

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this Document or the action you should take, you should consult an independent financial adviser authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this Document should be read. Prospective investors should carefully consider the section entitled “Risk Factors” in Part II of this Document before taking any action.

The Directors of Adventis Group plc, whose names appear on page 3, accept responsibility for the information contained in this Document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Document, which is an admission document for the purposes of the AIM Rules constitutes a prospectus and has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (as amended) (“the POS Regulations”). A copy of this Document has been delivered to the Registrar of Companies in England & Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this Document or any subscriptions made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Document or that the information in this Document is correct as of any time subsequent to the date of this Document.

Application has been made for the whole of the Ordinary Shares, issued and to be issued pursuant to the Placing, to be admitted to trading on the Alternative Investment Market of London Stock Exchange plc (“AIM”) (“Admission”). It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 1 July 2004.

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 (“Official List”). A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Further, London Stock Exchange plc has not itself examined or approved the contents of this Document. The Ordinary Shares are not dealt in on any other recognised investment exchange.

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## **ADVENTIS GROUP plc**

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03542727)*

**PLACING OF 12,647,916 ORDINARY SHARES OF 0.25P EACH AT 28.5 PENCE PER SHARE**

**and**

**ADMISSION TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET**

**Nominated Adviser and Broker**

**W H IRELAND LIMITED**

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The Placing Shares will, following allotment, rank equally in all respects with the Existing Ordinary Shares of the Company, including the right to receive all dividends or other distributions declared or paid on the Ordinary Shares after the date of Admission.

W H Ireland Limited (“W H Ireland”), which is regulated and authorised in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange, is acting as Nominated Adviser and Broker respectively to the Company (for the purposes of the AIM Rules) and no one else in connection with the Placing and the Admission, and will not be responsible to any other person other than the Company for providing the protections afforded to customers of W H Ireland nor for providing advice in relation to the contents of this Document or any matter, transaction or arrangement referred to in it. W H Ireland’s responsibilities as the Company’s Nominated Adviser and Broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire Ordinary Shares in the Company in reliance on any part of this Document.

**This Document does not constitute an offer to sell, or a solicitation to buy Placing Shares or Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not for distribution in, or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither the Placing Shares nor the Ordinary Shares have been nor will be registered under the United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan.**

The distribution of this Document and the placing of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, by the holders of the Existing Ordinary Shares or by W H Ireland that would permit a public offer of Ordinary Shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Copies of this Document will be available free of charge during normal business hours on weekdays (excluding public holidays) from the date hereof until one month after Admission from the office of W H Ireland, Cannongate House, 62-64 Cannon Street, London EC4N 6AE and from the registered office of the Company.

**An investment in Adventis Group plc may not be suitable for all recipients of this Document. Any such investment is speculative and involves a high degree of risk. Prospective investors should carefully consider whether an investment in the Company is suitable for them in light of their circumstances and the financial resources available to them. Attention is drawn, in particular, to the “Risk Factors” set out in Part II of this Document.**

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## DIRECTORS AND ADVISERS

<b>Directors</b>	Peter Mitchell, ( <i>Non-Executive Chairman</i> ) Charles John Phillpot, ( <i>Chief Executive Officer</i> ) Allan Collins, ( <i>Part-time Finance Director</i> ) Rupert Owen Sebag-Montefiore, ( <i>Non-Executive Director</i> ) Neil David Crabb, ( <i>Non-Executive Director</i> )  All of: 95 Wigmore Street, London W1U 1HH
<b>Company Secretary</b>	Ruth Michelson-Carr
<b>Registered Office</b>	95 Wigmore Street, London W1U 1HH
<b>Nominated Adviser and Broker</b>	W H Ireland Limited Cannongate House 62-64 Cannon Street London EC4N 6AE
<b>Solicitors to the Company</b>	Charles Russell 8-10 New Fetter Lane London EC4A 1RS
<b>Solicitors to the Placing</b>	Cobbetts Ship Canal House King Street Manchester M2 4WB
<b>Reporting Accountants</b>	Chantrey Vellacott DFK Russell Square House 10-12 Russell Square London WC1B 5LF
<b>Principal Bankers</b>	Barclays Bank plc PO Box 858 Wytham Court 11 West Way Oxford OX2 OXP
<b>Financial Public Relations</b>	Citigate Dewe Rogerson 3 London Wall Buildings London Wall London EC2M 5SY
<b>Registrars</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

