

2nd January 2008

LAUNCH OF BREEDING CAPITAL II and III

New opportunity to participate in the highly successful Breeding Capital, a proven and innovative company giving private investors quality access to the bloodstock industry

Breeding Capital II PLC and Breeding Capital III PLC (“the Companies” or “Breeding Capital”) announce that they will launch their fundraising in January 2008. Breeding Capital aims to give access to an alternative asset class with strong barriers to entry and deliver high returns to shareholders over the medium term. The original Breeding Capital, launched in 2006, is delivering excellent returns to its investors, with its bloodstock portfolio producing an internal rate of return (“IRR”) of over 40%. Its bloodstock sales in 2007 grossed more than double its initial cost less than twelve months earlier.

Breeding Capital – an innovative company

Breeding Capital has been established to acquire a portfolio of bloodstock assets, which will consist of broodmares, foals and yearlings acquired for resale and other related bloodstock assets. It has the benefit of:

- An experienced management team that has worked together with the successful initial Breeding Capital and a proven track record in managing high quality bloodstock assets
- Attractive tax advantages
- A clear exit strategy
- A commitment to maintaining a significant investor relations programme – see www.breedingcapital.com

Two companies have been formed, to enable sufficient funds to be raised whilst maximising the tax advantages to investors.

The Thoroughbred Breeding Industry – increasing growth and globalisation

Breeding thoroughbreds for racing has been ongoing for three centuries and has developed into a significant industry. In North America and the European Union alone, bloodstock sales at public auction grossed in excess of US\$2 billion in 2007. Bloodstock is global, and represents a significant industry in the United States and Canada, South America, the UK, Ireland and France, South Africa, Japan, Australia and New Zealand. The bloodstock market in the UK and Ireland has strengthened over the last 10 years, with the average selling price of yearlings, the number of yearlings sold and the aggregate sales value increasing significantly.

The Directors and the Management Team – proven and complementary skills

The Directors and Management Team have been intimately involved with the original Breeding Capital, over the last two years.

The Board

- Christopher Holdsworth Hunt, Chairman, was co-founder and previous managing director of KBC Peel Hunt Limited
- William Sporborg, Managing Director, is a qualified Chartered Accountant and has spent the last thirteen years investing in unquoted companies
- Simon Marsh is a co-founder of the Watership Down Stud

Consultants

- Charlie Gordon-Watson has been trading independently as a bloodstock agent since 1985
- Michael Youngs is an independent bloodstock consultant

Simon Marsh, Charlie Gordon-Watson and Michael Youngs have worked together over the last thirteen years.

A Strong Track Record – realised and unrealised

The original Breeding Capital has an excellent track record, including:-

- the fourteen horses it has acquired and subsequently disposed of since inception has generated an IRR of 61%
- its overall bloodstock portfolio, including the assets disposed of and its retained assets, is showing an IRR of 43%.
- investors in Breeding Capital have seen the Net Asset Value of their investment increase by approximately 60%, including the EIS relief, since funds were raised in March 2006

The original Breeding Capitals success augments the excellent track record generated by the Management Team in establishing Watership Down Stud as one of the preeminent studs in Europe. Consistently amongst the leading vendors of yearlings, Watership Down Stud bred and consigned the highest value yearling ever sold at auction in Europe.

Investment Approach and Exit Strategy – a clear plan

The Management Team will adopt a hands-on approach to managing the underlying assets, aiming to significantly enhance the value of the portfolio. Over the first two years of the Company's operations, Breeding Capital will selectively build up its portfolio of broodmares. It is anticipated that the broodmares are likely to cost, on average, around £500,000, to be owned outright and with partners.

Broodmares will be sourced both nationally and internationally, using the Management Team's extensive contacts and knowledge of the bloodstock market, and will be acquired both privately and at public auction.

By 2012 Breeding Capital will have been trading for four years, demonstrated a track record, and seek to provide Shareholders with the opportunity to realise all or part of their investment, either through a listing, a sale or by way of a return of cash.

Attractive tax advantages – EIS qualifying

Breeding Capital has received advanced assurances from HM Revenue & Customs that the Offer Shares will rank as "eligible shares" for the purposes of the Enterprise Investment Scheme ("EIS") with:

- 20% upfront tax relief. The maximum per investor is £400,000 per annum
- Capital gains free of tax
- Reinvestment relief – gains currently taxable at 40% likely to be taxable at 18% in 2012
- Income tax loss relief

There is also inheritance tax relief, once the shares have been held for two years.

Investor Relations – a regular and transparent dialogue

Breeding Capital will keep Shareholders informed of the developments impacting the value of the Company's assets, including:-

- Details of all bloodstock acquired and produced, including an interactive pedigree and photographs;
- A regular update on all activities that may impact on the underlying assets; and
- An annual open day to inspect the bloodstock assets

William Sporborg, Managing Director of Breeding Capital, commented:

"This is an exciting alternative asset class that has shown strong growth in the last decade. Our proven team not only has over 100 years experience in the bloodstock and investment industry but has worked successfully together on the original Breeding Capital.

