **11. Governing law and jurisdiction**

The terms and conditions of the Open Offer as set out in this document, the Non-CREST Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Non-CREST Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Non-CREST Application Form. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, where applicable, the Non-CREST Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

#### **12. Further information**

Your attention is drawn to the further information set out in this document and also to the terms, conditions and other information printed on any Non-CREST Application Form.

## PART IV

### Financial information on Qconnectis

#### Incorporation of the relevant information by reference

The information listed below relating to Qconnectis is hereby incorporated by reference into this document.

No.	Information	Source of Information
-----	-------------	-----------------------

- |    |   |   |
|----|---|---|
| 1. | Turnover, net profit or loss before and after taxation, the charge for tax, extraordinary items, minority interests, the amount absorbed by dividends and earnings and dividends per share for Qconnectis for each of the two years ended 30 June 2008 and the eighteen month period ended 31 December 2009 | Qconnectis Annual Report & Accounts 2009, Consolidated Statement of Comprehensive Income on page 10 and note 10 on page 25 on Taxation.<br>If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document. |
|----|---|---|

**<http://www.qconnectis.com/corporate/investor-relations/Documentation.aspx>**

Qconnectis Annual Report & Accounts 2008, Consolidated Income Statement on page 13 and note 10 on Taxation on page 25.

If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.

**<http://www.qconnectis.com/content/documents/Qconnectis2008FINAL1.pdf>**

Qconnectis Annual Report & Accounts 2007, Consolidated Profit and Loss Account on page 17 and note 7 on Taxation on page 25.

If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.

**<http://www.qconnectis.com/content/documents/Qconnectis%20R&A%202007.pdf>**

- |    |   |   |
|----|---|---|
| 2. | A statement of the assets and liabilities shown in the audited accounts for Qconnectis for the eighteen month period ended 31 December 2009 | Qconnectis Annual Report & Accounts 2009, Group Statement of Financial Position on page 12.<br>If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document. |
|----|---|---|

**<http://www.qconnectis.com/corporate/investor-relations/Documentation.aspx>**

3. A cash flow statement as provided in the audited accounts for Qconnectis for the eighteen month period ended 31 December 2009
- Qconnectis Annual Report & Accounts 2009, Consolidated Statement of Cash Flows on page 14.
- If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.
- <http://www.qconnectis.com/corporate/investor-relations/Documentation.aspx>**
4. Significant accounting policies together with any points from the notes to the accounts which are of major relevance to an appreciation of the figures
- Qconnectis Annual Report & Accounts 2009, the Summary of Significant Accounting Policies on pages 16 to 22 and Notes to the Financial Statements on pages 16 to 34. If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document.
- If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.
- <http://www.qconnectis.com/corporate/investor-relations/Documentation.aspx>**
- Qconnectis Annual Report & Accounts 2008, the Principal Accounting Policies on pages 20 to 22 and Notes to the Financial Statements on pages 17 to 35. If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document.
- If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.
- <http://www.qconnectis.com/content/documents/Qconnectis2008FINAL1.pdf>**
- Qconnectis Annual Report & Accounts 2007, the Principal Accounting Policies on pages 21 to 22 and Notes to the Financial Statements on pages 21 to 35. If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document.
- If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.
- <http://www.qconnectis.com/content/documents/Qconnectis%20R&A%202007.pdf>**

The results for Qconnectis for each of the two years ended 30 June 2007 and 30 June 2008 and the eighteen month period ended 31 December 2009 are available free of charge on the Qconnectis website at <http://www.qconnectis.com>.

Information in relation to 1, 2, 3 and 4 above has not been published in an inflation adjusted form. The annual reports are available in “read-only” format and can be printed from the Qconnectis website.

Qconnectis will provide within two Business Days, without charge, to each person to whom a copy of this document has been delivered, upon their written request, a copy of any documents incorporated by reference in this document. Copies of any documents incorporated by reference in this document will not be provided unless such a request is made. Requests for copies of any such document should be directed to either the Company secretary, Qconnectis plc, St John’s Innovation Centre, Cowley Road, Cambridge, Cambridgeshire CB4 0WS or Merchant John East Securities Limited, 10 Finsbury Square, London EC2A 1AD by telephoning 020 7628 2200.



## PART V

### ACCOUNTANTS' REPORT ON THE ALDHC GROUP

The Existing and Proposed Directors  
Qconnectis plc  
St John's Innovation Centre  
Cowley Road  
Cambridge CB4 0WS



The Directors  
Merchant John East Securities Limited  
10 Finsbury Square  
London  
EC2A 1AD

7 July 2010

Dear Sirs

#### Introduction

We report on the consolidated financial information of American Leak Detection Holding Corp., (“ALDHC”) and its subsidiaries (together the “ALDHC Group”), which has been prepared for inclusion in the AIM Admission Document (the “Admission Document”) dated 7 July 2010 of Qconnectis plc (the “Company”), on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the “AIM Rules”) and is given for the purposes of complying with the AIM Rules and for no other purpose.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the Admission Document dated 7 July 2010 of the Company.

#### Responsibilities

The Existing Directors and Proposed Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”).

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

#### Basis of Opinion

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

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

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the ALDHC Group as at the dates stated and of the statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows for the periods then ended in accordance with the basis of preparation set out in note 2 to the consolidated financial information and in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The consolidated statements of comprehensive income of the ALDHC Group for each of the three years ended 31 December 2009 are set out below:

	Notes	Years ended 31 December		
		2009	2008	2007
		\$	\$	\$
Revenue	14	5,545,124	6,195,066	5,901,977
Cost of sales		(273,824)	(366,354)	(432,522)
Gross profit		5,271,300	5,828,712	5,469,455
Operating, selling and administrative costs		(4,744,811)	(5,698,670)	(5,184,618)
Operating profit		526,489	130,042	284,837
Finance income	14	77,032	107,359	145,581
Finance costs		(365,159)	(471,082)	(453,113)
Profit (loss) before tax		238,362	(233,681)	(22,695)
Provision for income tax	16	(95,617)	72,237	(6,714)
<b>Profit (loss) for the year</b>	18	142,745	(161,444)	(29,409)
<b>Total comprehensive income for the year</b>		142,745	(161,444)	(29,409)
Profit attributable to:				
Equity holders of the Parent		142,745	(161,444)	(29,409)
Other comprehensive income		–	–	–
Comprehensive income attributable to:				
Equity holders of the Parent		142,745	(161,444)	(29,409)
<b>Earnings (loss) per share (cents)</b>				
Basic		2.04	(2.30)	(0.42)
Diluted		1.84	(2.30)	(0.42)

*See notes to consolidated financial information*

All operations are continuing operations.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The consolidated statements of financial position of the ALDHC Group as at 31 December 2007, 31 December 2008 and 31 December 2009 are set out below:

		2009	31 December 2008	2007
	Notes	\$	\$	\$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		369,650	379,626	641,044
Trade and other receivables	5	819,095	818,347	767,289
Inventories		100,702	106,728	103,377
Trade notes receivable	7	33,024	44,461	20,169
Loans receivable	6	121,112	–	–
<b>Total current assets</b>		<b>1,443,583</b>	<b>1,349,162</b>	<b>1,531,879</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	8	117,287	205,343	279,387
Goodwill	9	876,211	876,211	876,211
Other intangible assets	9	4,295,516	4,629,910	4,967,221
Deferred tax asset	16	327,698	404,388	315,601
Deposits	3	5,235	4,048	14,048
Trade notes receivable	7	76,770	102,144	107,839
<b>Total non-current assets</b>		<b>5,728,717</b>	<b>6,222,044</b>	<b>6,560,307</b>
<b>Total assets</b>		<b>7,172,300</b>	<b>7,571,206</b>	<b>8,092,186</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables		289,087	372,799	285,358
Borrowings	11	441,569	528,577	416,168
Promissory notes	10	1,054,756	670,101	642,462
Finance leases	15	16,617	21,942	–
<b>Total current liabilities</b>		<b>1,802,029</b>	<b>1,593,419</b>	<b>1,343,988</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	11	33,202	153,783	627,778
Promissory notes	10	3,249,099	4,084,266	4,542,186
Finance leases	15	–	16,622	–
<b>Total non-current liabilities</b>		<b>3,282,301</b>	<b>4,254,671</b>	<b>5,169,964</b>
<b>Total liabilities</b>		<b>5,084,330</b>	<b>5,848,090</b>	<b>6,513,952</b>
<b>EQUITY</b>				
Common stock	12	84	84	84
Additional paid-in capital		1,924,895	1,702,786	1,396,460
Retained earnings		162,991	20,246	181,690
<b>Total stockholders' equity</b>		<b>2,087,970</b>	<b>1,723,116</b>	<b>1,578,234</b>
<b>Total liabilities and equity</b>		<b>7,172,300</b>	<b>7,571,206</b>	<b>8,092,186</b>

*See notes to consolidated financial information*

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The consolidated statements of changes in equity of the ALDHC Group for each of the three years ended 31 December 2009 are set out below:

	<b>Common Stock \$</b>	<b>Additional Paid in Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
Balance, 31 December 2006	84	1,090,134	211,099	1,301,317
Stock based compensation expense	–	126,326	–	126,326
Contributions – PSS	–	180,000	–	180,000
Net income	–	–	(29,409)	(29,409)
Balance, 31 December 2007	84	1,396,460	181,690	1,578,234
Stock based compensation expense	–	126,326	–	126,326
Contributions – PSS	–	180,000	–	180,000
Net income	–	–	(161,444)	(161,444)
Balance, 31 December 2008	84	1,702,786	20,246	1,723,116
Stock based compensation expense	–	42,109	–	42,109
Contributions – PSS	–	180,000	–	180,000
Net income	–	–	142,745	142,745
Balance, 31 December 2009	84	1,924,895	162,991	2,087,970

*See notes to consolidated financial information.*



## CONSOLIDATED STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows of the ALDHC Group for each of the three years ended 31 December 2009 are set out below:

	Notes	Years ended 31 December		
		2009 \$	2008 \$	2007 \$
<b>Operating Activities</b>				
Profit (loss) for the year		142,745	(161,444)	(29,409)
Adjustments to reconcile profit (loss) for the year to net cash provided by operating activities:				
Depreciation and amortisation	18	424,132	442,620	403,920
Stock based compensation expense	18	42,109	126,326	126,326
Provision for doubtful accounts		–	61,068	45,000
Provision for income taxes		76,690	(88,787)	(3,167)
Loss on sale of equipment		–	165	–
Changes in assets and liabilities:				
Trade and other receivables		(748)	(112,126)	(101,280)
Inventories		6,026	(3,351)	(167)
Other assets		(31,187)	10,000	(14,047)
Trade and other payables		(83,712)	87,441	14,170
<b>Net cash provided by operating activities</b>		<b>576,055</b>	<b>361,747</b>	<b>441,346</b>
<b>Investing Activities</b>				
Business acquisitions	4	–	–	(200,000)
Contributed capital		180,000	180,000	180,000
Loans advanced	6	(121,112)	–	–
Payments for the purchase of property, plant and equipment		(1,682)	(5,573)	(17,665)
Net payments (made) received on notes receivable		36,811	(18,597)	15,385
<b>Net cash provided by (used in) investing activities</b>		<b>94,017</b>	<b>155,830</b>	<b>(22,280)</b>
<b>Financing Activities</b>				
Principal payments on promissory notes payable		(450,512)	(430,281)	(633,298)
Principal payments on financial leases		(21,947)	(8,253)	–
Proceeds from long-term debt		199,401	100,660	750,000
Proceeds received on sale of property, plant and equipment		–	20,960	–
Principal payments on long-term debt		(406,990)	(462,246)	(284,143)
<b>Net cash used in financing activities</b>		<b>(680,048)</b>	<b>(779,160)</b>	<b>(167,441)</b>
<b>Net Change in Cash</b>		<b>(9,976)</b>	<b>(261,583)</b>	<b>251,625</b>
<b>Cash, Beginning</b>		<b>379,461</b>	<b>641,044</b>	<b>389,419</b>
<b>Cash, Ending</b>		<b>369,650</b>	<b>379,626</b>	<b>641,044</b>
<b>Supplemental Disclosures of Cash Flow Information</b>				
Interest paid		365,159	471,082	453,113
Income taxes paid		5,000	5,000	10,000
Financial leases entered into		–	46,817	–

See notes to consolidated financial information.

## **NOTES TO FINANCIAL INFORMATION**

### **NOTE 1 – OPERATIONS AND CORPORATE STRUCTURE**

American Leak Detection Holding Corp. (ALDHC), a limited company, was formed on 24 February 2006 and is incorporated in Delaware, United States of America. Throughout the three years ended 31 December 2009, ALDHC was a 92 per cent. owned subsidiary of Plain Sight Systems, Inc. (PSS).

The address of the company's registered office is 19 Whitney Avenue, New Haven, Connecticut 06510. The address of the company's principal place of business is 888 Research Drive, Suite 100, Palm Springs, California 92262.

On 28 February 2006, ALDHC acquired 100 per cent. of the common stock of American Leak Detection, Inc. (ALD).

American Leak Detection, Inc. (ALD) was incorporated in California on 24 April 1984. ALD is a franchisor of leak detection repair and related services. At 31 December 2009, ALD had 92 domestic franchisees and 14 international franchisees. At 31 December 2008 and 2007, ALD had 91 domestic franchisees and 17 international franchisees. Some franchisees operate multiple units. In addition to its activities as a franchisor, ALD owns and operates 4 territories at 31 December 2009 and 2008, respectively, and 5 at 31 December 2007.

In addition, ALD has sought to buy-back existing franchises in optimal markets and funds the acquisitions through Blue Water & Green Fields, Inc. (BWGF), an affiliated company, which was incorporated in Delaware on 22 January 2007. BWGF is a special purpose entity and will be dissolved or removed from the ALDHC group prior to Admission.

In 2007 ALD entered into an agreement with Environmental Biotech International (EBI) whereby ALD granted EBI master franchise rights to franchise ALD in the United Kingdom. In exchange, EBI granted ALD master franchise rights to operate and sub-franchise EBI (under the trade name BEnvironmental) franchises in the United States. In 2009 ALD terminated EBI's master franchise rights in the United Kingdom.

### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of Compliance**

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS).

#### **Basis of preparation**

The consolidated financial information has been prepared on an historical cost basis, as adjusted for financial instruments carried at fair value.

The consolidated financial information is presented in United States Dollars.

#### **Basis of Consolidation**

The consolidated financial information incorporates the financial statements of ALDHC and its controlled entities (including a special purpose entity). Control is achieved where ALDHC has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by ALDHC. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

#### **Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by ALDHC in exchange for control of the acquiree. Acquisition-related costs are capitalised.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, ALDHC considers all cash accounts that are not subject to withdrawal restrictions and highly liquid instruments with a maturity of three months or less, when purchased, as cash and cash equivalents.

**Accounts and Notes Receivable**

Accounts and notes receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Management classifies trade receivables, convertible notes and other receivables initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment.

**Inventories**

The inventories, consisting primarily of equipment, parts, and supplies, are recorded at the lower of cost (FIFO) or market value.

**Property, Plant and Equipment**

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment and displays	5-7 years
Auto and trucks	5 years
Leasehold improvements	7 years or lease term, whichever is shorter

Expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in operations.

**Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

**Intangible Assets**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation.

Intangibles are amortised over their estimated useful lives of 3 to 20 years using the straight-line method.

**Leasing**

Assets held under finance leases are initially recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable.

#### *Royalties*

ALD receives royalties from franchisees in various percentages of their gross monthly sales. Royalties are payable monthly and recognised under the accrual method of accounting.

#### *Operated Franchise Sales*

Revenue is recognised when the services have been performed.

#### *Parts and equipment sales*

Revenue is recognised when the goods have been provided.

#### *Franchise Sales*

Revenue from the sales of individual franchises is recognised once the franchisee has obtained the right to use the franchise. Advanced collections from franchise sales are included in deferred income until those services are performed.

#### *Interest revenue*

Interest revenue is recognised when it is probable that the economic benefits will flow to ALD and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **Income Taxes**

Deferred income taxes are recognised for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realised.

## **Research and Development**

Research costs related to both future and present products are charged to operations as incurred. Development costs that meet the requirements for capitalisation are capitalised.

## **Share-Based Payments**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 13.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on management's estimate of equity instruments that will eventually vest. At the end of each reporting period, management revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

## **Foreign Exchange**

ALDHC records foreign currency transaction gains and losses as a result of the time difference from when a transaction was initially recorded and the time it is finally collected. Transaction gains (losses) are included in operating, selling and administrative expense on the consolidated statements of comprehensive income.

## **Standards, amendments and interpretations in issue but not yet effective**

At the date of this report, the following standards, amendments and interpretations relevant to the Group's operations were in issue but were not yet effective:

IFRS 3 (revised) 'Business Combinations'

IFRS 9 'Financial Instruments: Classification and Measurement'

IAS 27 (revised) 'Consolidated and separate financial statements'

Improvements to IFRSs (April 2009)

The adoption of IFRS 3 (revised) and IAS 27 (revised) will change the way which acquisitions of future subsidiaries are accounted for.

The directors do not expect that the adoption of the IFRS 9 and Improvements to IFRSs will have a material impact on the financial statements of the Group in future periods.

## **NOTE 3 – CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Critical Judgements in Applying Accounting Policies**

The ALDHC Group does not have critical judgements, apart from those involving estimations (see below), that management have made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial information.



## Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### *Allowance for doubtful debts*

ALDHC uses an allowance method of valuing doubtful receivables, which is based on historical experience and review of the current status of receivables. The balance in the allowance for doubtful accounts is deducted against the related receivable balance to properly reflect net realisable value for receivables.

The allowance for doubtful debts at December 31, 2009 and 2008 was \$30,000. The allowance for doubtful debts at December 31, 2007 was \$20,000.

### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill was \$876,211 at December 31, 2009, 2008 and 2007.

## NOTE 4 – ACQUISITIONS

ALD repurchased franchises during the year ended December 31, 2007. A summary of those acquisitions follow:

	<b>Principle Activity</b>	<b>Date of Acquisition</b>	<b>Consideration Transferred</b>
Florida franchise	franchisee	11/30/2007	\$210,000
Boston franchise	franchisee	12/31/2007	\$250,000

The assets acquired and liabilities assumed were done so as to continue the franchises' activities, with the purpose of reselling those franchises at a later date.

The transactions were accounted for by the purchase method of accounting. As such, the purchase prices have been allocated to the assets acquired and liabilities assumed based on their estimated fair values.

A summary of the fair values of the assets acquired and liabilities assumed and consideration paid follows:

	<b>Boston \$</b>	<b>Florida \$</b>	<b>Total \$</b>
Inventories	3,000	–	3,000
Property and equipment	27,500	15,000	42,500
Goodwill	44,500	195,000	239,500
Other intangible assets	175,000	–	175,000
	<hr/> 250,000	<hr/> 210,000	<hr/> 460,000
Satisfied by:			
Cash paid	25,000	175,000	200,000
Notes issued	225,000	35,000	260,000
	<hr/> 250,000	<hr/> 210,000	<hr/> 460,000

The loss included in the statements of comprehensive income for the year ended 31 December 2007 for the Boston and Florida franchises acquired was \$19,259 and \$19,292, respectively.