## DEFINITIONS

In this Document, where the context permits, the expressions set out below shall bear the following meanings:

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules for companies whose securities are traded on AIM, and their nominated advisers, published by the London Stock Exchange as amended from time to time
“Articles”	the articles of association of the Company adopted on 8 June 2004, conditional only upon and with immediate effect from Admission
“Certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is, not in CREST)
“Combined Code”	the Combined Code on Corporate Governance published by the UK Listing Authority
“the Company” or “Adventis”	Adventis Group plc
“Company Placing Agreement”	the conditional placing agreement dated 11 June 2004 between the Company, the Directors and W H Ireland, relating to the Placing and Admission, the principal terms of which are set out on page 53 of this Document
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI2001/3755)
“Directors” or “Board”	the directors of the Company, whose names are listed on page 3 of this Document
“Document” or “Prospectus”	this document
“Enlarged Share Capital”	the issued Ordinary Share capital of the Company immediately following the Placing and Admission
“Existing Ordinary Shares”	21,052,632 Ordinary Shares in issue immediately prior to the Placing
“Financial Services and Markets Act” or “FSMA”	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto
“FPDSavills”	FPDSavills Limited, a property services subsidiary of Savills PLC
“FSA”	the Financial Services Authority
“GDO”	Gilbert Doyle Oakmont Limited, a wholly owned subsidiary of the Company
“the Group”	the Company and its subsidiaries
“Listing Rules”	the rules for listing published by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc

“New Ordinary Shares”	10,526,316 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	the ordinary shares of 0.25 pence each in the capital of the Company
“Placing”	the placing by W H Ireland on behalf of the Company and the Selling Shareholder of the Placing Shares at the Placing Price pursuant to the Placing Agreements
“Placing Agreements”	the Company Placing Agreement and the Selling Shareholder Placing Agreement
“Placing Letter”	the letter from W H Ireland on behalf of the Company to be signed by each investor wishing to subscribe for Placing Shares pursuant to the Placing and setting out the terms on which they will agree to subscribe for New Ordinary Shares or acquire Sale Shares
“Placing Price”	28.5p per Ordinary Share
“Placing Shares”	12,647,916 Ordinary Shares which are the subject of the Placing, being the New Ordinary Shares to be issued and the Sale Shares to be sold pursuant to the Placing
“Premium Media”	Premium Media Limited, a wholly owned subsidiary of the Company
“PMC”	Property Marketing Company Limited, a wholly owned subsidiary of the Company
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Selling Shareholder”	Anthony Monteuuis
“Sale Shares”	2,121,600 Existing Ordinary Shares held by the Selling Shareholder which are to be offered for sale pursuant to the Placing
“Selling Shareholder Placing Agreement”	the conditional placing agreement dated 6 May 2004 between the Company, the Selling Shareholder and WH Ireland, relating to the Placing and Admission, the principal terms of which are set out on page 54 of this Document
“Shareholders”	holders of Ordinary Shares
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	a division of the FSA acting as a competent authority for the purposes of Part VI of the FSMA
“uncertificated” or “in uncertificated form”	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
“Warrant Instrument”	the warrant instrument adopted by the Company on 11 June 2004, the principal terms of which are set out on page 53 of this Document
“Warrants”	warrants to subscribe for Ordinary Shares on the terms of the Warrant Instrument
“W H Ireland”	W H Ireland Limited
“£” or “Pound”	UK pounds sterling

## **EXPECTED TIMETABLE**

Admission and dealings in Ordinary Shares on AIM to commence	1 July 2004
CREST accounts credited for Ordinary Shares in uncertificated form	1 July 2004
Despatch of definitive share certificates (in certificated form)	by 15 July 2004

## **PLACING STATISTICS**

Number of Ordinary Shares in issue prior to the Placing	21,052,632
Number of New Ordinary Shares being issued on behalf of the Company pursuant to the Placing	10,526,316
Number of Sale Shares	2,121,600
Placing Price	28.5p
Number of Ordinary Shares in issue on Admission	31,578,948
Estimated net proceeds of the Placing receivable by the Company	£2,670,000
Market capitalisation of the Company at the Placing Price on Admission	£9,000,000
Percentage of Enlarged Share Capital represented by the New Ordinary Shares	33.3%

# PART I

## INFORMATION ON THE GROUP

### Introduction

Adventis Group plc is a multi media marketing and advertising agency based in central London which currently provides services principally to the residential and commercial property industries, as well as the pharmaceutical, legal and financial services sectors.