These innovative and tax efficient new companies are a great opportunity for individuals to invest in a portfolio of quality bloodstock. We see the bloodstock industry as a non – correlated, niche, alternative asset class which should form part of an investor's investment portfolio. What is more, the investor relations programme provides continuing interest over and above the returns. Breeding Capital is well managed and has demonstrated significant success over the last two years. We aim to build on this success, over the next five years, and beyond."

Enquiries

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Notes to Editors

The Board

Christopher Holdsworth Hunt, Chairman – Christopher Hunt, MSI, 65, was co-founder and previous managing director of KBC Peel Hunt Limited (“Peel Hunt”), a stockbroker specialising in corporate broking to small and medium sized companies. He is a former member and deputy chairman of the Stock Exchange Domestic Equities Rules Committee. He is a non executive director of a number of public and private companies.

William Sporborg, Managing Director – William Sporborg, 42, a qualified Chartered Accountant, has spent the last fifteen years investing in and managing unquoted companies. William has a long standing interest and expertise in bloodstock, and was a successful point to point jockey, before retiring through injury in 1994. William is a Director of Huntingdon Steeplechases Limited.

Simon Marsh, Bloodstock Director – Simon Marsh, 45, is a co-founder of the Watership Down Stud. Under Simon’s stewardship Watership Down Stud has consistently been one of the leading studs in the UK in terms of value of bloodstock sold, and holds the record of breeding and consigning the yearling that has achieved the highest price ever in a European Sales ring – a Sadler’s Wells colt sold for £3.4 million in 2000. Simon has extensive global relationships, particularly in the USA, where he has a strong relationship with Lanes End, Kentucky, one of the most prestigious and successful stud farms in the world.

Consultants

Charlie Gordon-Watson, Consultant – Charlie, 48, has been trading independently as a bloodstock agent since 1985 and is now consistently among the top five yearling buyers in the UK as well as major independent buyer in the USA and Europe. Charlie’s achievements include acting as agent on the acquisition of eight Classic winners including the Epsom Derby Winner, Kris Kin, and Kings Best, the winner of the 2000 Guineas at Newmarket, and now a successful sire. Charlie has purchased 24 individual Group 1 winners of 38 Group 1 races worldwide.

Michael Youngs, Consultant – Michael, 47, is a pedigree and matings expert, who has worked for Prince Khaled Abdullah’s Juddmonte Farms and Three Chimneys Farm. Michael now advises owners and breeders in Europe, the Americas, and the Far East. Michael is a frequent contributor to breeding publications, including Pacemaker.

The Track Record

Breeding Capital purchased six broodmares and broodmare prospects in 2006 and 2007. Included amongst them were:-

Madura – purchased for 170,000 guineas in November 2006, Breeding Capital sold this half sister to Manduro for 710,000 guineas twelve months later. Madura is in foal to Monsun.

Leto - purchased for 250,000 guineas in November 2006, Breeding Capital sold a 50% interest in this half sister to the 2007 Oaks winner, Light Shift, for 450,000 guineas late in 2007. Leto is in foal to Galileo.

Erytheis – purchased for 185,000 guineas at last year’s December Sales, Breeding Capital sold this half sister to Norman Invader for 460,000 earlier this month. Erytheis is in foal to Cape Cross.

Exciting Times – the mother of the brilliant Gorella and the useful Porto Santo, her first two foals. Exciting Times has produced two outstanding performers from unfashionable sires – both of her first two foals are the highest rated offspring of their respective sires. Exciting Times had a fabulous Dubawi colt in May, and has been rested in 2007. She visits Galileo in 2008.

Bayalika – subsequent to her purchase by Breeding Capital, her second foal, Vital Equine, was second in a vintage renewal of the 2007 Stan James 2,000 Guineas. In March, Bayalika had a lovely colt foal by Invincible Spirit and is in foal to Dansili.

Breeding Capital purchased interests in ten yearlings in 2006, for onward sale as two year olds in 2007, at the “breeze up” sales. Initial cost was £280,000, and they were sold for £200,000 some six months later.

Breeding Capital purchased two foals in 2006, and sold them as yearlings in 2007. Initial cost was 265,000 guineas, they realised 355,000 guineas ten months later.

In total, the IRR on sold bloodstock is 61%, and the IRR on all bloodstock, both realised and unrealised, is 43%. An independent third party valuation carried out by BBA Ireland on 31st August 2007 valued Breeding Capital’s broodmares, yearlings and foals at £3.3 million, against an initial cost and nomination fees of £2.2 million. Since the valuation, five of the horses have been sold, at an average selling price 19% above the valuation.