It is impracticable to disclose the amount of the Boston and Florida franchises' profit or loss prior to acquisition as those records are not available to ALDHC.

## NOTE 5 – TRADE AND OTHER RECEIVABLES

Trade and other receivables at December 31 follow:

	2009	2008	2007
	\$	\$	\$
Trade receivables	140,036	262,483	232,381
Allowance for doubtful debts	(30,000)	(30,000)	(20,000)
Trade receivables – net	110,036	232,483	212,381
Accrued royalties receivable	305,565	337,483	305,735
Prepaid expenses and other current assets	413,494	248,381	199,605
Related party receivables	–	–	49,568
	829,095	818,347	767,289

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

*Trade Receivables* – Trade credit is generally extended on a short-term basis; these trade receivables do not bear interest, although interest charges are applicable once the account becomes more than 60 days delinquent and continue to accrue until paid. Once the account becomes more than 90 days delinquent, credit is suspended until the account is brought current.

*Royalty Receivables* – Royalty receivables are recorded at their estimated collectible amounts.

*Notes Receivable* – Notes are recorded at the estimated collectible amounts and are secured by the related franchise territory and equipment. Interest income on notes is recognised using the interest method. Interest income on impaired notes is recognised on the accrual basis until the account becomes severely delinquent, at which time the notes are placed non-accrual status. Interest income is subsequently recognised to the extent cash payments are received. The accrual of interest resumes when the notes are brought current and removed from non-accrual status.

In connection with the sale of the franchises, the ALDHC Group may finance a portion of the sales price utilising a secured note receivable. As such, ALDHC maintains fixed rate notes receivable subject to general market credit risk. Since the franchise area secures these notes, the loss experience related to these notes has been minimal. No allowance for uncollectible notes is included in the financial information at 31 December 2009, 2008 and 2007 based on management's assessment of outstanding amounts.

ALDHC uses an allowance method of valuing doubtful receivables, which is based on historical experience and review of the current status of receivables. The balance in the allowance for doubtful accounts is deducted against the related receivable balance to properly reflect net realisable value for receivables.

Before accepting any new franchisee, ALDHC uses an external credit scoring system to assess the potential franchisees' credit quality. At December 31, 2009, 2008 and 2007 there was one franchisee with total outstanding balances of \$29,427, \$34,214 and \$34,293, respectively, which represents more than 5 per cent. of the total balance for trade and other receivables.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the ALDHC Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired follows:

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
60-90 days	1,940	50,553	5,309
90+ days	6,980	32,360	44,809
<b>Total</b>	<b>8,920</b>	<b>82,913</b>	<b>50,118</b>
Average age (days)	385	229	244

In determining the recoverability of trade and other receivables, the ALDHC Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Movement in the allowance for doubtful debts follows:

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
Balance at beginning of the year	30,000	20,000	20,000
Impairment losses recognised	16,379	14,985	5,151
Amounts recovered during the year	(16,379)	(4,985)	(5,151)
<b>Balance at end of the year</b>	<b>30,000</b>	<b>30,000</b>	<b>20,000</b>

In determining the recoverability of a trade receivable, the ALDHC Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for doubtful debts are individually impaired trade receivables which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivable and the present value of the expected liquidation proceeds. The ALDHC Group does not hold any collateral over these balances.

Ageing of impaired trade receivables follows:

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
60-90 days	1,405	–	–
90+ days	28,595	22,600	20,000
<b>Total</b>	<b>30,000</b>	<b>22,600</b>	<b>20,000</b>
Average age (days)	218	293	203

#### **NOTE 6 – LOANS RECEIVABLE**

ALD has advanced approximately \$120,000 to Qconnectis plc in connection with the proposed acquisition of ALDHC by Qconnectis plc (the “Acquisition”).

As at the date of this document, approximately £12,000 remained outstanding.

In the event that Admission has not occurred by 30 April 2010, any amounts outstanding were eligible to be represented by preferred convertible loan notes, more fully described at paragraph 11.1.5 of Part VII of this document.

## NOTE 7 – TRADE NOTES RECEIVABLE

In connection with recorded franchise sales and other activity, there are four, three, and two outstanding notes receivable due from franchisees at 31 December 2009, 2008 and 2007, respectively. The notes are secured by the franchise and their operating assets. The notes receivable are as follows:

	Current 31 December			Non-current 31 December		
	2009	2008	2007	2009	2008	2007
	\$	\$	\$	\$	\$	\$
Note receivable from seller. Payable in monthly instalments of \$2,406, beginning 1 February 2002, including interest at 13 per cent. maturing 1 January 2014	18,078	15,885	13,958	73,011	91,089	106,974
Note receivable from seller. Payable in monthly instalments of \$438, beginning 7 March 2006 including interest at 10 per cent. maturing 7 February 2009	–	7,432	6,211	–	–	865
Note receivable from seller. Payable in monthly instalments of \$1,875, beginning 15 July 2008, including interest at 6 per cent., maturing 15 July 2010	11,056	21,144	–	–	11,055	–
Note receivable from franchisee. Payable in monthly instalments of \$351, beginning 1 December 2009, including interest at 5.5 per cent., maturing 1 November 2011	3,890	–	–	3,759	–	–
	<u>33,024</u>	<u>44,461</u>	<u>20,169</u>	<u>76,770</u>	<u>102,144</u>	<u>107,839</u>

## NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Equipment and displays at cost \$	Automobiles and trucks at cost \$	Leasehold improvements at cost \$	Total \$
<b>Cost</b>				
Balance at 1 January 2007	487,501	327,808	123,418	938,727
Additions	21,899	38,266	–	60,165
Balance at 1 January 2008	509,400	366,074	123,418	998,892
Additions	45,072	7,318	–	52,390
Disposals	(10,584)	(22,459)	–	(33,043)
Balance at 1 January 2009	543,888	350,933	123,418	1,018,239
Additions	1,682	–	–	1,682
Balance at 31 December 2009	545,570	350,933	123,418	1,019,921

	Equipment and displays at cost \$	Automobiles and trucks at cost \$	Leasehold improvements at cost \$	Total \$
<b>Accumulated depreciation and impairment</b>				
Balance at 1 January 2007	352,414	218,352	34,379	605,145
Depreciation expenses	47,533	44,567	22,260	114,360
Balance at 1 January 2008	399,947	262,919	56,639	719,505
Eliminated on disposals of assets	(4,057)	(7,861)	–	(11,918)
Depreciation expense	47,142	35,510	22,657	105,309
Balance at 1 January 2009	443,032	290,568	79,296	812,896
Depreciation expense	40,865	26,614	22,259	89,738
Balance at 31 December 2009	483,897	317,182	101,555	902,634
<b>Carrying Amount</b>				
At 31 December 2007	109,453	103,155	66,779	279,387
At 31 December 2008	100,856	60,365	44,122	205,343
At 31 December 2009	61,673	33,751	21,863	117,287



## NOTE 9 – OTHER INTANGIBLE ASSETS AND GOODWILL

### Other Intangible Assets

	Goodwill \$	Covenants not to compete \$	Customer Lists \$	Trademarks \$	Patents \$	Total \$
<b>Cost</b>						
Balance at 1 January 2007	636,711	245,000	67,500	5,293,817	23,692	6,266,720
Additions	239,500	25,000	150,000	–	–	414,500
Balance at 1 January 2008	876,211	270,000	217,500	5,293,817	23,692	6,681,220
Additions	–	–	–	–	–	–
Balance at 1 January 2009	876,211	270,000	217,500	5,293,817	23,692	6,681,220
Additions	–	–	–	–	–	–
Balance at 31 December 2009	876,211	270,000	217,500	5,293,817	23,692	6,681,220
<b>Accumulated amortisation and impairment</b>						
Balance at 1 January 2007	–	245,000	51,083	242,076	10,069	548,228
Amortisation expense	–	–	13,500	273,691	2,369	289,560
Balance at 1 January 2008	–	245,000	64,583	515,767	12,438	837,788
Amortisation expense	–	8,333	52,917	273,691	2,370	337,311
Balance at 1 January 2009	–	253,333	117,500	789,458	14,808	1,175,099
Amortisation expense	–	8,333	50,000	273,691	2,370	334,394
Balance at 31 December 2009	–	261,666	167,500	1,063,149	17,178	1,509,493
<b>Carrying amount</b>						
At 31 December 2007	876,211	25,000	152,917	4,778,050	11,254	5,843,4323
At 31 December 2008	876,211	16,667	100,000	4,504,359	8,884	5,506,121
At 31 December 2009	876,211	8,334	50,000	4,230,668	6,514	5,171,727

The following useful lives are used in the calculation of amortisation:

Covenants not to compete	3 years
Customer lists	5 years
Trademarks	20 years
Patents	10 years

### Goodwill

Goodwill has been allocated for impairment testing purposes to owned and operated franchises – \$239,500 and to franchisor activities – \$636,711, for the years ended December 31, 2009, 2008 and 2007.

#### *Owned and operated franchises*

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 10 per cent. per annum.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 5 per cent. per annum growth rate which is the projected long-term average growth rate for the market. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

### *Franchisor activities*

The recoverable amount of the franchisor activities' segment and cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 5 per cent. per annum. Cash flows beyond that five year period have been extrapolated using a steady 5 per cent. per annum growth rate. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the franchisor activities' segment carrying amount to exceed its recoverable amount.

### **NOTE 10 – PROMISSORY NOTES**

On February 28, 2006, in accordance with the stock purchase agreement and related acquisition of ALD, ALDHC issued two unsecured promissory notes ("the Notes") in the aggregate principal amount of \$6,200,000. The Notes bear interest at an annual rate of 6.5 per cent. Interest is payable monthly. ALDHC's parent, PSS, is a guarantor on the Notes.

Note 1 is for \$3,500,000 and has monthly payments of \$15,000 through January 2011, with a final payment of \$3,556,178 due on February 2011. The total of principal and interest paid will amount to \$4,591,178.

Note 1 can be converted into Common Stock of PSS according to the following schedule:

<b>Conversion Period Beginning On</b>	<b>Conversion Period Amount</b>	<b>Conversion Period Price</b>
	<b>\$</b>	<b>\$</b>
30 September 2006	500,000	2.00
30 March 2007	250,000	2.50
30 September 2007	500,000	3.00
30 March 2008	250,000	3.50
30 September 2008	500,000	4.00
30 March 2009	250,000	4.50
30 September 2009	500,000	5.00
30 March 2010	250,000	5.50
30 September 2010	500,000	6.00
	<hr/>	
	3,500,000	

Should PSS be subject to a liquidity event, as defined, all obligations under Note 1 shall be convertible into shares at the lesser of the conversion price set forth in the note or the per/share implied by the terms of the liquidity event.

Note 2 is for \$2,700,000 and has monthly payments of \$20,000 through November 2010, and \$250,000 made on 30 October of every year from 2006 through and including 2010. In addition, a payment of \$250,000 was made on 3 March 2007. A final payment of \$390,731 is to be made on 1 December 2010.

Under the Notes ALDHC is subject to certain covenants, as well as, among others, dividend payments, financial guarantees and business combinations. ALDHC is in compliance with all covenants.

Both Notes provide that 50 per cent. of all proceeds, as defined, received by ALDHC or PSS shall be used to pay down on the obligations of the Notes.

On 7 June 2010, ALDHC entered into a binding commitment letter The Bank of Southern Connecticut, under which the Notes are to be refinanced and replaced with bank debt over a six-year term at an initial interest rate of 8 per cent. per annum.

**NOTE 11 – LONG-TERM DEBT**

Long-term debt consisted of the following at December 31:

	Current 31 December			Non-current 31 December		
	2009 \$	2008 \$	2007 \$	2009 \$	2008 \$	2007 \$
Note payable to finance company, secured by substantially all assets of ALDHC and BWFG, payable in 19 monthly instalments of \$24,422, beginning 25 June 2007, including interest at 15.34 per cent. with balloon payment due 2 January 2009.	320,987	456,128	–	–	–	–
Note payable to seller (acquisition), secured by the assets acquired, payable in monthly instalments of \$2,500 monthly, including interest at 5 per cent. maturing January 2011.	94,751	31,726	93,614	–	94,751	131,386
Note payable to seller (acquisition), secured by the assets acquired, payable in monthly instalments of \$2,250, including interest at 2.90 per cent., maturing April 2012.	24,666	23,466	22,324	33,202	57,868	81,334
Note payable to finance company, secured by a vehicle, payable in monthly instalments of \$586, through February 2010. The non-interest bearing \$42,175 face amount of the note was discounted to \$36,372 using an imputed interest factor of 5 per cent. The debt is net of the \$5,803 discount.	1,165	6,786	6,455	–	1,164	7,951
Note payable to seller (acquisition), secured by the assets acquired, payable in monthly instalments of \$2,131, including interest at 7 per cent. Matured June 2009.	–	10,471	23,924	–	–	10,471

**NOTE 11 – LONG-TERM DEBT (Continued)**

	Current 31 December		2007	Non-current 31 December		
	2009	2008		2009	2008	2007
	\$	\$	\$	\$	\$	\$
Note payable to finance company, secured by substantially all assets of ALDHC and BWGF, payable in 19 monthly instalments of \$24,422, beginning 25 June 2007, including interest at 15.34 per cent., with balloon payment due 25 January 2009. The note was refinanced in 2008	–	–	252,510	–	–	117,442
Note payable to finance company, secured by substantially all assets of ALDHC and BWGF, monthly payments of interest only of \$24,422, beginning 25 June 2007, including interest at 15.34 per cent., with balloon payment due 25 January 2009	–	–	–	–	–	250,000
Note payable to seller (acquisition), secured by the assets acquired. Matured 15 April 2008	–	–	10,000	–	–	25,000
Note payable to bank, secured by a vehicle, payable in monthly instalments of \$536, through August 2009. The non-interest bearing \$19,300 face amount of the note was discounted to \$17,623 using an imputed interest factor of 6.0 per cent. The debt is net of the \$1,677 discount	–	–	5,985	–	–	4,194
Note payable to bank, secured by a vehicle, payable in monthly instalments of \$343 through May 2008. The non-interest bearing \$20,575 face amount of the note was discounted to \$17,952 using an imputed interest factor of 5.5 per cent. The debt is net of the \$2,623 discount	–	–	1,356	–	–	–
	441,569	528,577	416,168	32,202	153,783	627,778

## NOTE 11 – LONG-TERM DEBT (Continued)

The following summarises maturities of long-term debt as of 31 December:

Year ended 31 December	\$
2010	408,367
2011	25,929
2012	7,273
	<hr/>
	441,569

## NOTE 12 – ISSUED CAPITAL

ALDHC has 25,000,000 shares of Common Stock authorised for issuance. There are 7,000,000 shares of Common stock issued and outstanding at December 31, 2009, 2008 and 2007. No shares have been issued subsequent to 31 December 2009.

Common Stock, which has a par value of \$.0001, carries one vote per share.

## NOTE 13 – SHARE-BASED PAYMENTS

ALDHC has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by the Board of Directors, executives and senior employees may be granted options to purchase ordinary shares at an exercise price of \$1.14 per ordinary share.

Each employee share option converts into one ordinary share of ALDHC. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiration.

The number of options granted is decided upon and approved by the Board of Directors.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

	31 December 2009		31 December 2008		31 December 2007	
	Number of options	Weighted avg. exercise price	Number of options	Weighted avg. exercise price	Number of options	Weighted avg. exercise price
Outstanding at beginning of period	738,750	1.14	738,750	1.14	738,750	1.14
Granted	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–
Exercised	–	–	–	–	–	–
Expired	–	–	–	–	–	–
Outstanding at end of period	738,750	1.14	738,750	1.14	738,750	1.14
Exercisable at the end of the period	738,750		656,667		410,417	

## NOTE 14 – REVENUE

An analysis of the ALDHC Group's revenue for the years ended 31 December is as follows:

	2009	2008	2007
	\$	\$	\$
Royalties	3,817,071	3,866,572	3,932,933
Operated franchise sales	1,422,187	1,774,488	1,491,290
Parts and equipment sales	287,866	427,948	452,714
Franchise sales	18,000	126,058	25,040
	<hr/>	<hr/>	<hr/>
	5,545,124	6,195,066	5,901,977

Finance income for the years ended 31 December 2009, 2008 and 2007 amounted to \$77,032, \$107,359, and \$145,581, respectively.



## NOTE 15 – LEASES

### Non-Cancellable Operating Lease Commitments

The ALDHC Group leases field equipment and office equipment through non-cancellable operating leases. The leases expire through 31 January 2014.

ALDHC has a lease on its office building in San Bernardino through December 2009 which was renegotiated in 2009. The new lease began 15 June 2009 and expires 31 May 2011. Monthly rent expense is approximately \$600 under the renegotiated lease.

The ALDHC Group has month-to-month lease arrangements for its corporate office in California and its Boston, MA office; accordingly, no provision for operating lease commitment is included in the financial information.

Total future minimum rental payments under non-cancellable operating leases as of 31 December 2009 are as follows:

Within 1 year	21,521
Later than 1 year and not later than 5 years	32,835
	<hr/>
	\$54,356

### Financial Leases

The ALDHC Group entered into a lease agreement to lease equipment in December 2008. The lease requires monthly payments of \$2,200 and expires at 1 September 2010. Assets under financial lease, included in property, plant and equipment, at 31 December 2009 and 2008, amounted to \$36,673, and \$46,037 respectively.

The obligations under finance leases are secured by the lessors' title to the leased assets.

Total future minimum rental payments under financial leases as of December 31, 2009 are as follows:

	Minimum lease payments	Present value of lease payments
Not later than one year	\$17,603	\$15,617
Future finance charges	(986)	
Present value of minimum lease payments	<hr/>	<hr/>
	\$16,617	

## NOTE 16 – INCOME TAXES

Income tax recognised in profit or loss for the years ended 31 December follows:

	2009 \$	2008 \$	2007 \$
Tax expense comprises:			
Current tax expense	18,927	16,550	9,881
Deferred tax expense relating to the origination and reversal of temporary differences	76,690	(88,787)	(3,167)
Total tax expense	<hr/>	<hr/>	<hr/>
	95,617	(72,237)	6,714

The expense for the years ended December 31 can be reconciled to the accounting profit or loss as follows:

	2009 \$	2008 \$	2007 \$
Profit (loss) from operations	238,362	(233,681)	(22,695)
Income tax expense calculated at 34 per cent.	81,043	(79,451)	(7,716)
Effect of expenses that are not deductible in determining taxable profit	2,323	2,742	6,620
State taxes net of federal benefit	12,251	4,472	7,810
Income tax expense recognised in profit or loss	95,617	(72,237)	6,714

The tax rate used for 2009, 2008 and 2007 reconciliations above is a corporate tax rate of 34 per cent. payable by corporate entities in California on taxable profits under tax law in that jurisdiction.