The Company was incorporated in England and Wales with company number 03542727 on 8th April 1998 as “Reddin Associates Limited”. It subsequently changed its name to “Oakmont Group Limited” on 20th May 1998 and to Adventis Group plc on 29th October 1998. The Company at the date of this Document has three wholly owned subsidiaries, Property Marketing Company Limited (“PMC”), Gilbert Doyle Oakmont Limited (“GDO”) and Premium Media Limited (“Premium Media”) (together “the Group”).

In recent years the Group has developed and expanded as a result of the bringing together of PMC, GDO and Premium Media. The Group had a turnover and profit before taxation of £9,159,000 and £419,000 respectively for the financial year ended 31st December 2003 and currently employs 43 staff.

As set out on page 9 of this Part I, following Admission, the Group has committed to reduce the maximum level of cash bonus payable to key staff, and potentially reward staff through share option schemes linked to share price performance. Adjusting the Group’s historical financial performance to reflect the revised maximum level of cash bonus payable, the Group’s adjusted profit before tax would have been £626,000, £716,000 and £564,000 respectively for the financial years ended 31 December 2001, 2002 and 2003.

The Group has evolved from the marketing department of FPDSavills, a property services subsidiary of Savills PLC, one of the UK’s leading firms of property consultants and real estate agents listed on the Official List. FPDSavills, immediately before Admission, had a 68.3 per cent. holding of the Ordinary Shares in issue in the Company, which will reduce to 45.5 per cent. immediately after Admission.

In recent years, the range of marketing and advertising services that the Group offers has grown, as have the type of customers and industry sectors which the Group operates within. A recent example of the standard of the Group’s media offering is reflected in the award of five Property Advertising Marketing and Design Awards in 2002, an annual awards programme organised by the Chartered Surveyors’ Company as a way of promoting excellence in property advertising and marketing.

### The Business of the Group

#### *The Company*

The Company is principally a holding company for its three wholly owned subsidiaries that trade under their own names.



### *PMC*

PMC is a marketing services company for customers primarily within the residential property sector. The customers of PMC include a diverse base of the leading residential property developers within the UK. A full range of marketing services are offered by PMC to its customers, including the design and implementation of marketing programmes, branding advice and the application of marketing services through print or digital media. PMC's customers operate throughout the UK and overseas.

Over the past year PMC has strategically sought to diversify by providing its marketing services into non-property related markets such as the financial services sector.

PMC was incorporated as a subsidiary of Savills Commercial Limited in December 1991, and in October 1992, Charles Phillpot became a director of PMC.

The Group, through PMC, engaged in the provision of marketing and advertising services to FPDSavills, and continues to do so. As part of demonstrating its commitment to the Group FPDSavills has entered into an agreement with the Company for a period of two years, effective from the date of Admission, for the provision of marketing and advertising services by the Company to FPDSavills. The terms of this agreement are summarised in Part V - Additional Information of this Document.

### *GDO*

In 1998, Adventis acquired the name and certain business assets of a company operating under the name Gilbert Doyle Oakmont Limited, which the Directors believe represented the opportunity to acquire further marketing and creative expertise. The company operating under the name Gilbert Doyle Oakmont Limited had been in financial difficulties and had become the subject of a Creditors' Voluntary Arrangement. Since the acquisition, in each financial year (apart from the year 2000), GDO has been profitable and revenues have increased. The Group has also been able to negotiate with the Inland Revenue the use of tax losses in certain conditions, such tax losses arising before the acquisition by the Group. As at 31 December 2003, such tax losses totalled £848,000.

GDO has now expanded and is providing marketing services to clients within the commercial property, legal and pharmaceutical sectors.

Customers within the property sector have formed the core of its trading operations, including those forming a cross section of the leading property agents in the UK as well as developers of office, commercial and retail property.

GDO operates under its own name and offers a wide range of specialist marketing consultancy services, including advertising programme planning and branding consultancy, as well as print and online service design.

### *Premium Media*

Premium Media was incorporated on 27 March 1998 as a wholly owned subsidiary of the Company in order to act as the Group's media buying agency. Premium Media was founded because the Directors wanted to develop an agency business to provide specialist advice to customers as to the best direction of their marketing and advertising budgets.

Premium Media's core customers are from the sectors that both PMC and GDO operate within, namely the residential and commercial property sectors, as well as the professional services and pharmaceutical sectors.