Deferred tax balances at 31 December follow:

	Opening balance \$	Recognised in profit or loss \$	Closing balance \$
<b>2009</b>			
Temporary differences:			
Property, plant and equipment	(2,687)	2,967	280
Net operating loss	320,871	(49,370)	271,501
Intangible assets	23,637	(46,181)	(22,544)
Doubtful debts	11,550	–	11,550
Other – vacation accrual	51,017	15,894	66,911
Income tax expense recognised in profit or loss	404,388	(76,690)	327,698

<b>2008</b>			
Temporary differences:			
Property, plant and equipment	8,288	(10,975)	(2,687)
Net operating loss	114,387	206,484	320,871
Intangible assets	143,771	(120,134)	23,637
Doubtful debts	7,700	3,850	11,550
Other – vacation accrual	41,455	9,562	51,017
Income tax expense recognised in profit or loss	315,601	88,787	404,388

	Opening balance \$	Recognised in profit or loss \$	Closing balance \$
<b>2007</b>			
Temporary differences:			
Property, plant and equipment	19,653	(11,365)	8,288
Net operating loss	–	114,387	114,387
Intangible assets	285,081	(141,310)	143,771
Doubtful debts	7,700	–	7,700
Other – vacation accrual	–	41,455	41,455
Income tax expense recognised in profit or loss	312,434	3,167	315,601

The effective federal tax rate differs from the applicable statutory tax rate primarily because the consolidating financial statements include the results of a pass through entity.

## NOTE 17 – RELATED PARTY TRANSACTIONS

### Related Party Transactions

In connection with its acquisition by PSS, ALDHC has a “Letter Agreement on Commercial Relations” made pursuant to the Stock Purchase Agreement dated 28 February 2006. The parties to the agreement are ALD, ALDHC and PSS. The agreement grants ALDHC with the right to sub-license to ALD, PSS’s patent portfolio of consisting of patents, patent applications and provisional applications. The intellectual property derived from such portfolio is being used to develop proprietary products to build the ALDHC Group’s business and distinguish its brand.

The terms of the agreement began in March 2006 for four years with automatic one year renewals unless terminated by PSS. The agreement contains provisions for license fees payable at a minimum of \$250,000 but not to exceed \$1,500,000 per annum, royalties from future development of PSS products sold by ALD, payable quarterly at an amount to be determined, and professional fees for PSS personnel which is payable monthly. Fees paid under the Letter Agreement on Commercial Relations totalled \$572,950, \$580,000 and \$922,389 for the years ended 31 December 2009, 2008 and 2007, respectively and have been eliminated on consolidation.

During the normal course of operations there are inter-company transactions with PSS and the ALDHC Group. During the year ended 31 December 2009, PSS charged administrative fees of \$276,515 to ALD to cover activities taken on its behalf. Further, the ALDHC Group advanced \$300,000 from amounts anticipated due in 2010 under the Letter Agreement on Commercial Relations (\$250,000 of which amount was repaid in the first quarter of 2010). At 31 December 2009, 2008 and 2007, the related receivable and prepaid aggregated \$360,031, \$167,108 and \$127,793. These amounts are included in prepaid and other current assets in the accompanying consolidated statements of financial position.

This agreement has been amended with effect from 4 April 2010 and is described in detail at paragraph 12.3 of Part VII of this document.

### Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the years ended were as follows:

	2009	2008	2007
	\$	\$	\$
Short-term benefits	190,566	170,029	151,923
Post-employment benefits	1,905	10,202	12,154
Share-based payments	57,020	85,529	85,529
	<hr/> 249,491	<hr/> 265,760	<hr/> 249,606

The remuneration of directors and key executives is determined by the Board of Directors having regard for the performance of individuals and market trends.

## NOTE 18 – PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the years ended 31 December is stated after charging the following:

	2009	2008	2007
	\$	\$	\$
Foreign exchange (gains) losses	(10,211)	23,850	(4,851)
Stock based compensation	42,109	126,326	126,326
Depreciation expense	89,738	105,309	114,360
Operating lease payments	133,422	140,606	140,205
Advertising expense	179,755	286,176	239,173
Inventory expense	228,112	343,185	371,003
Amortisation expense	334,394	337,311	289,560
	<hr/> 997,319	<hr/> 1,362,763	<hr/> 1,275,776

## NOTE 19 – CAPITAL RISK MANAGEMENT

ALDHC manages its capital to ensure that entities in the ALDHC Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from 2008 and 2007.

The capital structure of the ALDHC Group consists of net debt and equity (comprising issued capital, reserves, and retained earnings).

ALDHC is not subject to any externally imposed capital requirements.

The Board of Directors reviews the capital structure of the ALDHC Group on a semi-annual basis, at a minimum. As part of this review, the Board of Directors considers the cost of capital and the risks associated with it. The Board has no specific target range.

The gearing ratio at 31 December was as follows:

	2009	2008	2007
	\$	\$	\$
Debt <sup>(i)</sup>	4,778,626	5,436,727	6,228,594
Cash and cash equivalents	(369,650)	(379,626)	(641,044)
Net debt	4,408,976	5,057,101	5,587,550
Equity	2,087,970	1,723,116	1,578,234
Net debt to equity ratio	211%	293%	354%

(i) Debt is defined as long and short-term borrowings

## NOTE 20 – FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

	2009	2008	2007
	\$	\$	\$
<b>Financial assets</b>			
<i>Loans and receivables</i>			
Cash and cash equivalents	369,650	379,626	641,044
Trade and other receivable	819,095	818,347	767,289
<b>Financial liabilities</b>			
<i>Other financial liabilities</i>			
Trade and other payables	289,087	372,799	285,358
Borrowings	474,771	682,360	1,043,946
Promissory notes	4,303,855	4,754,367	5,184,648

### Fair Value Measurements

The carrying value of all financial instruments approximates to their fair value.

### Financial Risk Management Objectives

*Market Risk Management* – The ALDHC Group is exposed to market risk related to its cash and cash equivalents. Changes in interest rates affect the interest income earned on cash and cash equivalents and, therefore, impact cash flows and results of operations.

The ALDHC Group does not enter into derivative contracts, either for purposes of hedging market risk or for speculative purposes.

*Capital Risk Management* – Primary liquidity and capital requirements are for maintaining and supporting the existing franchisee base, working capital, acquisitions, and other general business needs.

*Foreign Currency Risk Management* – The ALDHC Group maintains two foreign bank accounts to facilitate the collection of royalties for certain foreign franchisees. Economic and non-economic conditions in foreign countries could cause a change in the amount realised upon final settlement.

Management does not believe the use of derivative instruments is necessary as any potential fluctuation in currencies is likely to be minimal.

*Interest Rate Risk Management* – The ALDHC Group’s debt is primarily in fixed rate instruments. Management does not believe there is any need to create a mix of fixed and floating rate debt through the use of synthetic instruments such as swaps or derivatives.

*Credit Risk Management* – Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the ALDHC Group. At present, this includes trade receivables, trade notes payable, royalties receivable, cash and cash equivalents and convertible notes receivable. Management performs initial and ongoing credit analysis.

The ALDHC Group has deposits in financial institutions that insure its deposits with the Federal Deposit Insurance Corporation up to \$250,000 per depositor. The portion of the deposits in excess of this amount is not subject to such insurance and represents a credit risk to the ALDHC Group. On occasion the ALDHC Group has cash on deposit in excess of these limits.

*Liquidity Risk Management* – Ultimate responsibility for liquidity risk management rests with management. Management has striven to raise capital with the longest term contractual maturities available with, to the extent possible, retirement occurring on either a major refinancing or acquisition event. The contractual maturity of the ALDHC Group’s promissory notes payable and debt liabilities are included in Notes 10 and 11, respectively.

ALDHC anticipates requiring additional financing in the current year in order to meet its obligations as they become due. Management believes that sources of additional funding are available to it through its current investors or lenders.

In particular, in June 2010, ALDHC reached agreement with certain commercial banks whereby its Promissory Notes, described in note 10 above, are to be refinanced and replaced with bank debt.

#### **Interest rate sensitivity analysis**

All of the ALDHC Group’s borrowings are at fixed rates; as such a sensitivity analysis is not necessary.

#### **Foreign currency sensitivity analysis**

Amounts held in foreign bank accounts, converted to United States currency, were approximately \$32,000, \$87,000 and \$69,000 at 31 December 2009, 2008 and 2007, respectively.

The two accounts are held in Australia and Canada.

A foreign currency sensitivity analysis is not necessary, as even a 10 per cent. increase or decrease in the US dollar against the relevant foreign currency would be minimal.

#### **NOTE 21 – SPECIAL PURPOSE ENTITY**

During 2007, related parties, including ALD, formed BWGF to finance the buy-back of ALD franchises. The acquisition of these franchises was financed in the form of \$500,000 and \$250,000 notes payable, which are secured by the assets of ALD. These loans were repaid and refinanced in 2008. Balances outstanding on the notes payable at 31 December 2009, 2008, and 2007 are \$320,987, \$456,128, and \$252,510, respectively. See note 11 above.

#### **NOTE 22 – SEGMENT INFORMATION**

ALDHC has adopted IFRS 8 *Operating Segments* as of 1 January 2009 and has retroactively applied the provisions of IFRS 8 *Operating Segments* to 2008 and 2007 information.

Information reported to ALDHC’s chief operating decision maker, Stanford Berenbaum, for the purposes of resource allocation and assessment of division performance is separated into two segments – franchisor activities and owned and operated franchises.



The following is an analysis, by reportable segment, of the ALDHC Group's revenues and results from operations, and assets:

	<b>Revenue</b>		
	<b>2009</b>	<b>Year ended 2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Owned and operated franchises	1,421,579	1,750,125	1,375,227
Franchisor activities	4,123,545	4,444,941	4,526,750
<b>Revenue</b>	<b>5,545,124</b>	<b>6,195,066</b>	<b>5,901,977</b>

	<b>Profit (loss)</b>		
	<b>2009</b>	<b>Year ended 2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Owned and operated franchises	(118,138)	(211,528)	(56,828)
Franchisor activities	356,500	(22,153)	34,133
<b>Income before tax</b>	<b>238,362</b>	<b>(233,681)</b>	<b>(22,695)</b>

	<b>Assets</b>		
	<b>2009</b>	<b>Year ended 2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Owned and operated franchises	399,396	572,915	618,668
Franchisor activities	6,772,904	6,998,291	7,473,518
<b>Consolidated assets</b>	<b>7,172,300</b>	<b>7,571,206</b>	<b>8,092,186</b>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales.

The accounting policies for the two segments are the same as the accounting policies described in Note 2.

For the purposes of monitoring segment performance all assets are allocated to reportable segments. Liabilities are not monitored for segment performance.

### **Geographic information**

At 31 December 2009, the ALDHC Group has 92 domestic franchisees and 14 international franchisees operating multiple units. At 31 December 2008 and 2007, the ALDHC Group had 91 domestic franchisees and 17 international franchisees. Revenue from franchisor activities by geographical location is detailed below.

	<b>Revenue from franchisor activities</b>		
	<b>2009</b>	<b>Years ended 2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Domestic franchises	3,910,969	4,226,522	4,328,770
International franchises	212,576	218,419	197,980
<b>Revenue</b>	<b>4,123,545</b>	<b>4,444,941</b>	<b>4,526,750</b>

All franchises owned and operated by the ALDHC Group are located in the United States of America. Franchises do not have any non-current assets.

**NOTE 23 – NATURE OF FINANCIAL INFORMATION**

The financial information presented above does not constitute statutory accounts for the three year period ended 31 December 2009.

## PART VI

### Section A

# Accountant's Report on the Pro Forma Statement of Net Assets of the Enlarged Group

The Directors and Proposed Directors  
Qconnectis plc  
St John's Innovation Centre  
Cowley Road  
Cambridge  
Cambridgeshire CB4 0WS



The Directors  
Merchant John East Securities Limited  
10 Finsbury Square  
London EC2A 1AD

7 July 2010

Dear Sirs

#### Introduction

We report on the unaudited pro forma financial information set out in Part VI of Qconnectis plc's (the "Company") admission document (the "Document") dated 7 July 2010, which has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the proposed acquisition of American Leak Detection Holdings Corp, the Capital Reorganisation, the fundraising completed in January 2010 and the Open Offer might have affected the financial information presented on the basis of the accounting policies adopted by the Company.

#### Responsibilities

It is the responsibility of the Existing Directors and Proposed Directors of the Company to prepare the unaudited pro forma financial information. It is our responsibility to form an opinion on the financial information as to the proper compilation of the unaudited pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

#### Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Existing Directors and Proposed Directors of the Company.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled on the basis stated; and
- b. such basis is consistent with the accounting policies of the Company.

**Declaration**

We are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

**Mazars LLP**

## Section B

### Unaudited Pro Forma Statement of Consolidated Net Assets

Set out below is an unaudited pro forma statement of net assets of the Enlarged Group, which has been prepared on the basis of the Company's audited financial statements for the eighteen month period ended 31 December 2009, as adjusted for the fundraising completed in January 2010 (and subsequent exercise of warrants on completion), the acquisition by the Company of the entire issued share capital of ALDHC, the exercise of certain options and the Open Offer as set out in the notes below. The unaudited pro forma has been prepared for illustrative purposes only and, because of its nature, will not represent the actual consolidated financial position of the Company at the date of Admission.

	Company Note 1 £'000	ALDHC Note 2 £'000	Adjustments Notes 3 to 5 £'000	Pro forma net assets £'000
<b>Non-current assets</b>				
Intangible assets	–	3,472	–	3,472
Goodwill	–	–	5,739	5,739
Property, plant and equipment	16	78	–	94
Trade notes receivable	–	51	–	51
	16	3,601	5,739	9,356
<b>Current assets</b>				
Trade and other receivables	11	621	(73)	559
Inventories	34	67	–	101
Cash at bank and in hand	105	246	878	1,229
	150	934	805	1,889
<b>Creditors: amounts falling due within one year</b>	(511)	(1,252)	125	(1,638)
<b>Net current assets/(liabilities)</b>	(361)	(318)	930	251
<b>Total assets less current liabilities</b>	(345)	3,283	6,669	9,607
<b>Non-current liabilities</b>	–	(2,188)	–	(2,188)
<b>(Net liabilities)/Net assets</b>	(345)	1,095	6,669	7,419

**Notes:**

- The net assets of the Company as at 31 December 2009 have been extracted without adjustment from the Company's audited consolidated financial statements for the eighteen month period ended 31 December 2009. No account has been taken of the activities of the Company subsequent to 31 December 2009.
- The net assets of ALDHC at 31 December 2009 have been extracted without adjustment from the Accountants' report in Part V of this document and translated into Pounds Sterling at the rate of US\$1.50:£1. No account has been taken of the activities of ALDHC subsequent to 31 December 2009.
- The adjustments reflect:
  - the proposed acquisition of ALDHC;
  - the fundraising of £395,000 completed by the Company in January 2010 (comprising guaranteed loan notes of £295,000 and equity of £100,000) and the subsequent repayment of the loan notes upon completion of the proposed acquisition and immediate exercise of warrants granted to the loan note holders;
  - the minimum Open Offer proceeds of £657,414.75;
  - estimated costs payable in cash of £228,000; and
  - the elimination of intercompany balances.
- The acquisition of ALDHC assumes the issue of 7,324,687 new Ordinary shares of 1p each at 75p each for the entire issued share capital of ALDHC for a total consideration of £5,493,514.50 (the Consideration Shares (representing 78.09 per cent. of the Enlarged Share Capital).
- If there is full take up under the Open Offer, the additional net proceeds of up to £338,871 will increase the pro forma cash and net asset values accordingly.
- The Capital Reorganisation does not affect the unaudited pro forma statement of consolidated net assets.



## PART VII

### Additional information

#### 1. Responsibility

- 1.1 The Company, the Directors and the Proposed Directors, whose names are set out on page 3 of this document, accept responsibility, both individually and collectively, for the information contained in this document and confirm that to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Each member of the Concert Party accepts responsibility for the information contained in this document relating to themselves, their immediate families, persons connected with them, their related trusts and controlled companies and to statements in this document regarding the Concert Party as a whole and to the best of their knowledge and belief (who having taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company and its subsidiaries

- 2.1 The Company is domiciled in the UK and was incorporated in England and Wales on 10 February 2000 as a public limited company under the Companies Act 1985, with registered number 3923150 and under the name Web Orator plc. By special resolutions dated 30 December 2002 and 7 October 2003 the Company changed its name to IP Holdings plc and Qconnectis plc, respectively. On 5 May 2000, the Company obtained a certificate to do business and borrow under section 117 of the Companies Act 1985. The liability of the members of the Company is limited.
- 2.2 The registered office and principal place of business of the Company is St John's Innovation Centre, Cowley Road, Cambridge, Cambridgeshire CB4 0WS (telephone number +44 (0)1223 421 714).
- 2.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The Existing Ordinary Shares were created pursuant to the Companies Act 1985 and the Act.
- 2.4 On Admission, the Company will be the holding company of the Enlarged Group and will, directly or indirectly, own the following companies:
  - 2.4.1 MyUtility Limited which was incorporated in England and Wales as a public company with limited liability under the Companies Act 1985 on 10 February 2000 under the name Web Orator.com plc, with company number 3923142 and on Admission will remain as a wholly owned subsidiary of the Company;
  - 2.4.2 Qconnectis Group Limited which was incorporated in England and Wales as a private company with limited liability under the Companies Act 1985 on 20 April 2000 under the name Quantum Garage Internet Group Limited and with company number 3978642 and on Admission will remain as a wholly owned subsidiary of the Company;
  - 2.4.3 Qconnectis Networks Limited which was incorporated in England and Wales as a private company with limited liability under the Companies Act 1985 on 18 September 1998 under the name Now! Networks Limited, with company number 3634838 and on Admission will remain as a wholly owned subsidiary of the Company;
  - 2.4.4 Qconnectis Technologies Limited which was incorporated in England and Wales as a private company with limited liability under the Companies Act 1985 on 19 October 1999 under the

name Delish.com Limited and with company number 3861324 and on Admission will remain as a wholly owned subsidiary of the Company;

2.4.5 Qonnectis Acquisition Co. which is a Delaware corporation, whose certificate of incorporation was originally filed with the Secretary of State of Delaware on 2 July 2010, whose headquarters is located at: 888 Research Drive, Suite 100, Palm Springs, California 92262 and on Admission will remain as a wholly owned subsidiary of the Company if the Merger is implemented, Qonnectis Acquisition Co. will cease to exist as ALDHC will be the surviving Corporation;

2.4.6 ALDHC is a Delaware corporation, whose certificate of incorporation was originally filed with the Secretary of State of Delaware on 24 February 2006, whose headquarters is located at: 888 Research Drive, Suite 100, Palm Springs, California 92262 and which, following Admission, will become a wholly owned subsidiary of the Company; and

2.4.7 ALD is a California corporation the Articles of Incorporation of which were originally filed with the Secretary of State of California on 23 April 1984, whose headquarters is located at: 888 Research Drive, Suite 100, Palm Springs, California 92262 and which, on Admission, will remain as a wholly owned subsidiary of ALDHC.

### 3. Share Capital

3.1 The authorised and issued share capital of the Company as at 31 December 2009 (being the last date to which audited financial information was prepared on the Company) and as the date hereof is as follows:

	Authorised share capital		Issued and fully paid share capital as at 31 December 2009		Issued and fully paid share capital as at the date of this document	
	£	Number	£	Number	£	Number
Ordinary Shares	3,373,020.19	3,373,020,193	393,608.02	393,608,023	545,296.10	545,296,103
A Deferred Shares	3,542,472.21	3,542,472,207	3,542,472.21	3,542,472,207	3,542,472.21	3,542,472,207
Deferred Shares	8,084,507.60	808,450,760	8,084,507.60	808,450,760	8,084,507.60	808,450,760

3.2 The ordinary issued share capital of the Company immediately following Admission will be as follows:

	Issued and fully paid up		Assuming minimum take up under the Open Offer		Assuming maximum take up under the Open Offer	
	£	Number	£	Number	£	Number
New Ordinary Shares	93,796.59	9,379,659	98,360.52	9,836,052	98,360.52	9,836,052
B Deferred Shares	540,752.66	454,414	540,752.66	454,414	540,752.66	454,414

Following the passing of Resolution 7, the Company will no longer have an authorised share capital and it will therefore be unlimited.

3.3 At the date of its incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1.00 each, of which two subscriber shares were in issue, fully paid.

3.4 On 11 April 2000, each of the ordinary shares of £1.00 each was subdivided into ten ordinary shares of 10p each and the authorised share capital of the Company was increased from £50,000, to £10,000,000 by the creation of a further 99,500,000 ordinary shares of 10p each.

3.5 On admission to trading on AIM on 24 February 2005 the authorised share capital of the Company was £11,000,000 divided into 221,899,240 ordinary shares of 1 pence each, 808,450,760 Deferred Shares and 696,500 B ordinary shares of £1.00 each of which 157,408,023 ordinary shares of 1 pence each and 808,450,760 deferred shares of 1 pence each were in issue.

3.6 The following is a summary of the changes in the issued share capital of the Company since 25 February 2005:

3.6.1 the Company allotted 61,200,000 ordinary shares of 1 pence each on 31 July 2006;

- 3.6.2 the Company increased its authorised share capital to £13,000,000 by the creation of 200,000,000 ordinary shares of 1 pence each on 25 January 2007;
- 3.6.3 the Company allotted 25,000,000 ordinary shares of 1 pence each on 4 February 2008;
- 3.6.4 the Company allotted 75,000,000 ordinary shares of 1 pence each on 28 April 2008;
- 3.6.5 the Company allotted 50,000,000 ordinary shares of 1 pence each on 6 May 2008;
- 3.6.6 the Company allotted 25,000,000 ordinary shares of 1 pence each on 15 May 2008;
- 3.6.7 the Company increased its authorised share capital to £15,000,000 by the creation of 200,000,000 ordinary shares of 1 pence each on 19 December 2008;
- 3.6.8 the Company sub-divided each ordinary share of 1 pence each into ten Ordinary Shares and sub-divided and re-designated each B ordinary share of £1.00 be into 1,000 Ordinary Shares each on 5 June 2009;
- 3.6.9 the Company converted nine of every 10 then existing Ordinary Shares into A Deferred Shares on 25 June 2009; and
- 3.6.10 the Company allotted 151,688,080 Ordinary Shares on 8 January 2010.
- 3.7 9,995,943 Existing Ordinary Shares are held under option. Further information on the Share Options are set out in paragraph 9 of this Part VII.
- 3.8 On 23 April 2008 the Company granted JMFinn Capital Markets Limited an option in respect of 7,372,160 ordinary shares of 1 pence each in the capital of the Company (the “**Option Shares**”), at a price of 1 pence per share exercisable until 23 April 2013. Following the Capital Reorganisation, this option will be exercisable over 6,143 New Ordinary Shares at a price of £12.00.
- 3.9 On 8 January 2010, the Company created warrants to subscribe for Ordinary Shares to be issued to the holders of notes created under the instrument described in paragraph 11.1.2 below. The terms of these warrants are summarised in paragraph 11.1.3 below.
- 3.10 On 7 July 2010 the Company granted MJES warrants to subscribe for 187,526 New Ordinary Shares at the Issue Price exercisable at any time for a period of 4 years from Admission, further details of which are set out in paragraph 11.1.9 below.
- 3.11 Save as referred to in this paragraph 3 and in paragraph 9, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.12 It is proposed that:
- 3.12.1 under the terms of the Acquisition, the Consideration Shares will be issued credited as fully paid to the Vendors; and
- 3.12.2 under the terms of the Open Offer, the Offer Shares will be issued credited as fully paid to applicants under the Open Offer or MJES or its sub-underwriters;
- in each case at the Offer Price.
- 3.13 The Consideration Shares and Offer Shares will rank *pari passu* in all respects with the New Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission of the Enlarged Share Capital.
- 3.14 Save for the guaranteed loan notes and the convertible loan notes issued on 8 January 2010, further details of which are set out in paragraphs 11.1.2 and 11.1.5 respectively, the Company does not have any securities in issue not representing the share capital.
- 3.15 No shares in the capital of the Company are held by or on behalf of the Company or by any subsidiaries of the Company.

3.16 Save as referred to in this paragraph 3 and in paragraph 9 there are no acquisition rights or obligations over authorised but unissued capital or undertakings to increase the capital of the Company.

#### **4. Memorandum and Articles of Association**

Any reference to ‘Ordinary Shares’ in this section is a reference to Ordinary Shares and New Ordinary Shares.

4.1 The objects of the Company are set out in full in clause 4 of its Memorandum of Association and include the carrying on of business as a general commercial company.

4.2 The Articles of Association, if adopted following passing of Resolution 7 at the General Meeting will contain, inter alia, provisions to the following effect:

##### *4.2.1 Rights attaching to the New Ordinary Shares*

###### *4.2.1.1 Voting*

Subject to any special terms as to voting upon which any shares may have been issued, or may for the time being be held, every member of the Company (“Member”) present in person or by proxy shall upon a show of hands have one vote and every Member present in person or by proxy shall upon a poll have one vote for every share held by him.

No Member shall, unless the Company’s board of directors (“Board” or “Directors”) otherwise determine, be entitled to be present or to vote, either in person or by proxy, at any general meeting or upon any poll, or to exercise any privilege as a Member in relation to meetings of the Company in respect of any shares held by him if either:-

- any calls or other moneys due and payable in respect of those shares remain unpaid; or
- a direction notice shall have been served and not withdrawn or deemed to have been withdrawn.

On a poll vote may be given personally or by proxy and a Member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

The instrument appointing a proxy shall be in writing in the usual form, or such other form as shall be approved by the Directors, under the hand of the appointor or his duly constituted attorney; or if such appointor is a corporation, under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. The Board may allow an appointment of proxy to be sent or supplied in electronic form subject to any conditions or limitations as the Board may specify, and where the Company has given an electronic address in any instrument of proxy or invitation to appoint a proxy, any document or information relating to proxies for the meeting (including any document necessary to show the validity of, or otherwise relating to, an appointment of proxy, or notice of the termination of the authority of a proxy) may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting. A proxy need not be a Member of the Company. A Member may appoint more than one proxy to attend on the same occasion and if he does he must specify the number of shares in relation to which each proxy is appointed and each proxy will only be entitled to exercise voting rights in relation to the number of shares for which he is appointed. If a Member appoints more than one proxy, he must ensure that no proxy is appointed to exercise voting rights which any other proxy has been appointed by that Member to exercise.

###### *4.2.1.2 Dividends*

Subject to statute the Directors may before recommending any dividends whether preferential or otherwise carry to reserve out of the profits of the Company such

sums as they think proper. All sums standing to reserve may be applied from time to time in the discretion of the Directors for meeting depreciation or contingencies or for special dividends or bonuses or for equalising dividends or for repairing, improving or maintaining any of the property of the Company or for such other purposes as the Directors may think conducive to the objects of the Company or any of them and pending such application may at the like discretion either be employed in the business of the Company or be invested in such investments as the Directors think fit. The Directors may divide the reserve into such special funds as they think fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as they think fit. Any sum which the Directors may carry to reserve out of the unrealised profits of the Company shall not be mixed with any reserve to which profits available for distribution have been carried. The Directors may also without placing the same to reserve carry forward any profits which they may think it not prudent to divide.

Subject to the Articles and statute the Company may by ordinary resolution declare a dividend to be paid to the Members according to their respective rights and interests in the profits, but no larger dividend shall be declared than is recommended by the Directors.

No dividend or other moneys payable by the Company shall bear interest as against the Company.

The Directors may from time to time declare and pay an interim dividend to the Members. No dividend or interim dividend shall be payable except in accordance with the provisions of statute.

Every dividend shall belong and be paid (subject to the Company's lien) to those Members who are on the register at the date fixed by the Directors for the purpose of determining the persons entitled to such dividend (whether the date of payment or some other date) notwithstanding any subsequent transfer or transmission of shares.

The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to shares of the Company.

#### 4.2.1.3 *Distribution of assets on a winding-up*

The liquidator on any winding-up of the Company (whether voluntary or under supervision or compulsory) may with the authority of a special resolution, divide among the Members in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind, or shall consist of properties of different kinds, and for such purpose may set such value as he deemed fair upon anyone or more class or classes of property and may determine how much division shall be carried out as between Members or classes of Members but so that if any such division shall be otherwise than in accordance with the existing rights of the Members, every member shall have the same right of dissent and other ancillary rights as if such resolution were a special resolution passed in accordance with the Companies Act 2006.

#### 4.2.1.4 *Alteration of share capital*

Subject to the provisions of statute any new shares in the capital of the Company may be allotted with such preferential right to dividend and such priority in the distribution of assets, or subject to such postponement of dividends or in the distribution of assets, and with or subject to such preferential or limited or qualified right of voting at General Meetings as the Company may from time to time by ordinary resolution determine, or, if no such determination be made, as the Directors shall determine, but so that the rights attached to any issued shares as a class shall



not be varied except with the consent of the holders thereof duly given under the provisions of the Articles.

The Company may from time to time by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account in any manner authorised by law. The Company may also by ordinary resolution cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal value of the shares so cancelled.

The rights privileges or conditions conferred upon the holders of or attaching to any share or class of shares shall be deemed not to be varied by reason only of anything done by the Company in pursuance of any resolution passed under the powers conferred by the Articles.

#### 4.2.1.5 *Purchase of Own Shares*

Subject to statute, the Company may enter into any contract for the purchase of any of its own shares (including any redeemable shares) and any contract under which it may, subject to any conditions, become entitled or obliged to purchase any such shares.

The Company may also (subject to the provisions of this Article and to any directions which may be given by the Company in a general meeting) make a market purchase (within the meaning of Section 693 of the Act) of any of its own shares and may purchase hold and deal in its own shares as treasury shares (within the meaning of Section 724 of the Act).

#### 4.2.2 *Rights attaching to the Deferred Shares, A Deferred Shares and B Deferred Shares*

The Deferred Shares, the A Deferred Shares and the B Deferred Shares carry the right to repayment of 1p, 0.1p and 1p each respectively on a winding up or repayment of capital of the Company after repayment of £100,000 on each of the Ordinary Shares in issue in the capital of the Company and after payment of the amount due (if any) on any other classes of share capital of the Company in order of first paying the holders of the Deferred Shares followed by holders of the A Deferred Shares followed by holders of the B Deferred Shares.

The Deferred Shares, A Deferred Shares and B Deferred Shares carry no other right to participate in the capital or income of the Company and carry no right to vote.

The Company can at any time cancel, by way of application to Court, the Deferred Shares, A Deferred Shares and/or B Deferred Shares with or without consideration upon such terms as the Directors think fit.

### 4.3 *Directors*

#### 4.3.1 *Directors' Remuneration*

The Directors shall be paid out of the funds of the Company for their services subject to such limit (if any) as the Company in general meeting may from time to time determine. The Directors shall also receive by way of additional fees such further sums (if any) as the Company in general meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally.

The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance or their duties as Directors including any expenses incurred in attending meetings of the Board of Directors or of committees of the Board of Directors or General Meetings and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.



#### 4.3.2 *Retirement of Directors by Rotation*

At each Annual General Meeting, one-third of the Directors who are subject to retirement by rotation, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third shall retire from office. A Director retiring at a meeting shall retain office until the dissolution of such meeting.

The Directors to retire at each Annual General Meeting shall be the one-third or other nearest number who have been longest in office and who are subject to retirement by rotation. As between two or more who have been in office an equal length of time, the Director to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from his last election or appointment when he has previously vacated office. A retiring Director shall be eligible for re-election.

#### 4.3.3 *Directors' Interests*

No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either in regard to such other office or place of profit or as vendor, purchaser or otherwise. Subject to the provisions of statute and save as therein provided no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relation thereby established but the nature of his interest shall be disclosed by him in accordance with the provisions statute.

For the purposes of Section 175 of the Act, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under that Section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

Authorisation of a matter under the Articles shall be effective only if:

- the matter in question shall have been proposed in writing for consideration at a meeting of the Directors, in accordance with the Board of Directors' normal procedures or in such other manner as the Directors may determine;
- any requirement as to the quorum at the meeting of the Board of Directors at which the matter is considered is met without counting the Director in question and any other interested Director (together the "Interested Directors"), and
- the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

Any authorisation of a matter under this Article shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.

Any authorisation of a matter shall be subject to such conditions or limitations as the Directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the Directors at any time. A Director shall comply with any obligations imposed on him by the Directors pursuant to any such authorisation.

A Director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any matter authorised by the Directors under this Article and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

A Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his

interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Subject to compliance with the Articles, a Director, notwithstanding his office, may have an interest of the following kind:

- where a Director (or a person connected with him) is a director or other officer of, or employed by, or otherwise interested (including by the holding of shares) in any Relevant Company;
- where a Director (or a person connected with him) is a party to, or otherwise interested in, any contract, transaction or arrangement with a Relevant Company, or in which the Company is otherwise interested;
- where the Director (or a person connected with him) acts (or any firm of which he is a partner, employee or member acts) in a professional capacity for any relevant company (other than as Auditor) whether or not he or it is remunerated therefore;
- an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;
- an interest, or a transaction or arrangement giving rise to an interest, of which the Director is not aware;
- any matter authorised under the Articles; or
- any other interest authorised by ordinary resolution.

No authorisation shall be necessary in respect of any such interest.

A Director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any Relevant Company or for such remuneration and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

#### 4.4 *Transfer of Shares*

The instrument of transfer of any share in the Company shall be in usual form or in such other form as shall be approved by the Directors, and shall be signed by or on behalf of the transferor (and in the case of a transfer of a partly paid share by the transferee) and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect thereof, and when registered the instrument of transfer shall be retained by the Company.

The Directors may, in their absolute discretion and without assigning any further reason therefore, refuse to register any share transfer (whether in respect of a certified or uncertified share) unless:-

- it is in respect of a fully paid share;
- it is in respect of a share on which the Company does not have a lien;
- it is in respect of only one class of shares;
- it is in favour of not more than four joint holders as transferees; and
- the other conditions referred to below have been satisfied in respect thereof, provided that, where any such shares are admitted to AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares of the relevant class or classes from taking place on an open and proper basis.

If the Directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal and return to him the instrument of transfer.

Every instrument of transfer must be left at the office, or at such other place as the Directors may from time to time determine, to be registered, accompanied by the certificate of the shares comprised therein, and such evidence as the Directors may reasonably require to prove the title of the transferor, and the due execution by him of the transfer and thereupon the Directors, subject to the power vested in them by the last preceding Article, shall register the transferee as the holder.

No fee shall be payable for registering any transfer, probate, letters of administration, certificates of marriage or death, power of attorney, or other document relating to or affecting the title to any shares or the right to transfer the same.

The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine and either generally or in respect of any class of shares provided that the Register shall not be closed for more than thirty days in any year.

All instruments of transfer which are registered shall, save as otherwise provided herein, be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in the case of fraud) be returned to the person depositing the same.

#### 4.5 *Variation of Rights*

Subject to the provisions of the statutes, if at any time the capital is divided into different classes of shares all or any of the rights or privileges attached to any class may be varied or abrogated (a) in such manner (if any) as may be provided by such rights, or (b) in the absence of any such provision either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise. The creation or issue of shares ranking *pari passu* with or subsequent to the shares of any class shall not (unless otherwise expressly provided by these Articles or the rights attached to such last mentioned shares as a class) be deemed to be a variation of the rights of such shares.

Any meeting for the purpose of the last preceding Article shall be convened and conducted in all respects as nearly as possible in the same way a General Meeting of the Company; provided that (a) no Member, not being a Director, shall be entitled to notice thereof or to attend thereat unless he be a holder of shares of the class the rights or privileges attached to which are intended to be varied or abrogated by the resolution, (b) no vote shall be given except in respect of a share of that class; (c) the quorum at any such meeting shall be at least two persons present holding or representing by proxy at least one-third in nominal value of the issued shares of the class, and at an adjourned meeting one person holding shares of the class in question or his proxy; and (d) a poll may be demanded in writing by any Member present in person or by proxy and entitled to vote at the meeting.

#### 4.6 *Borrowing Powers*

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

#### 4.7 *Electronic communication*

Any notice, document or information to be given, sent or supplied to or by any person under these Articles may be given, sent or supplied to any Member by the Company by using electronic means or in electronic form to a person who has agreed (generally or specifically) that the notice, document or information may be given, sent or delivered in that form (and has not revoked that agreement).

#### 4.8 *General meetings*

Annual General Meetings are to be held in accordance with the requirements of the Act.

The Directors may, whenever they think fit, convene a General Meeting of the Company, and General Meetings shall also be convened on such requisition or in default may be convened by such requisitionists as are provided by the Act.

An Annual General Meeting and all other General Meetings of the Company shall be called by such minimum period of notice as is prescribed under the Act. The notice shall be exclusive of the day on which it is given and of the day of the meeting and shall specify the place, the day and hour of meeting, and in case of special business the general nature of such the business to be transacted. The notice shall be given to the Members, other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive notice from the Company, to the Directors and to the Auditors. A notice calling an Annual General Meeting shall specify the meeting as such and the notice convening a meeting to pass a Special Resolution shall specify the intention to propose the Resolution as such. Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting.

The business of an Annual General Meeting shall be to receive and consider the profit and loss account, the balance sheet and reports of the Directors and of the Auditors, and the documents required by law to be annexed to the balance sheet, to elect Directors and officers in the place of those retiring by rotation or otherwise or ceasing to hold office pursuant to the Articles and to fix their remuneration if required, to declare dividends, to appoint the Auditors (when special notice of the Resolution for such appointment is not required by the Act) and to fix, or determine the manner of the fixing of, their remuneration. All other business transacted at an Annual General Meeting and all business transacted at a General Meeting shall be deemed special.