Premium Media obtained Newspapers Publishers Association recognition in the early nineties, entitling it to certain commercial benefits in media buying for national and regional media. Along with in-house expertise, this recognition helps it to negotiate and deliver a cost effective solution for its customers' media requirements.

## Summarised Financial Information

The following table sets out the key financial information relating to the Group which has been extracted without material adjustment from the Accountants' Report on the Group for the three years ending 31 December 2003 as set out in Part III - Financial Information on the Group of this Document, and should be read in conjunction with the full text of this Document. Investors should not rely solely on the summarised information.

	2001 £'000	2002 £'000	2003 £'000
Turnover	9,631	9,657	9,159
Profit before tax	481	536	419
Dividend Payable	115	248	297
Net Assets	792	988	1,024

In previous financial years including that ending 31 December 2003, it has been the policy of the Group in the incentivisation of its staff to pay bonuses to certain employees and Directors. For the financial years shown below, the amount of bonus payable has historically been calculated based on forty per cent. of operating profit before the deduction of bonuses. Following Admission it is intended that the historic bonus policy will be replaced with a revised staff bonus scheme and a share option scheme to further incentivise staff and Directors.

	2001 £'000	2002 £'000	2003 £'000
Staff cash bonus payable*	290	360	290

*\*including employers National Insurance contributions*

The key terms of the Directors' service agreements, including the basis on which any annual performance related bonus will be paid following Admission and (after prior authorisation from the Remuneration Committee), as well as the terms of the share option schemes to be adopted on Admission, are summarised in Part V - Additional Information of this Document. As a result, the maximum aggregate cash bonus payable each year, assuming certain key performance criteria are met, will be a maximum of twenty per cent. of operating profit before the deduction of bonuses. Following Admission, Mr Phillpot has agreed to opt out of the cash bonus scheme and has agreed instead to receive potential benefit from the share option schemes, as set out on page 15 of this Part I.

Had the cash bonus level of twenty per cent. of operating profit before the deduction of bonuses been applied historically, the amount of cash bonus payable would have been £145,000, £180,000 and £145,000 respectively for the financial years ended 31 December 2001, 2002 and 2003. Applying this level of bonus to the Group's profit before tax revises the profit before tax to an adjusted £626,000, £716,000 and £564,000 respectively for the financial years ended 31 December 2001, 2002 and 2003.

Interim accounts of the Company for the four month period ended 30 April 2004 are set out in Part IV of this Document.

## The UK Marketing Services Sector

Adventis operates in the marketing and communications industry. The industry encompasses a wide variety of services ranging from advertising, direct marketing and public relations to sales promotion, design and digital (email and internet based) marketing. The UK advertising industry generates an estimated £17 billion in revenue and is fragmented into the following groups:

- The major US and European marketing and communication services companies which include WPP Group plc, Aegis Group plc, M&C Saatchi Worldwide (Holdings) and Omnicom Group Inc.;
- A significant number of smaller operations, often owned and operated as specialist diversified marketing companies.

For the next stage of the Group's development, the Directors believe that there is an opportunity to compete against and consolidate with suitable businesses that fall within the category of the smaller operators set out above. The Directors believe this consolidation program to take advantage of fragmentation is advantageous because the Group may be able to diversify and acquire niche marketing services skills in specialist sectors, subject to the criteria set out under the heading Current Trading and Prospects in this Part I.

Adventis competes within a sector which the Directors consider displays the following characteristics:

#### *Competitive environment*

There are many companies operating and competing in the marketing services sector. This creates a vigorous operating environment. Adventis has been able to demonstrate consistently better than average for the industry margins. The fifty best performing agencies by operating profit margin on fee income for 2002 surveyed in an independent report, averaged 6.8 per cent. For the financial year ended 31 December 2003, Adventis' operating profit margin on fee income was 11.2 per cent.

#### *Labour intensive*

The Directors believe that the diversified marketing services industry is highly labour intensive reflecting the reliance on creative skill and knowledge. The level of capital expenditure can be maintained at relatively low levels. The Group has been successful at retaining key staff for its future success. Admission will assist further in incentivising key staff with the potential of share related performance benefits. The Group has recently attracted key staff with specialist expertise that the Directors believe will assist it to grow and develop further. The Directors believe that the benefits derived by staff should be based on results in the Group's financial and other key performance criteria as a way of motivating and rewarding staff.

#### *Demand for specialist services*

Adventis operates within a sector where there is a demand for specialist services. The Directors believe that its strengths within the property marketing sector can be built upon further, and the strategy of developing or acquiring specialist skills in alternate sectors is appropriate for the Group's future growth.