4.9 As a UK incorporated company with its shares admitted to trading on AIM, the Company and its shareholders will be subject to Chapter 5 of the Disclosure and Transparency Rules of the UK Financial Services Authority.

#### 4.10 *Squeeze out*

Under the Act, if a person who has made a general offer to acquire Ordinary Shares (the “offeror”) were to acquire, or contract to acquire, 90 per cent. in value of the Ordinary Shares which are the subject of such offer and 90 per cent. of the voting rights carried by those shares, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders before the end of the three month period beginning on the day after the last day on which the offer can be accepted. The notice must be made in the prescribed manner. Six weeks later, the offeror would send a copy of the notice to the Company together with an instrument of transfer executed in respect of the outstanding Ordinary Shares on behalf of the holder in favour of the offeror and pay the consideration for those Ordinary Shares. The Company would hold the consideration on trust for outstanding shareholders. The consideration offered to those shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the general offer.

#### 4.11 *Sell-out rules*

The Act gives minority shareholders a right to be bought out in certain circumstances by a person who has made a general offer. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire, not less than 90 per cent. in value of the Ordinary Shares and those shares carry not less than 90 per cent. of the voting rights in the Company, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder’s Ordinary Shares. The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The rights of minority shareholders to be bought out are not exercisable after the period of three months after the end of the acceptance period or a later date specified in the notice given by the offeror. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

## 5. **Directors’ and other’s interests**

5.1 The interests of the Directors, the Proposed Directors and the persons connected with them (within the meaning of section 252-255 of the Act) in the share capital of the Company as at the

date of this document and as they are expected to be immediately following Admission are as follows:

	As at the date of this document		On Admission	
	Number of Existing Ordinary Shares	Percentage of existing issued ordinary share capital	Number of New Ordinary Shares**	Percentage of Enlarged Share Capital**
Harry Offer	15,097,300	2.77	45,228	0.48
Barbara Spurrier	25,000,000	4.58	44,443	0.47
Patrick DeSouza*	–	–	2,840,718	30.30
Stanford Berenbaum*	–	–	1,068,454	11.40
Michael Reisman*	–	–	147,378	1.57
Stephen Lee Leeb*	–	–	73,689	0.79
Ric Piper	–	–	–	–

\* A member of the Concert Party

\*\* Assuming minimum take up under the Open Offer

- 5.2 So far as the Directors and Proposed Directors are aware, the following persons (other than as disclosed in paragraph 5.1 above) have or will have an interest (within the meaning of Part 22 of the Act) in 3 per cent. or more of the issued share capital of the Company as at the date of this document and on Admission:

	As at the date of this document		On Admission	
	Number of Existing Ordinary Shares	Percentage of existing issued ordinary share capital	Number of New Ordinary Shares*	Percentage of Enlarged Issued Ordinary Share Capital*
Plain Sight	–	–	1,995,321	21.28
Bluehone Investors LLP	100,000,000	18.34	477,777	5.10
J M Finn Nominees Limited	36,250,000	6.65	30,208	0.32
Pershing Nominees Limited	31,309,669	5.74	26,091	0.28
Barclayshare Nominees Limited	31,085,159	5.70	25,904	0.28
T D Waterhouse Nominees (Europe)	28,056,200	5.15	23,380	0.22
HSDL Nominees Limited	22,294,377	4.09	18,578	0.20
Share Nominees Limited	20,411,530	3.74	17,009	0.18
L R Nominees Limited	17,632,510	3.23	14,693	0.16

\* Assuming minimum take up under the Open Offer

- 5.3 Save as disclosed in paragraphs 5.1 and 5.2 above, the Directors and Proposed Directors are not aware of any interest (within the meaning of Part 22 of the Act) in the Company's ordinary share capital which, at the date of this document and/or immediately on Admission, would amount to three per cent. or more of the Company's issued ordinary share capital.
- 5.4 The Company's significant shareholders do not have and on Admission will not have different voting rights to the Company's other shareholders.
- 5.5 As at 6 July 2010 (being the latest practicable date prior to publication of this document) and save as disclosed in this paragraph 5, the Directors and the Proposed Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, own or exercise or could own or exercise control over the Company.
- 5.6 Save as disclosed in this document in respect of the Vendors, the Company is not aware of any arrangements which may at a subsequent date result in a change of control in the Company.
- 5.7 There are no mandatory takeover bids outstanding in respect of the Company and none has been made either in the last financial year or the current financial year of the Company. No public



takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.

- 5.8 Save as set out in this paragraph 5, following Admission neither the Directors nor the Proposed Directors nor any person connected with the Directors or Proposed Directors (within the meaning of section 809 of the Act) is expected to have any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 5.9 Save as disclosed in this document, none of the Directors nor any of the Proposed Directors have any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which a Director or Proposed Director is materially interested and which is significant in relation to the business of the Enlarged Group.
- 5.10 There are no outstanding loans granted by the Company to any of the Directors, nor are there any guarantees provided by the Company for their benefit.
- 5.11 Save as disclosed in this paragraph 5, none of the Directors nor any of the Proposed Directors has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.
- 5.12 Neither the Directors nor the Proposed Directors, nor any member of their respective families, has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

## **6. The Takeover Code**

- 6.1 Save as disclosed in the section entitled "The City Code" in Part I and paragraphs 5.1 and 5.2 above neither the Concert Party, (nor any person acting in concert with any member thereof) nor any of the directors of Plain Sight nor any person whose interests in shares a director of Plain Sight is taken to be interested in pursuant to Part 22 of the Act has any interests, rights to subscribe or short positions in the relevant securities of the Company, nor has any such person dealt for value in any relevant securities in the disclosure period (see below for definitions).
- 6.2 Save as disclosed in this paragraph 6, none of the Directors, their immediate families or persons connected with them has any interest, right to subscribe for or holds a short position in relation to, relevant securities, nor has any such person dealt in any relevant securities during the disclosure period.
- 6.3 No agreement, arrangement or understanding exists to transfer to any other person the relevant securities to be acquired pursuant to the Proposals or by members of the Concert Party.
- 6.4 No member of the Concert Party, nor the Company, nor any person acting in concert with the Company or the Concert Party has borrowed or lent any relevant securities. No relevant securities have been borrowed or lent by the Directors or any parties acting in concert with them.
- 6.5 Save as disclosed in this document and in particular, paragraph 11 of this Part VII, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Concert Party, any Director, recent director, Shareholder or recent Shareholder and any other person having any connection with or dependence upon the Proposals.
- 6.6 There are no arrangements in place in relation to the Proposals whereby repayment or security for any liability (contingent or otherwise) is dependent on the Company.
- 6.7 Members of the Concert Party have confirmed that, save as disclosed in this document, they are not proposing any changes to the employment rights of the employees of the Company nor any redeployment of its fixed assets nor any change to the location of its place of business.
- 6.8 Save as disclosed in Part I, the members of the Concert Party have confirmed that no changes are envisaged to be introduced to the Company's business as a result of completion of the Proposals.



6.9 Save as disclosed in this document and, in particular, in the paragraph entitled “Information of the Concert Party” in Part I and paragraphs 5.1 and 9 of this Part VII, neither the Company, nor any Directors has any interests, rights to subscribe or short positions in ALDHC or Plain Sight.

6.10 In this paragraph 6:

“**arrangement**” includes indemnity or option arrangements, or any agreement or understanding, formal or informal, of whatever, relating to the relevant securities which may be an inducement to deal or refrain from dealing;

“**connected adviser**” has the meaning given to it by the Takeover Code;

“**control**” has the meaning given to it by the Takeover Code;

“**derivative**” includes any financial product whose value, in whole or part, is determined directly or indirectly by references to the price of any underlying security;

“**disclosure period**” means the period commencing on 6 July 2009 and ending on 6 July 2010, the last practical date prior to the publication of this document;

“**interest**” means “**interests in securities**” as defined in the Takeover Code;

“**relevant securities**” means Ordinary Shares and/or shares in ALDHC and/or shares in Plain Sight (as the context may require), any other securities in the capital of the Company converted into rights to subscribe for shares or options (including traded options) in respect of and derivatives referenced to, including any short positions; and

“**short position**” means a short position whether conditional or absolute and whether in the money or otherwise including any short position under a derivative, any agreement to sell or any delivery obligations or right to require another person to take delivery.

## 7. Directors’ Service Contracts

7.1 On 7 July 2010 the Enlarged Group entered into an employment agreements with Patrick DeSouza and Stanford Berenbaum which will take effect from Admission for an initial two-year term and pursuant to which Mr DeSouza will serve as Executive Chairman of the Company with an annual salary of \$243,000 and Mr Berenbaum will serve as Chief Executive of the company with an annual salary of \$193,000.

In addition both Mr DeSouza and Mr Berenbaum will be entitled twenty-five (25) days of paid vacation during each year of service, reimbursement for all reasonable and necessary out-of-pocket business, travel, and entertainment expenses incurred in the performance of his duties and to participate in employee bonus, profit sharing or other incentive programs of the Company that are generally made available to all executive employees and other employee benefit plans.

In each case if the executive gives the Company at least 12 months written notice of his intent to terminate his employment and remains actively employed during that period the Company shall pay him three months base salary as severance payment. If his employment is terminated by the Company without cause (for these purposes, “cause” includes willful and material breach of his employment agreement, material failure to follow the Board’s lawful instructions, an act of fraud or dishonesty or misappropriation of Company funds, conviction of a felony or crime which may reflect negatively on the Company’s or any of its affiliates reputation or business or a breach of any fiduciary duty owed to the Company) the Company shall pay him by way of severance 12 months base salary and, if he is eligible for and elects to continue his group health insurance coverage, its portion of the relevant premiums over the 12 months following termination. If he provides notice of his resignation but thereafter expresses in any manner that he does not want to remain employed and the Company thereafter terminates his employment without cause, the Company shall pay him three months base salary as severance payment. Subject to the foregoing, his employment may be terminated at any time upon written notice by either party with or without notice and with or without cause and any obligation to provide severance pay or benefits shall be

contingent upon his executing a general release and strictly complying with the terms of the employment agreement and any other written agreements between him and the Company.

In addition each executive has also given the Company certain confidentiality and non-competition undertakings.

- 7.2 Pursuant to letters of appointment dated 7 July 2010, Richard Piper, Michael Reisman, Stephen Leeb and Harry Offer have been appointed non-executive directors of the Company conditional upon Admission in each case for an initial term of three years unless terminated earlier by either party giving one month's written notice. The Company may also terminate the appointments immediately in a number of instances including their inability to perform their duties to the reasonable satisfaction of the Board, the commission of any serious or repeated breach or non-observance of their obligations to the Company or their being guilty of any fraud or dishonesty or having acted in any manner which, in the opinion of the Company, brings or is likely to bring themselves or the Company into disrepute or is materially adverse to the interests of the Company. Richard Piper will be paid an initial gross annual fee of £36,000, Michael Reisman, Stephen Leeb and Harry Offer will each be paid an initial gross annual fee of £6,000. Annual fees accrue from day to day, are payable quarterly in arrears and will be reviewed annually by the Board. The Company will also reimburse all reasonable travel and hotel expenses properly incurred by them in the performance of their duties.
- 7.3 The aggregate emoluments (including benefits in kind and pension contributions) of the Directors for the 18-month period ended 31 December 2009 was £208,284 and it is estimated that, assuming Admission occurs, the aggregate emoluments of the New Board as employees or in respect of their services to the Enlarged Group (including benefits in kind and pension contributions, but excluding any performance-related bonuses) for the year ending 31 December 2011 (which will be the first full 12 month accounting period of the Enlarged Group) will amount to approximately £312,000 under the arrangements in force at the date of this document.
- 7.4 There are no Directors' or Proposed Directors' service contracts, or contracts in the nature of services, with the Company, other than those which expire or are terminable without payment of compensation on no more than 12 months' notice.
- 7.5 Save as set out above, there are no existing or proposed service contracts between any Directors or Proposed Directors and any member of the Enlarged Group and there are no such service contracts which have been entered into or amended within six months of the date of this document.

## 8. Additional Information on the New Board

- 8.1 In addition to the Company, the Directors and the Proposed Directors hold or have held the following directorships or are or have been partners in the following partnerships within the five years prior to the date of this document:

Director	Current Directorships/Partnerships	Past Directorships/Partnerships
Patrick DeSouza	Plain Sight Systems, Inc. American Leak Detection, Inc. American Leak Detection Holding Corp. Owl Multimedia, Inc.	None
Stanford Berenbaum	None	None
Harry Offer	Offer Group Holdings Limited Offer Properties Limited The Offer Group Ltd Threshold Land and Estates Limited	Firdale Properties Limited Screenedata Ltd

<b>Director</b>	<b>Current Directorships/Partnerships</b>	<b>Past Directorships/Partnerships</b>
Barbara Spurrier (Aged 54) <i>Previous names:</i> Barbara Joyce Huxley-Parlour, Barbara Joyce Gagg	Cambridge Equity Partners Ltd. Cambridge Financial Partners LLP Fair 2 U Limited Oloco Limited	CBIOS Ltd. Cellexus Biosystems Inc Cellexus Biosystems Plc DCM Incontrol Ltd. Eruma Plc Fair 2 U Ltd. Freshbourne Ltd Illuminex Ltd OxLoc Ltd. Renewable Energy fuels Worldwide Ltd Rototek Ltd Security Blinds Ltd SG32 Ltd Stribbons Ltd TDLP Associates Ltd
Ric Piper	Matchtech Group Plc Turbo Power Systems Inc.	Airbase Interiors Limited Cornwell Management Consultants Plc Euphony Holdings Limited Granby Oil And Gas Limited HLBBShaw Group Plc HLBBShaw (Trustee) Limited HLBBShaw Holdings Limited Off The Streets And Into Work Subsea Resources Plc SGL Vietnam Development Limited Xploite Plc
Michael Reisman	Foreign Policy Association New Haven Press Plain Sight Systems, Inc Policy Sciences Center, Inc	None
Stephen Leeb	Emerging Advisory LLC Leeb & Co. Leeb Capital Management Inc Leeb Index Trader LLC Leeb IPO Advisory LLC Leeb Research Consultants, Inc Natural Resources Advisory LLC Plain Sight Systems, Inc TCI Enterprises LLC	None

8.2 8.2.1 Barbara Spurrier has been a director of the following;

8.2.1.1 Cellexus Biosystems Plc, which was put into administrative receivership on 3 March 2008.

8.2.1.2 Strathcarron Sports Cars plc, which was put into voluntary creditors liquidation on 21 November 2001 with an estimated deficiency as regards creditors of £2,633,000.

8.2.1.3 J. A. Gagg & Sons Limited, which became insolvent under receivership rule 3.32 and was dissolved on 18 November 1997.

- 8.2.2 Ric Piper has been a director of Subsea Resources Plc which was put into administration on 11 April 2008 which administration became a creditors voluntary liquidation on 30 March 2009.
- 8.2.3 Stephen Leeb and entities associated with him have previously been censured by the US Securities and Exchange Commission (SEC) following alleged violations of SEC requirements. In 1995, Dr. Leeb and the associated Leeb Capital Management Inc. (“Leeb Capital”) entered into an agreement with the SEC following allegations of administrative record keeping violations. Leeb Capital Management was required to pay a fine of \$15,000. In 1996, Dr. Leeb and the associated Leeb Investment Advisors, and certain other parties with whom neither Dr. Leeb or Leeb Capital are now associated, were censured by the SEC following allegations that they had failed to ensure the accuracy of an advertisement. Both were required to pay a fine of \$60,000. As the penalties imposed in these cases were part of a settlement, the allegations were not proved in either case and are still denied by Dr. Leeb and the associated entities. Leeb Capital, of which Stephen Leeb is Chief Executive Officer, remains a federally registered investment advisor firm with the SEC and since 1996, there have been no violations committed or alleged.
- 8.3 Save as disclosed above, none of the Directors nor any of the Proposed Directors has:
- 8.3.1 any unspent convictions in relation to indictable offences;
  - 8.3.2 any bankruptcy order made against him or entered into any individual voluntary arrangements;
  - 8.3.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors’ voluntary liquidation, administration, been subject to 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 or within the 12 months after he ceased to be a director of that company;
  - 8.3.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 8.3.5 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
  - 8.3.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 8.4 As at 6 July 2010 (being the latest practicable date prior to publication of this document), the Company had operated through one full-time employee (excluding the Directors) and two consultants.
- 8.5 The number of employees employed by the Enlarged Group at the date of Admission is expected to be 37, of which 32 are employed on a full-time basis and five are employed on a part-time basis and one of whom is employed in the UK and the rest of whom are employed in the US.

## **9. Share Option Schemes**

### *9.1 The Company*

On 11 February 2005 the Company adopted the Qonnectis plc Enterprise Management Incentive Share Option Scheme 2005 (“the Share Option Scheme”). The principal terms of this are summarised as follows:

### 9.1.1 *Eligibility*

The Company will be able to choose employees to participate in the Share Option Scheme at any given time, each of whom must work at least 25 hours per week for the Company or its subsidiaries or, if less than 25 hours per week, for at least 75 per cent. of his or her working time. Qualifying subsidiaries are those subsidiaries over which the Company has at least 75 per cent. direct or indirect ownership and voting control. Any employee who holds a material interest (30 per cent. or more) in the Company will not be eligible to participate. Participation will be at the discretion of the Board, which may from time to time offer to participants the opportunity to enter into option agreements.

### 9.1.2 *Option agreements*

Options may be granted under the Share Option Scheme by the employee entering into a written agreement with the Company. Options may only be granted either in the period commencing on the date on which the Share Option Scheme was adopted by the Company and ending 42 days thereafter, or on the day following the announcement of the interim or final results of the Company for any financial year or part financial year and ending 42 days thereafter, or on the day in which the person to whom it is granted first becomes eligible and ending 14 days thereafter. No options shall be granted after the tenth anniversary of the date on which the Share Option Scheme was adopted by the Company.

### 9.1.3 *Acquisition price*

Generally, the price at which participants may subscribe for shares pursuant to the Share Option Scheme will be at their market value at the time options are granted to them as agreed with the Inland Revenue, except in exceptional circumstances where the Board may agree to grant options at a discount to current market value.

### 9.1.4 *Exercise of options*

- (i) The Board will determine the earliest possible exercise date and whether any performance or other conditions must first be satisfied before the option is exercisable and the terms will be set out in the agreement with the employee. Once it becomes exercisable, the option must be exercised before the tenth anniversary from the date on which it was granted.
- (ii) Whilst the options will lapse immediately upon the holder ceasing to be employed by the Company or a qualifying subsidiary, in certain circumstances (such as cessation due to death, injury, disability, wrongful dismissal, unfair dismissal, retirement or disability, the option holder's employing or contracting company ceasing to be a qualified subsidiary, or as a result of the transfer of the option holder's services to a company which is not a qualifying subsidiary) the option may nevertheless be exercised up to 12 months after such cessation, and thereafter the option will lapse.
- (iii) Options may be exercised during the six month period following the takeover, amalgamation, reconstruction or voluntary winding up of the Company and thereafter they will lapse.

### 9.1.5 *Limits*

- (i) No individual participant may hold unexercised options to the extent that the aggregate market value of the shares as at the respective dates of grant of the options exceeds £100,000.
- (ii) No options shall be granted if as a consequence the aggregate market value of shares under the options as at the respective date of grant of each option would exceed £3 million.
- (iii) The aggregate number of shares in respect of which options may be granted taken together with options already granted under the Share Option Scheme, or any other share option or share incentive scheme, whether approved or unapproved by the Inland Revenue, adopted by the Company, in any 10 year rolling period, shall not exceed 10 per cent. of the issued Ordinary Share capital of the Company as at the date of grant.

### 9.1.6 *Performance conditions*

The exercise of the options may be subject to performance conditions set by the remuneration committee of the Company from time to time.

### 9.1.7 *Variation of capital*

- (i) In the event of any variation or increase in the Company's share capital by way of rights issue, capitalisation, consolidation, sub-division or reduction, the number of shares subject to any option under the Share Option Scheme and the exercise price may be adjusted in such a way as the auditors of the Company certify in writing to be fair and reasonable.
- (ii) No adjustment may increase the aggregate option price nor reduce the exercise price below the nominal value of a share.

### 9.1.8 *Alterations to the scheme*

The Board has a limited discretion to amend the Share Option Scheme from time to time in any manner subject to any such alteration not contravening legislation relating to the Share Option Scheme, or not materially altering any of the subsisting rights of the option holder in relation to any option granted under the Share Option Scheme.

### 9.1.9 *Termination*

The Share Option Scheme may be terminated at any time by resolution of the Board in which event no further options shall be granted. However, the rules of the Share Option Scheme shall continue in full force and effect in relation to the options already granted.

### 9.1.10 *Options*

On 18 February 2005 and 29 May 2007, the Company granted the following Options under the Share Option Scheme which remain exercisable:

Name	Date of grant	As at the date of this document		On Admission	
		Number of Existing Ordinary Shares under Option	Exercise Price	Number of New Ordinary Shares under Option	Exercise price following Capital Reorganisation
S Francis	18 February 2005	222,222	2.25p	185	£27.00
S Francis	29 May 2007	500,000	0.875p	416	£10.50
S Francis	29 January 2009	1,000,000	1p	833	£12

### 9.1.11 *Other Options*

Pursuant to agreements entered into on 18 February 2005, 29 May 2007 and 29 January 2009 between the Company and the following persons (each a "Recipient"), the Company has granted the following options:

Name of Recipient	Date of grant	As at the date of this document		On Admission	
		Number of Existing Ordinary Shares under Option	Exercise Price	Number of New Ordinary Shares under Option	Exercise price following Capital Reorganisation
P Albuquerque	18 February 2005	222,222	2.25p	185	£27
R Taylor	18 February 2005	3,333,333	2.25p	2,777	£27
V Churchill	18 February 2005	222,222	2.25p	185	£27
V Churchill	29 May 2007	222,222	1.5p	185	£18
V Churchill	29 January 2009	500,000	1p	416	£12
J Gadsden	18 February 2005	222,222	2.25p	185	£27
A Wall	29 May 2007	1,000,000	1.5p	833	£18
A Wall	29 January 2009	1,000,000	1p	833	£12
B Spurrier	29 January 2009	1,500,000	1p	1,250	£12

Exercise is permitted on or after the first anniversary of the date of grant until 24 February 2015.



## 9.2 *ALDHC*

Under ALDHC's 2006 Employee, Director and Consultant Stock Plan ("ALDHC Option Plan"), certain directors and employees of ALD, were granted an aggregate of 738,750 options to acquire stock in ALDHC with an exercise price of \$1.14 per share. Following Admission, all options under the ALDHC Option Plan will be cancelled or waived in return for the grant of options over New Ordinary Shares with the same economic value as existing options under the ALDHC Option Plan. Therefore, following Admission, it is intended that 738,750 options over New Ordinary Shares will be granted to certain eligible US employees of the Enlarged Group with an exercise price of 72p per share.

## 10. **Proposed acquisition structure**

10.1 The Company has the right to acquire all of the outstanding equity interests of ALDHC through the Buyer entering into the Acquisition Agreements (further described in paragraph 11.1.1 below) with all of the holders of shares of common stock in ALDHC ("ALDHC Shareholders").

10.2 In the event that any of the Remaining ALDHC Shareholders does not or is not able to enter into an Acquisition Agreement for any reason, the Buyer may elect to acquire all of the outstanding shares of common stock of ALDHC through filing a certificate of ownership and merger with the Delaware Secretary of State pursuant to which Buyer will be merged with and into ALDHC in a transaction referred to as a "short-form merger." Upon filing of this document and the Buyer's acquisition of at least 90 per cent. of the outstanding shares of ALDHC common stock, all of the shares owned by ALDHC Shareholders who have not entered in an Acquisition Agreement will be cancelled in exchange for Ordinary Shares of the Company issued in the same proportions as have been issued to those ALDHC Shareholders who have entered into an Acquisition Agreement. The certificate of incorporation and bylaws of Buyer will survive as the certificate of incorporation and bylaws of ALDHC after consummation of the transaction.

10.3 Any ALDHC Shareholders who have not entered into an Acquisition Agreement and who wish to challenge the short-form merger may exercise their appraisal rights, which are statutory rights.

Within ten days after consummation of the short-form merger, the surviving corporation will be required to send a notice of merger describing the transaction in detail to the former minority ALDHC Shareholders. Within 20 days after the date on which the appraisal rights notice is mailed, any of the Remaining ALDHC Shareholders may elect to pursue appraisal rights with respect to their shares of ALDHC common stock by sending ALDHC a written notice demanding appraisal rights. In an appraisal rights proceeding, the Delaware chancery court will determine the fair value of the shares of ALDHC common stock exclusive of any value arising from the accomplishment or expectation of the Qconnectis transaction. This value could be higher or lower than the consideration proposed to be issued to the former ALDHC Shareholders in connection with the short-form merger. Each Remaining ALDHC Shareholder that chooses to exercise appraisal rights must pay his or her own attorney and expert witness fees. Ultimately, the Court may require the surviving corporation to pay "fair value" in cash for the shares to the shareholder seeking appraisal in lieu of the merger consideration.

## 11. **Material contracts**

There are no contracts (not being in the ordinary course of business) entered into by the Company or any member of the Enlarged Group in the last two years which are or may be material or which contain any provision under which the Company or any member of the Enlarged Group has any obligation or entitlement which is or may be material to the Company as at the date of this document save as follows:

### 11.1 *The Company*

11.1.1 A share purchase agreement dated 7 July 2010 between (1) the Company; (2) the Buyer; (3) Plain Sight; (4) Patrick DeSouza; and (5) Stanford Berenbaum pursuant to which the Company has agreed to acquire 5,379,386 shares of common stock of ALDHC in consideration for the issue of 5,460,498 New Ordinary Shares, conditional on, inter alia, (i) the drawdown of the Bank Facility and the repayment the ALDHC Debt; (ii) the transfer of ALD's 20 per cent. interest in BWGF to Plain Sight, (iii) the passing of the Resolutions and (iv) Admission.

Plain Sight, Patrick DeSouza and Stanford Berenbaum (together the “Sellers”) have each given certain representations and warranties to the Company concerning their ownership of the common stock of ALDHC. The Company has given certain representations and warranties to the Sellers concerning its organisation, authority, accounts and business. During the period from the date of the agreement to the earlier of completion of the Acquisition or termination the Sellers have each agreed to ensure that the business of ALD and its subsidiaries is conducted in the ordinary and usual course and each of the Sellers has agreed not to take certain specified action in relation to the business without the consent of the Company while the Company has agreed to ensure that its business and that of its subsidiaries is conducted in the ordinary and usual course and the Company has agreed not to take certain specified action in relation to its business without the consent of the Sellers.

In addition and on the same date the Buyer entered into individual share purchase agreements with certain of the ALDHC Shareholders other than Plain Sight, Patrick DeSouza and Stanford Berenbaum pursuant to which each such shareholder agreed to sell his shares of common stock of ALDHC in consideration for the issue of 1.046385657 New Ordinary Shares per every share of common stock of ALDHC, conditional on Admission. Each such shareholder has also given certain representations and warranties to the Company concerning his ownership of the common stock of ALDHC.

- 11.1.2 An instrument dated 8 January 2010 between the Company (1) and ALD (2) pursuant to which the Company created £295,000 guaranteed loan notes 2012 bearing interest at 8 per cent. per annum and ALD guaranteed payment by the Company to the holders thereof. The loan notes are repayable within 7 days prior to Admission or in two equal tranches on the days immediately before the first and second anniversaries of their issue.
- 11.1.3 A warrant instrument dated 8 January 2010 by the Company creating warrants to subscribe for Ordinary Shares (“Warrants”) to be issued to the holders of notes created under the instrument described in paragraph 11.1.2 above in the number resulting from a division of the amount of subscription money of their Loan Note by the Issue Price less 25 per cent. thereof. If completion of the Acquisition does not occur by 31 July 2010, the rights of the holders of Warrants will automatically lapse.
- 11.1.4 A debenture dated 8 January 2010 between the Company (1) and ALD (2) pursuant to which the Company granted a fixed and floating charge over all its property, assets, rights and revenues in favour of ALD as security for any obligations due by the Company to ALD pursuant to the instrument described in paragraph 11.1.2, the instrument described in paragraph 11.1.5 and the letter agreement described in paragraph 11.1.6.
- 11.1.5 An instrument dated 8 January 2010 between the Company (1) and ALD (2) constituting preferred convertible loan notes to be issued to ALD in respect of monies owed by the Company to ALD in the event that the Acquisition and Admission do not occur by 30 April 2010 ranking in preference to all unsecured obligations of the Company, secured by the debenture referred to in paragraph 11.1.4 above and carrying interest on the principal amount outstanding at 18 per cent. per annum and convertible into Ordinary Shares at par. The preferred convertible loan notes will be repayable at twice the principal amount and outstanding interest at any time within 3 business days of a written demand. If repayment is not made the noteholder may convert all or any of the notes and outstanding interest at any time in to fully paid ordinary shares at par. To date, no preferred loan notes have been issued under this instrument.
- 11.1.6 A letter agreement dated 8 January 2010 between the Company, ALD and PSS pursuant to which ALD and PSS committed to advance working capital to the Company to the extent that amounts received by the Company pursuant to the subscription by Bluehone Investors LLP on 8 January 2008 and from subscribers for the notes issued under the instrument described in paragraph 11.1.5 above are not available to the Company as a result of banking arrangements relating to a letter of credit and the Company undertook, inter alia, not to make any payments or alter the expected timing of any payments other than as set out in a list a creditors or in an agreed cash flow forecast and to compromise amounts due

to creditors as agreed, and not to sell any or all of its assets other than in the normal course of business or issue shares, securities or instruments convertible into shares or securities or grant options warrants or other rights to subscribe for shares without the prior written approval of ALD.

- 11.1.7 The Underwriting Agreement dated 7 July 2010 made between (1) the Company, (2) the Directors, (3) the Proposed Directors, (4) Plain Sight and (5) MJES pursuant to which MJES has agreed conditionally upon, *inter alia*, Admission taking place by no later than 30 July 2010 (or such later date as the Company and MJES, may agree not being later than 31 July 2010) to use its reasonable endeavours to procure sub-underwriting commitments for the Open Offer Shares not taken up by Qualifying Shareholders pursuant to their entitlements under the Open Offer. Under the terms of the Underwriting Agreement the Company has agreed to pay MJES a corporate finance fee (a portion of which is to be satisfied in cash and the balance by the issue of New Ordinary Shares). The Company has also agreed conditional on Admission to pay a commission of five per cent. of the aggregate value of the Open Offer Shares subscribed for at the Issue Price by investors introduced by MJES and a commission of one per cent. of the aggregate value of the Open Offer Shares subscribed for at the Issue Price by investors not introduced by MJES. The Underwriting Agreement contains certain representations and warranties given by: (a) the Directors and the Company and in respect of the Enlarged Group: (b) by Harry Offer and Barbara Spurrier and the Company in respect of the Company: (c) by Patrick DeSouza, Stanford Berenbaum and Plain Sight in respect of ALDHC and ALD: and (d) each Director and Proposed Director in respect of information about himself only, together with provisions which enable MJES to terminate the Underwriting Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors, the Proposed Directors and Plain Sight for breach of warranty is limited.

In addition the Underwriting Agreement provides that each of the New Board and Plain Sight will not, and will use all reasonable endeavours to procure that any person who is connected with them will not, dispose of any New Ordinary Shares (excluding any Open Offer Shares) held by them for one year after Admission or, during a further year after that, dispose of any such shares without the prior written consent of MJES (such consent not to be unreasonably withheld or delayed) or during the period of two years from Admission dispose of any Open Offer Shares acquired pursuant to the Open Offer without the prior written consent of MJES (such consent not to be unreasonably withheld or delayed). Barbara Spurrier has undertaken that she will not, and will use all reasonable endeavours to procure that any person who is connected to her will not, dispose of any New Ordinary Shares held by her or any connected person (including any Open Offer Shares) during the 12 month period following Admission without the consent of MJES. Such restrictions shall not apply in respect of a disposal made in acceptance of a general offer for the whole of the issued equity share capital of the Company made in accordance with the City Code on Takeovers and Mergers, pursuant to a compromise or arrangement under section 895 of the Act sanctioned by the courts providing for the acquisition by any person (or group of persons acting in concert) of 50 per cent. or more of the equity share capital of the Company, under any Scheme or Reconstruction under section 110 of the Insolvency Act 1986 in relation to the Company, by personal representatives of any Director or Proposed Director following death during the restricted period by Patrick DeSouza or Stanford Berenbaum or Plain Sight in consultation with MJES to provide funds to pay any personal tax liability resulting from the disposal of their shares in the capital of ALDHC or as otherwise permitted under the AIM Rules.

- 11.1.8 Pursuant to the terms of a lock-in deed dated 7 July 2010 between Ronald Coifman, MJES and the Company, Ronald Coifman has undertaken that he will not, and will use all reasonable endeavours to procure that any person who is connected to him will not, dispose of any interest in the New Ordinary Shares held by him or any connected person save in certain limited circumstances for the first year following Admission and thereafter until the second anniversary of Admission only to dispose of such shares with the consent

of MJES. Ronald Coifman has agreed not to dispose of any Open Offer Shares held by him (if any) during the 12 month period following Admission without the consent of MJES. Such restrictions shall not apply in respect of a disposal made in acceptance of a general offer for the whole of the issued equity share capital of the Company made in accordance with the City Code on Takeovers and Mergers, pursuant to a compromise or arrangement under section 895 of the Act sanctioned by the courts providing for the acquisition by any person (or group of persons acting in concert) of 50 per cent. or more of the equity share capital of the Company, under any Scheme or Reconstruction under section 110 of the Insolvency Act 1986 in relation to the Company, by personal representatives of Ronald Coifman following his death during the restricted period.

11.1.9 A warrant instrument dated 7 July 2010 pursuant to which the Company issued to MJES warrants to subscribe for New Ordinary Shares convertible on exercise into 187,526 New Ordinary Shares. The warrants may be exercised the Issue Price at any time for a period of 4 years from Admission.

## 11.2 ALDHC

The following contracts, not being a contract entered into in the ordinary course of business, have been entered into by ALDHC within the two years preceding the date of this document which is, or may be, material:

11.2.1 A commitment letter dated 7 June 2010 from The Bank of Southern Connecticut (the "Bank") in favour of ALDHC pursuant to which the Bank has agreed to lend US\$4 million to pay off financing under the Rennick Notes associated with ALDHC's purchase of ALD in 2006. The commitment letter is conditional on certain conditions being satisfied, *inter alia*, on the execution of final form loan documentation. The loan will be repayable in full on or before the sixth anniversary of the date of drawdown with monthly repayments of principal and interest at 8 per cent. per annum until the principal balance reduced to US\$2 million and thereafter at two per cent. above "Wall Street Journal Prime" adjusted annually. In the event of prepayment in any of the first three years a prepayment fee of 3, 2 and 1 per cent. respectively will be due with no prepayment penalty thereafter. The loan agreement will contain representations, covenants and events of default and will be secured by security agreements entered into by ALDHC and ALD. As security for the loan, ALD will grant the Bank a security interest over, *inter alia*, all of its plant and machinery, inventory and accounts receivable. Plain Sight, ALD and ALDHC will also grant assignments over contracts and intellectual property to the Bank. ALD, Plain Sight and certain officers of ALDHC will enter into agreements of guarantee and suretyship with the Bank guaranteeing the obligations of ALDHC under the loan agreement. In addition, ALDHC will grant the Bank a warrant over 70,000 shares at a price of US\$1 per share. On Admission, the New Board will procure that the Company will grant replacement warrants over 70,000 New Ordinary Shares with an exercise price of 63 pence per share. The loan agreement and all security agreements are governed by the law of the State of Connecticut.

11.2.2 On 26 February 2006, ALDHC and Plain Sight delivered two promissory notes (in the amount of \$3.5 million and \$2.7 million, respectively) to The Rennick Living Trust as part of the purchase price paid by ALDHC for the entire issued common stock of ALD. The notes provide that the obligation to pay the amount borrowed is a joint obligation of ALDHC and Plain Sight. The notes also provide for payment of interest at a rate of 6.5 per cent. annually. The notes allow The Rennick Living Trust to convert amounts outstanding under the notes into shares of Plain Sight or any of its subsidiaries. Plain Sight also entered into a pledge agreement pursuant to which it pledged shares of ALDHC as collateral for repayment of the notes. The \$3.5 million note provides for a payment schedule with relatively de minimis monthly payments and a lump sum payment on 1 February 2011 of \$3,556,178.21. The \$2.7 million note is to be paid in full on or before 1 December 2010 and the payments are distributed more evenly over the term of the note (with \$250,000 payments once per year and a lump sum payment of \$390,730.75 on 1 December 2010). ALD is obligated to keep in place a \$1 million life insurance policy on the life of Dick Rennick until the \$2.7 million note is repaid. In addition the beneficiaries of the notes may require ALDHC to arrange a sale of the shares of ALD and use the proceeds to repay



amounts owed under the promissory notes. As at 1 July 2010, approximately \$725,000 of the \$2.7 million note was outstanding and approximately \$3.45 million of the \$3.5 million note was outstanding. It is intended that both notes will be repaid in full prior to Admission through the entry into of the Bank Facility.

### 11.3 *ALD*

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by ALD within the two years preceding the date of this document which are, or may be, material:

11.3.1 ALD's profit sharing plan (the "Plan") established on 1 May 1986 as a discretionary profit sharing plan. Each year the contribution is determined by ALD's Board of Directors and there is no fixed contribution requirement. Contributions have been made every year since inception, but annual contributions are not required. Employees who work 1,000 hours in a Plan year are eligible to receive a contribution so long as they have six months of service prior to the annual 1 January entry date. Participant accounts have a gradual vesting schedule, starting at 20 per cent. after two years of service, 40 per cent. after three years, 60 per cent. after four years, 80 per cent. after five years and 100 per cent. after six years. All the Plan money is invested in a separate trust account at Lincoln Financial Advisors.

11.3.2 The guarantee instrument described in paragraph 11.1.2.

11.3.3 The debenture described in paragraph 11.1.4

11.3.4 The instrument described in paragraph 11.1.5

11.3.5 The warrant instrument described in paragraph 11.1.3

11.3.6 The letter agreement described in paragraph 11.1.6

11.3.7 A Put Option Agreement dated 11 January 2010 between ALD and Bluehone Investors LLP ("Bluehone") pursuant to which ALD undertook to purchase 100,000,000 Ordinary Shares from Bluehone for £100,000 in the event that the Acquisition and Admission do not occur on or before 30 April 2010. Bluehone has confirmed it does not intend to exercise its rights under this agreement prior to Admission and such rights terminate upon Admission.

### 11.4 *BWGF*

BWGF entered into a Promissory Note, dated 18 December 2009, with Porter Capital Corporation ("Porter") whereby BWGF borrowed \$350,987.44 from Porter. The note is payable in 13 consecutive monthly principal installments of \$30,000, plus accrued interest, and the first installment was due and payable on 25 December 2009. The final installment will be due and payable on 31 December 2010, and equal to all of the principal of and interest on the remaining unpaid debt. This note refinanced prior financings received by BWGF from Porter.

In connection with the refinancing, BWGF and ALD entered into a loan and security agreement in favour of Porter, which was amended and restated on 8 February 2007 and 11 December 2009. In this agreement and the accompanying accommodation security agreement, ALD and BWGF granted a security interest in substantially all their assets to Porter to secure the debt obligations. There is also an arbitration agreement requiring arbitration of disputes under the notes and the loan and security agreement, as amended. As at 1 July 2010, approximately \$160,000 of this was outstanding. It is intended that this note will be repaid in full prior to Admission.

## 12. **Intellectual property**

12.1 The Enlarged Group has the following material intellectual property:

12.1.1 Qconnectis Group Limited owns the following patents:

12.1.1.1 British patent GB2382439 for an internet-based communication system;

12.1.1.2 European patent EP1461906, in force in the UK and France, for a communication system including apparatus for receiving data from a plurality of measuring or control devices; and

- 12.1.1.3 a patent published under the Patent Cooperation Treaty with International Publication Number WO 03/036874 A2 in respect of ‘apparatus for receiving data from at least one control or measuring device, comprising, a device interface for communication of data between the apparatus and said device, a central processor for controlling data flow in the apparatus, and an input/output interface for communicating with an external communications network, whereby information from one or more devices can be communicated to a central data distribution network’.
- 12.1.2 ALD owns US Patent 6,532,814 and US Patent 6,851,314, both for an apparatus and method for detecting water loss from a swimming pool.
- 12.1.3 Qconnectis Group Limited has registered the following Trade Marks at the UK Trade Mark Registry (“UK TMR”):
- 12.1.3.1 “ISTAQ” (Trade Mark 2250103), which covers apparatus, hardware, firmware and software for enabling remote data collection, connection to remote data storage or the Internet, computer connectivity, transmitting of data, searching of data, publishing and storage of data; computer software; computer hardware; telecommunications apparatus to enable connection to databases or Internet; downloadable electronic data publications; remote data collection services; providing connection to remote data storage or the Internet; collecting, transmitting, searching, publishing and storing data via a computer network or the Internet; telecommunication of information (including Web pages); providing user access to the Internet; and telecommunications services; and
- 12.1.3.2 “QANASTA” (Trade Mark 2250108), “IQARD” (Trade Mark 2250110) and “QONNECTIS” (Trade Mark 2250111), which all cover the same classes of goods and services as the “ISTAQ” trade mark.
- 12.1.4 Qconnectis Networks Limited has the Trade Mark “LEAKFROG” (Trade Mark 2431206) registered at the UK TMR which covers leak detection apparatus, leak testing apparatus and apparatus for controlling water supply.
- 12.1.5 ALD has 5 active federal trademark and service mark registrations and 30 active or pending foreign trademark registrations including “AMERICAN LEAK DETECTION,” in the US, “AUSTRALIAN LEAK DETECTION LEAK BUSTERS” and design in Australia, “LEAK BUSTERS AMERICAN LEAK DETECTION” and design mark in the European Union.
- 12.1.6 In addition the Enlarged Group has registered a number of domain names.
- 12.2 ALD licenses patents and other intellectual property from Plain Sight. ALD is licensed by Environmental Biotech, Int’l to use and license others to use the “EBI System,” which includes the marketing and servicing of bioremediation systems that include proprietary cleaning and odour products. Royalties are payable on gross sales of EBI services and products.
- 12.3 By a letter agreement dated 4 April 2010 between Plain Sight and ALD, Plain Sight has licenced to ALD the patent portfolio owned by Plain Sight. This letter agreement amends the terms of the Letter Agreement on Commercial Relations dated 28 February 2006 between Plain Sight, ALD and ALDHC. The patent portfolio contains a number of relevant patents and patent applications, including those relating to the LeakVue product. The licence provides ALD with an exclusive right to use the patents in the field of water supply and water metering. The licence is worldwide in scope and shall be in perpetuity from the date of the letter agreement. The licence is royalty-free for the first \$5,000,000 of any product sales which include intellectual property under the licence and a fee of 3 per cent. is paid on any further sales.

### **13. Litigation**

#### **13.1 *The Company***

Neither the Company nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of



this document a significant effect on the Company's financial position and, so far as the Directors and the Proposed Directors are aware, there are no such proceedings pending or threatened against the Company.

#### 13.2 *ALDHC and its subsidiaries*

Neither ALDHC nor any of its subsidiaries are involved in any governmental, legal or arbitration proceedings, which may have or have had during the 12 months preceding the date of this document a significant effect on their financial position and, so far as the Proposed Directors are aware, there are no such proceedings pending or threatened against them.

### 14. Working capital

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

### 15. UK Taxation

#### 15.1 Introduction

The following information is given in summary form only and is based on tax legislation as it exists at the present time. The information relates to the tax position of holders of New Ordinary Shares in the capital of the Company who are resident or ordinarily resident in the United Kingdom for tax purposes. The statements below do not constitute advice to any shareholder on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying on a trade in the United Kingdom or United Kingdom insurance companies).

**This is only a summary of the tax reliefs available to investors and should not be construed as constituting advice. A potential investor should obtain advice from his or her own investment or taxation adviser before subscribing for New Ordinary Shares.**

For the avoidance of doubt, this document does not cover any issues relating to individual shareholders who are UK tax resident but not who are domiciled in the UK.

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

#### 15.2 Capital Gains Tax ("CGT")

15.2.1 A UK resident individual shareholder who disposes of, or who is deemed to dispose of, their shares in the Company may be liable to capital gains tax in relation thereto at a flat rate of 18 per cent. of any gain thereby realised. The rate of tax may be reduced to an effective tax rate of 10 per cent. if the conditions for entrepreneurs relief are met. In computing the gain, the shareholder should be entitled to deduct from proceeds the cost to him of the shares (together with incidental costs of acquisition and disposal).

15.2.2 A UK resident corporate shareholder disposing of its shares in the company may be liable to corporation tax on chargeable gains in relation thereto at the usual rates of corporation tax applicable to it (currently 21-28 per cent. depending on the taxable profits of the shareholder). In computing the chargeable gain liable to corporation tax, the shareholder is entitled to deduct from the disposal proceeds, the cost to it of the shares, together with incidental costs of acquisition, as increased by indexation allowance, and disposal costs.

In some circumstances, a shareholder may be exempt from corporation tax in relation to its disposal of shares under the substantial shareholding exemption or be able to reduce the quantum of the gain by capital and/or income losses arising to the corporate shareholder.

As set out in more detail in paragraph 16.3.1 of this Part VII, under the US federal tax rules, the acquisition of ALDHC by the Company is expected to result in the treatment of the Company as a US corporation for US federal tax purposes, while continuing to be treated as a UK company for UK tax purposes. This may result in possible double taxation to the Company unless relief is available under the UK:US double tax treaty or foreign tax credits are available to, and effectively used by, the Company in the respective

jurisdictions. The UK resident holders of the Company's New Ordinary Shares, in certain circumstances, may be subject to US federal income tax on the disposal of the New Ordinary Shares (see paragraph 16.5.2 of this Part VII). Investors should consult with their independent tax advisors regarding the impact on their personal tax affairs of the dual resident status of the company.

### 15.3 Inheritance Tax ("IHT")

Shares in qualifying trading companies or holding companies of a trading group can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes. As the Company does not currently trade, business property relief will not be available but may apply once the Acquisition has been completed. The shares would only qualify for business property relief once they had been held for two years from the date the Company became a trading company or the holding company of a trading group. Business property relief applies to shares in an AIM company if that company is a trading company or the holding company of a trading group. To the extent that the value of a shareholding is attributable to assets owned by the Company, but not utilised for the purposes of its trade, the value qualifying for business property relief will be restricted.

### 15.4 Income Tax

#### 15.4.1 *Taxation of Dividends*

15.4.1.1 Under current UK tax legislation no tax is withheld from dividends paid by the Company.

15.4.1.2 Dividends paid by the Company will carry a notional tax credit of one-ninth of the cash dividend or ten percent of the aggregate of the cash dividend and notional tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and notional tax credit at the dividend basic rate (10 per cent.) or the dividend higher rate (32.5 per cent.).

The effect will be that the taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability or income tax in respect of such a dividend. Higher rate payers will have an additional liability (after taking into account the tax credit) of 22.5 per cent of the aggregate of the cash dividend and the notional tax credit, or an effective rate of 25 per cent of the dividend actually received. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such individuals.

From 6 April 2010, a new rate of tax has been introduced for individuals who have taxable income in excess of £150,000. For those individuals who suffer tax at the new super rate, the dividend will be subject to tax at 42.5 per cent. less the notional tax credit (an effective tax rate of 36.1 per cent. of the dividend received).

15.4.1.3 With certain exceptions for small companies and traders in securities, a holder of New Ordinary Shares that is a company resident (for taxation purposes) in the United Kingdom and receives a dividend paid by the Company, will not be subject to tax in respect of the dividend.

15.4.1.4 As set out in more detail in paragraph 16.3.1 of this Part VII, under the US federal tax rules, the acquisition of ALDHC by the Company is expected to result in the treatment of the Company as a US corporation for US federal tax purposes, while continuing to be treated as a UK company for UK tax purposes. As a result, the UK resident holders of the Company's New Ordinary Shares, generally will be subject to US federal income tax on distributions made by the Company. In particular, as a US corporation, the Company will be required to withhold tax of up to 30 per cent. on distributions made, although the withholding tax rate can be reduced under the relevant double tax treaty between the investor's jurisdiction and the US (see paragraph 16.5.1 of this Part VII).

For UK tax resident investors, article 10 of the UK:US double tax treaty is likely to reduce the withholding tax to 15 per cent. (reduced further under certain circumstances).

A UK tax resident individual investing in the Company is likely to be able to claim relief for US withholding tax suffered against their UK tax liability, although this relief is limited to the UK tax charge in relation to the dividends. A UK tax resident company investing in the company can claim relief, but only to the extent that UK tax is suffered on the dividend income.

Investors should consult with their independent tax advisors regarding the impact on their personal tax affairs of the dual resident status of the company.

#### 15.5 Stamp Duty and stamp duty reserve tax (“SDRT”)

No United Kingdom stamp duty will be payable on the issue by the Company of New Ordinary Shares. Transfers of New Ordinary Shares for value will give rise to a liability to pay United Kingdom *ad valorem* stamp duty, or stamp duty reserve tax, at the rate in each case of 50p per £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). Transfers under the CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

#### 15.6 Enterprise Investment Scheme (“EIS”) and Venture Capital Trust (“VCT”) approval

The Company has received provisional clearance from HMRC that the Enlarged Group will meet the investor company requirements for the EIS and VCT legislation.

##### 15.6.1 *EIS Income tax relief*

Individual investors eligible for EIS relief may be entitled to claim 20 per cent. income tax relief on the Offer Shares subscribed for, up to a maximum subscription of £500,000 in any tax year. Where shares are issued between 6 April and 5 October, the investor may be able to relate back part of the EIS subscription, to be treated as made in the previous tax year. The amount carried back cannot exceed the unused balance of the EIS limit for the previous year.

##### 15.6.2 *Loss Relief*

Subject to certain conditions, tax relief is available for a qualifying shareholder who realises a loss on a disposal of ordinary shares on which EIS income tax relief (see paragraph 15.6.1 above) has been given and not withdrawn or CGT deferral relief (see paragraph 15.6.4 below) has been given and not withdrawn. The amount of the loss (after taking account of the income tax relief initially obtained) can be set against a qualifying gain in the year of loss or following years or offset against taxable income in the tax year in which the disposal occurs or the preceding year.

##### 15.6.3 *Capital Gains Tax exemption*

Provided qualification for the EIS relief is maintained by the Company and by the individual investor for the relevant periods, broadly three years after the share issue, a profit made by the individual investor on disposal of the shares after three years will be free of capital gains tax.

##### 15.6.4 *EIS Capital Gains Tax Deferral*

Individuals and certain trustees subscribing for New Ordinary Shares may be entitled to claim deferral of tax on capital gains realised on assets disposed of within three years before, and up to one year after, the investment. The relief allows a shareholder to defer part or all of a gain made on a disposal that would normally crystallise a charge to tax. The amount of gain that can be deferred is restricted to the amount of the reinvestment and the deferred gain falls into charge when the re-invested shares are disposed of.

##### 15.6.5 *EIS Tax Relief Certificates*

The Company intends to apply for formal approval following conclusion of the Acquisition or four months after starting to trade, whichever is later. Upon receipt of authority from, HMRC, the relevant tax certificates will be issued to those eligible investors who request them.

**Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult his or her own professional adviser.**

## **16. US taxation**

### *16.1 US Treasury Circular 230 Disclosure*

**The tax summary contained in this document was not intended or written to be used, and cannot be used, for the purpose of avoiding US federal tax penalties. This summary was written to support the promotion or marketing of the transaction or matters addressed in this document. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.**

### *16.2 General*

The following summarises certain US federal income tax considerations applicable to an investment in the Company. This summary is based upon the US Internal Revenue Code of 1986, as amended (“IRC”), Treasury Regulations, US Internal Revenue Service (“IRS”) rulings and decisions and judicial decisions thereon and existing interpretations thereof, all of which are subject to change, possibly with retroactive effect, and any such change could affect the continued accuracy of this summary. The Company has not sought a ruling from the IRS or any other US federal, state or local agency with respect to any of the tax issues affecting the Company, nor has it obtained an opinion of counsel with respect to any tax issues.

This summary does not discuss all aspects of US federal income taxation that may be relevant to a particular shareholder in light of the shareholder’s particular circumstances. Except where noted, it deals only with New Ordinary Shares held as capital assets within the meaning of the IRC, and does not deal with special circumstances, such as those of brokers and dealers in securities or currencies, banks and other financial institutions, insurance companies, regulated investment companies, persons holding the New Ordinary Shares as part of a hedging or conversion transaction or a straddle, or persons who have a functional currency other than the US dollar.

This summary is based on US federal income tax law as of the date hereof and is not intended as a substitute for professional tax planning, particularly since certain of the income tax consequences of an investment in the Company may not be the same for all taxpayers. In addition, it does not discuss any state, local or non-US tax, estate tax, gift tax or other estate planning aspects of the investment, nor does it address the special income tax rules that would apply to non-US investors.

**The tax summary set out below is included for general information purposes only. In view of the individual nature of tax consequences, each shareholder is advised to consult his or her own tax advisor with respect to the specific tax consequences to him or her of the purchase, ownership or disposal of New Ordinary Shares in the Company, including the effect and applicability of any US federal gift or estate, state, local, non-US or other tax laws and the possible effects of changes in such tax laws.**

In general, for purposes of the following discussion of US federal income tax considerations, a “US Holder” is (i) an individual citizen or resident of the United States, (ii) a partnership, corporation or any other entity formed under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to US federal income tax regardless of its source, or (iv) a trust the administration of which is subject to the primary supervision of a court within the United States and for which one or more US persons (as defined for US federal tax purposes) have the authority to control all substantial decisions. The term “Non-US Holder” means a holder that is not a US Holder.

### *16.3 Treatment of the Company and ALDHC*

#### *16.3.1 The Company*

Generally, if 80 per cent. or more of the Company’s shares (by vote or value) is held by former ALDHC shareholders after the Company’s acquisition of ALDHC and other requirements are satisfied, for US federal tax purposes, the Company will be treated as a US corporation. Generally, if the ownership of the Company by former ALDHC

shareholders is at least 60 per cent. (by vote or value), but is lower than 80 per cent. (by vote or value), then the taxable income of the Company will be subject to special rules limiting the Company's use of its deductions, including net operating losses, and credits to the extent of the "inversion gain" on the acquisition of ALDHC by the Company. For purposes of determining the percentage of the Company held by former ALDHC shareholders after the Company's acquisition of ALDHC, shares of the Company sold in a public offering related to the acquisition are not considered. The term "inversion gain" includes gain recognised in the acquisition of ALDHC's assets by the Company and any payments from the Company or a related non-US person to ALDHC for any licensed property. The remainder of this summary of US federal income tax consequences assumes that the 80 per cent. threshold ownership by former ALDHC shareholders will be satisfied and that the Company will be treated as a US corporation for US federal tax purposes.

As a US corporation, the Company will be subject to tax on its worldwide taxable income (including net capital gains), if any, realised by it at regular corporate income tax rates applicable to US corporations. For 2010, the highest US federal corporate tax rate is 35 per cent.

Notwithstanding the treatment of the Company as a US corporation for US federal tax purposes, the Company will continue to be subject to UK tax as a UK resident. This dual residency of the Company may result in possible double taxation to the Company unless relief is available under the UK:US double tax treaty or foreign tax credits are available to, and effectively used by, the Company in the respective jurisdictions.

#### 16.3.2 *ALDHC*

ALDHC will remain a separate US subsidiary of the Company, subject to US federal tax on its worldwide taxable income.

To the extent that ALDHC makes distributions on its shares to the Company, such distributions will be taxable to the Company as ordinary income to the extent of ALDHC's current and accumulated earnings and profits. To the extent that such distributions exceed ALDHC's current and accumulated earnings and profits, they will be treated first as non-taxable returns of capital to the extent of the Company's adjusted tax basis in ALDHC's shares, and thereafter as capital gain. The Company will be able eligible for the dividends-received deduction on dividends received from ALDHC, thereby reducing its US tax liability with respect to such distributions.

The Company and ALDHC may determine to file their US federal tax returns on a consolidated basis, whereby, very generally, they will be treated as a single entity for US federal tax purposes. In that case, there will be no need for the Company to claim the dividends-received deduction with respect to the dividends received from ALDHC.

### 16.4 *Treatment of US Holders*

#### 16.4.1 *Dividends*

##### 16.4.1.1 *General*

The Company currently does not intend to pay dividends in the foreseeable future. If a US Holder actually or constructively receives a distribution on New Ordinary Shares, the US Holder must include the distribution in gross income as a taxable dividend on the date of receipt of the distribution, but only to the extent of the Company's current or accumulated earnings and profits, as determined under US federal income tax principles. Such amount must be included without reduction for any UK tax withheld. Dividends paid by the Company will be eligible for the dividends-received deduction allowed to corporations with respect to dividends received from certain domestic corporations. In addition, with respect to non-corporate US Holders (i.e., individuals, trusts, and estates), for taxable years beginning before 1 January 2011, dividends are taxable at a maximum tax rate of 15 per cent. if certain holding period and other requirements are satisfied.



To the extent a distribution exceeds the Company's current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of US Holders' adjusted tax basis in the New Ordinary Shares, and thereafter as capital gain. Preferential tax rates for long-term capital gain may be applicable to non-corporate US Holders.

The Company expects to calculate its earnings and profits under US federal income tax principles. Therefore, US Holders should expect that a distribution will generally be reported as described above.

#### 16.4.1.2 *Dividends Paid in Pound Sterling*

A dividend paid in pounds sterling must be included in US Holders' income as a US dollar amount based on the exchange rate in effect on the date such dividend is received, regardless of whether the payment is in fact converted into US dollars. If the dividend is converted to US dollars on the date of receipt, US Holders generally will not recognise a foreign currency gain or loss. However, if US Holders convert the foreign currency into US dollars on a later date, US Holders must include in income any gain or loss resulting from any exchange rate fluctuations. The gain or loss will be equal to the difference between (i) the US dollar value of the amount US Holders included in income when the dividend was received and (ii) the amount that US Holders receive on the conversion of the foreign currency into US dollars. Such gain or loss will generally be ordinary income or loss and US source for US foreign tax credit purposes.

#### 16.4.2 *Disposals*

US Holders generally will recognise taxable gain or loss realised on the sale or other taxable disposal of the New Ordinary Shares equal to the difference between the US dollar value of (i) the amount realised on the disposal (i.e., the amount of cash plus the fair market value of any property received), and (ii) US Holders' adjusted tax basis in the New Ordinary Shares. Such gain or loss will be capital gain or loss. If US Holders have held the New Ordinary Shares for more than one year at the time of disposal, such capital gain or loss will be long-term capital gain or loss. Preferential tax rates for long-term capital gain (currently, with a maximum rate of 15 per cent. for taxable years beginning before 1 January 2011) will apply to non-corporate US Holders. If US Holders have held the New Ordinary Shares for one year or less, such capital gain or loss will be short-term capital gain or loss taxable as ordinary income at US Holders' marginal income tax rate. The deductibility of capital losses is subject to limitations.

#### 16.4.3 *Information Reporting and Backup Withholding*

Generally, information reporting requirements will apply to distributions on the New Ordinary Shares or proceeds on the disposal of the New Ordinary Shares paid within the US (and, in certain cases, outside the US) to US Holders other than certain exempt recipients, such as corporations. Furthermore, backup withholding (currently at 28 per cent.) may apply to such amounts if the US Holder fails to (i) provide a correct taxpayer identification number, (ii) report interest and dividends required to be shown on its US federal income tax return, or (iii) make other appropriate certifications in the required manner. US Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9 or any successor applicable form.

Backup withholding is not an additional tax. Amounts withheld as backup withholding from a payment to US Holders may be credited against US Holders' US federal income tax liability and US Holders may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

### 16.5 *Non-US Holders*

#### 16.5.1 *Dividends*

As described in paragraph 16.4.1.1, distributions on the New Ordinary Shares, if any, will constitute dividends for US federal income tax purposes to the extent such distributions are

made out of the Company's current or accumulated earnings and profits, as determined under US federal income tax principles. To the extent a distribution is in excess of the Company's current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of a Non-US Holder's tax basis in the New Ordinary Shares, and thereafter as gain realised on the sale or other disposal of the Company's New Ordinary Shares. The Company will be required to withhold US federal withholding tax at a rate of 30 per cent. (or at a lower rate under an applicable income tax treaty that allows for a reduced rate of withholding, provided that the Company has received proper certification that the Non-US Holder is eligible for the reduced rate under such income tax treaty) from the gross amount of the distributions paid to such Non-US Holder (whether or not such distributions exceed the Company's current or accumulated earnings and profits) unless such distributions are effectively connected with a Non-US Holder's conduct of a trade or business in the US, as described below.

Dividends that are effectively connected with a Non-US Holder's conduct of a trade or business in the US are not subject to the US federal withholding tax, but, unless otherwise provided in an applicable income tax treaty, are instead taxed in the manner applicable to US persons. In that case, the Company will not have to withhold US federal withholding tax if the Non-US Holder complies with applicable certification and disclosure requirements. In addition, dividends received by a non-US corporation that are effectively connected with the conduct of a trade or business in the US may be subject to a branch profits tax at a 30 per cent. rate, or at a lower rate if provided by an applicable income tax treaty.

#### 16.5.2 *Disposals*

Subject to the discussion below regarding information reporting and backup withholding, a Non-US Holder generally will not be subject to US federal income taxation with respect to gain realised on the sale, exchange or other disposal of the New Ordinary Shares, unless:

- (i) the Non-US Holder holds the New Ordinary Shares in connection with the conduct of a US trade or business (and, in the case of certain tax treaties, the gain is attributable to a permanent establishment or fixed base within the US);
- (ii) in the case of an individual, such individual is present in the US for 183 days or more during the taxable year in which gain is realised and certain other conditions are met; or
- (ii) the Company is or has been a "US real property holding corporation" for US federal income tax purposes, and the Non-US Holder held more than 5 per cent. of the Company's New Ordinary Shares at any time during the shorter of the five-year period ending on the date of disposal or the period that such Non-US Holder held the New Ordinary Shares.

The Company believes that it is not, and does not anticipate that it will become, a US real property holding corporation.

More specifically, Non-US Holders that are UK residents for purposes of the UK:US double tax treaty generally will be subject to UK, rather than US, taxation on the sale, exchange or other disposal of the New Ordinary Shares.

#### 16.5.3 *Information Reporting and Backup Withholding*

Payments to Non-US Holders of distributions on, or proceeds from the disposal of, New Ordinary Shares are generally exempt from information reporting and backup withholding. However, a Non-US Holder may be required to establish that exemption by providing certification of non-US status on an appropriate IRS Form W-8 or any successor applicable form.

Backup withholding is not an additional tax. Amounts withheld as backup withholding from a payment to Non-US Holders may be credited against Non-US Holders' US federal income tax liability and Non-US Holders may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

## 17. Market quotations

The following table shows the closing middle market quotation for the Existing Ordinary Shares as derived from the London Stock Exchange Daily Official List on the first dealing day of each month from 2 February 2009 to 1 July 2009 being the six months prior to the Company's Ordinary Shares being suspended:

Date	Price
2 February 2009	0.17p
2 March 2009	0.20p
1 April 2009	0.20p
1 May 2009	0.24p
1 June 2009	0.16p
1 July 2009	0.25p

## 18. General

- 18.1 The accounting reference date of the Company is 31 December.
- 18.2 Mazars LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and reports in the form and context in which they appear and accepts responsibility for them. The reports from Mazars LLP are dated the same date as this document. Mazars LLP is a member firm of the Institute of Chartered Accountants in England and Wales.
- 18.3 MJES has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context which it appears.
- 18.4 There are no arrangements in force for the waiver of future dividends. There are no specified dates on which entitlement to dividends or interest thereon on Ordinary Shares arises.
- 18.5 The total costs and expenses relating to the Proposals (including those fees and commissions referred to in paragraph 11 above) payable by the Company are estimated to amount to approximately £250,000 (excluding VAT).
- 18.6 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Enlarged Group within the 12 months preceding the date of this document or has entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Enlarged Group on or after Admission fees totalling £10,000 or more or securities in the Enlarged Group having a value of £10,000 or more calculated by reference to the expected opening price or any other benefit with a value of £10,000 or more at the date of Admission.
- 18.7 The financial information contained in this document does not constitute statutory accounts of the Company within the meaning of Section 434 (3) of the Act.
- 18.8 Save as disclosed in this document, there has been no significant or material change in the financial or trading position of Qconnectis since 31 December 2009, the date to which the last audited financial information on Qconnectis has been published. There has been no significant or material change in the financial or trading position of ALDHC since 31 December 2009, the date to which the last audited financial information on ALDHC has been published.
- 18.9 Save as disclosed in this document, as far as the Directors and Proposed Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably expected to have a material effect on the Enlarged Group's prospects for at least the current financial year.
- 18.10 As far as the Directors and Proposed Directors are aware, there are no environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.
- 18.11 Save as disclosed in this document, as regards the Company's three previous financial years the Company has had no principal investments and there are no principal investments in progress and there are no principal future investments on which the Directors have made a firm commitment.

- 18.12 Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company, the Directors and the Proposed Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 18.13 Save as disclosed in this document, there are no patents, intellectual property rights, licences or any industrial, commercial or financial contracts which are or may be material to the business or profitability of the Enlarged Group.
- 18.14 Save as disclosed in this document, there are no service contracts with members of the administrative, management or supervisory bodies of the Company or any of its subsidiaries providing for benefits upon termination of employment.

## **19. Documents Available For Inspection**

Copies of the following documents may be inspected at the offices of MJES, 10 Finsbury Square, London EC2A 1AD (51-55 Gresham Street, London EC2V 7HQ with effect from 12 July 2010), during the usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until one month from the date of Admission:

- 19.1 the current memorandum and articles of association of the Company and the proposed memorandum and articles of association of the Company, to be approved at the General Meeting, which can be found at <http://www.qonnectis.com/corporate/investor-relations/admdocjul10.aspx>;
- 19.2 the bylaws of ALDHC, which can be found at <http://www.qonnectis.com/corporate/investor-relations/admdocjul10.aspx>;
- 19.3 the audited financial statements of the Company for the 18 month period ended 31 December 2009, which can be found at <http://www.qonnectis.com/corporate/investor-relations/Documentation.aspx> and the year ended 30 June 2008, which can be found at <http://www.qonnectis.com/content/documents/Qonnectis2008FINAL1.pdf>;
- 19.4 the audited financial statements of ALDHC for the two years ended 31 December 2008, which can be found at <http://www.qonnectis.com/corporate/investor-relations/admdocjul10.aspx> and the year ended 31 December 2009, which can be found at <http://www.qonnectis.com/corporate/investor-relations/admdocjul10.aspx>;
- 19.5 the service contracts and letters of appointment referred to in paragraph 7 of this Part VII, which can be found at <http://www.qonnectis.com/corporate/investor-relations/admdocjul10.aspx>;
- 19.6 the material contracts referred to in paragraph 11 above, which can be found at <http://www.qonnectis.com/corporate/investor-relations/admdocjul10.aspx>; and
- 19.7 the written consents referred to in paragraph 18 above, which can be found at <http://www.qonnectis.com/corporate/investor-relations/admdocjul10.aspx>.

Dated 7 July 2010

**Copies of this document are available to the public, free of charge, at the registered office of the Company and at the offices of Merchant John East Securities Limited, 10 Finsbury Square, London EC2A 1AD (and from 51-55 Gresham Street, London EC2V 7HQ after 12 July 2010) during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of one month from the date of Admission.**

## Notice of General Meeting

# Qonnectis plc

*(Incorporated and registered in England and Wales with registered number 3923150)*

**NOTICE IS HEREBY GIVEN** that a General Meeting of the Company will be held at the offices of Merchant John East Securities Limited, 51-55 Gresham Street, London EC2V 7HQ at 10.00 a.m. on 29 July 2010 for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 3 will be proposed as ordinary resolutions, of which Resolution 2 will be taken on a poll of Shareholders (all of whom are independent of the Concert Party) and Resolutions 4 to 7 as special resolutions:

Terms used in this notice shall be as set out in the in the circular to shareholders of the Company dated 7 July 2010 (“Admission Document”), unless the context requires otherwise.

### Ordinary Resolutions

1. **THAT**, subject to the passing of Resolutions 2, 3, 4 and 5, the Acquisition by the Company of the whole of the issued share capital of ALDHC on the terms and subject to the conditions set out in the Acquisition Agreements dated 7 July 2010 between (1) the Company and (2) shareholders of ALDHC and related documentation to be entered into pursuant to the Acquisition Agreements as summarised in the Admission Document, be and are hereby approved with such minor amendments as the Directors may approve, and the Directors or any duly authorised committee of the Directors be and are hereby authorised to take all steps necessary or desirable to complete the Acquisition.
2. **THAT**, subject to the passing of Resolutions 1, 3, 4 and 5, the waiver granted by the Panel on Takeovers and Mergers of the requirement under Rule 9 of the City Code on Takeovers and Mergers that would otherwise arise on the members of the Concert Party (as defined in the Admission Document) to make a general offer to shareholders of the Company as a result of the allotment and issue of New Ordinary Shares in the Company to the Concert Party pursuant to the Acquisition (representing approximately 73.55 per cent. of the Enlarged Share Capital of the Company following such issue of New Ordinary Shares), as described in the Admission Document of which this notice forms part, be and is hereby approved.
3. **THAT**, subject to and conditional upon the passing of Resolutions 1, 2, 4, 5 and 7, in substitution for any existing and unexercised authorities, the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all the powers of the Company to allot equity securities (as defined in section 560(1) of the Act) provided this authority shall be limited to:
  - (a) the allotment of up to 7,324,687 New Ordinary Shares pursuant to the Acquisition Agreements and the Merger;
  - (b) the allotment of up to 1,332,946 New Ordinary Shares pursuant to the Open Offer contained in the Admission Document and the Underwriting Agreement;
  - (c) the allotment of up to 725,000 New Ordinary Shares pursuant to the Proposals; and
  - (d) the allotment of equity securities (other than in sub-paragraphs (a), (b) and (c) above) to any person or persons up to an aggregate nominal amount of £50,000.

The authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company in general meeting), provided that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired.



4. **THAT**, subject to and conditional upon the passing of Resolutions 1, 2, 3, 5 and 7 set out in this notice of general meeting, with effect from 23.59 hours on the date of the passing of this resolution:
- 4.1 every 1,200 Existing Ordinary Shares in the capital of the Company be consolidated into one ordinary share of 120p;
  - 4.2 each resulting issued ordinary share of 120p then be subdivided into one B Deferred Share of 119p each and one New Ordinary Share of 1p each;
  - 4.3 the New Ordinary Shares will have the same rights and be subject to the same restrictions as the Existing Ordinary Shares in the Company's articles of association and the B Deferred Shares will have the rights and be subject to the restrictions set out in the Articles;
  - 4.4 the Directors are hereby authorised to settle any difficulty which occurs, in particular (but without limitation), between the holders of shares consolidated and may, in the case of any shares registered in the name or names of one or more members being consolidated with shares registered in the name or names of another member or members, make such arrangements for the sale of such consolidated shares or fractional shares as they see fit with the proceeds of sale to be retained by the Company.

#### **Special Resolutions**

5. **THAT**, subject to and conditional upon the passing of Resolutions 1 to 4 and Resolution 7, in substitution for any existing and unexercised authorities, the Directors be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities wholly for cash, within the meaning of section 560(1) of the Act, pursuant to the general authority conferred by resolution 3 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (i) the allotment of up to 876,553 New Ordinary Shares pursuant to the terms of the Underwriting Agreement;
  - (ii) the allotment of up to 725,000 New Ordinary Shares pursuant to the Proposals;
  - (iii) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of Ordinary Shares in the Company on the register of members at such record dates as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares in the Company held or deemed to be held by them on any such record dates (which shall include the allotment of equity securities to any underwriter in respect of such issue or offer), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
  - (iv) the allotment of equity securities (otherwise than in sub-paragraphs (i) and/or (ii) and/or (iii) above) to any person or persons up to an aggregate nominal amount of £20,000,

provided that the authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired and that all previous authorities under section 570 of the Act be and they are hereby revoked (and in this resolution the expression "equity securities" and references to the "allotment of equity securities" shall bear the same respective meaning as in section 560 of the Act).

6. **THAT** the name of the Company be changed to “Water Intelligence plc”.
7. **THAT**, subject to and conditional upon the passing of resolutions 1 to 5, the Articles of Association of the Company produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

**BY ORDER OF THE BOARD**

Registered Office  
St John’s Innovation Centre  
Cowley Road  
Cambridge  
Cambridgeshire CB4 0WS

Barbara Spurrier  
*Company Secretary*

7 July 2010

*Notes:*

**Entitlement to attend and vote**

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company’s register of members at:
  - 6.00 p.m. on 27 July 2010; or,
  - if this general meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the general meeting.

**Poll**

2. Resolution 2 will be taken on a poll of independent shareholders in accordance with the requirements of the Panel on Takeovers and Mergers.

**Appointment of proxies**

3. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form or via CREST are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

**Appointment of proxy using hard copy proxy form**

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU; and
- received by Capita Registrars no later than 10.00 a.m. on 27 July 2010.

by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

**Appointment of proxy via CREST**

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s (formerly CRESTCo’s) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by no later than 10.00 a.m. on 27 July 2010. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors

or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### **Appointment of proxy by joint members**

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### **Appointment of proxies by companies**

9. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

#### **Changing proxy instructions**

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras), outside UK +44(0) 20 8639 3399. Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday excluding Bank Holidays.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Appointment of multiple proxies**

11. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

#### **Termination of proxy appointments**

12. In order to revoke a proxy instruction (other than a CREST Proxy Instruction) you will need to inform Capita Registrars by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. Revocation of a CREST Proxy Instruction should be made in accordance with the CREST Manual.

The revocation notice must be received by Capita Registrars no later than 10.00 a.m. on 27 July 2010.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

#### **Powers of attorney**

13. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.

#### **Communication**

14. Except as provided above, members who have general queries about the meeting should contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras). Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday. No other methods of communication will be accepted.

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

#### **Share Capital Structure**

15. As at 5.00pm on the date immediately prior to the date of posting of this Notice, the Company's authorised share capital comprised 3,373,020,193 Ordinary Shares, 3,542,472,207 A deferred shares of £0.001 each and 808,450,760 deferred shares of £0.01 each. None of the shares other than the Ordinary Shares carry any right to vote, therefore the total number of voting rights in the Company as at 6.00 p.m. on the date immediately prior to posting of this Notice is 545,296,103.