### **Current Trading and Prospects**

The Directors will continue to seek a base of customers requiring the Group's marketing and advertising services on a long-term basis with the goal of retaining a high proportion of repeat business. The key terms of the service agreement entered into and effective from Admission between the Company and FPDSavills are summarised in Part V - Additional Information of this Document.

The Group's business strategy is to increase the market share for its media services in the residential and commercial property sectors, as well as an expansion of the services provided in its other target markets, currently comprising the financial services, pharmaceutical and legal sectors, due to the relatively high margin in these sectors.

The Directors will seek to retain and incentivise existing key employees and management, as well as seek to attract new staff to the Group. The Directors believe that a fundamental strength of the Group lies within the experience and talents of its team of employees and management. This expertise will not only be crucial in the development and growth of the Group's business in the markets it currently competes within, but also in the attraction of new business from those markets which have been expanded into in recent years and from where a larger proportion of its revenue is sought to be derived in the future.

#### *Opportunities for development*

The Directors believe that the successful growth of the Group's marketing services is a solid platform for further organic and acquisitive expansion.

The Directors have identified a number of areas of opportunity, within which the Group will seek to take advantage, including:

- The servicing of the Group's current core business sectors, within the residential and commercial property sectors, is currently maintained by a large number of small operators. The Directors believe that there is a significant opportunity to consolidate the Group's position as a leading provider of marketing services in the property sector through the acquisition of companies or key management;
- The Directors consider that there are opportunities to accelerate the Company's current strategy of diversifying into certain strategic sectors, such as pharmaceuticals and financial services, by way of acquisition of niche operators with sector expertise; and
- The Directors believe that there is also an opportunity to increase further its profit margins by providing services currently sub-contracted to third parties.

The Directors intend to not only seek to expand the Group's operations by acquiring companies or businesses, but where possible to attract new staff with proven revenue earning potential and appropriate sector expertise. This strategy has proved successful in recent months as the Group has recently attracted two members of senior management from competing companies. The terms of employment of such appointments have been structured to incentivise profitability and revenue generation.

The Directors intend to have careful regard to certain key criteria for the potential expansion of its operations. Such criteria would include:

- Profitability and cash flow impact on the Group;
- Complementary fit into the existing businesses of the Group;
- Further diversification of the Group's business into key strategic sectors; and
- The impact on shareholder value.

## **Board of Directors and Key Management Team**

### *Board of Directors*

The board consists of five Directors in respect of whom brief biographies are set out below. Details of service contracts, share option schemes and pension arrangements relating to the Directors are set out in paragraph 5 of Part V - Additional Information of this Document.

Peter Mitchell, Non-Executive Chairman, age 68

Peter has spent the majority of his career in senior general management and marketing management roles. He is presently Deputy Chairman of Capital Radio Group plc, Chairman of the Remuneration Committee and a member of the Audit Committee. From 1983 to 1997 he held director level roles at Guinness plc, initially as Group Brands Director and later as Group Strategic Affairs Director, each having worldwide responsibilities. He was a director and council member from 1995 to 2001 of the Advertising Standards Authority Ltd, the body responsible for regulation of all UK non broadcast advertising and marketing communications. From 1997 to 2003 he was chairman of management consultancy Mountainview Group Ltd. From 1994 to 1996 he was President of the World Federation of Advertisers. His early career was with Procter & Gamble, Mars Inc. and Johnson & Johnson.

Charles Phillpot, Managing Director, age 49

Charles has been the Managing Director of Adventis Group plc since it was incorporated in 1998. He joined the marketing department of FPDSavills in 1988 rising to Marketing Director. He began his career in marketing with J Walter Thompson and then Ogilvy & Mather. Before joining FPDSavills, he was a regional Marketing Director for De Beers responsible for the 'A diamond is forever' campaign in the largest global market, Japan, and other countries including France, Italy, Korea, Scandinavia and South Africa. He has extensive experience on the strategic and commercial aspects of marketing in the UK and overseas, at both client and agency level.

Allan Collins, Part-time Finance Director, age 42

Allan is a chartered accountant and a member of the Chartered Institute of Taxation. He is currently Finance Director of FPDSavills. He joined in 1998 from General Refrigeration Ltd where he was Finance Director, having previously been at P&O Containers. He started his career at PricewaterhouseCoopers in the Audit and Advisory Department (gaining experience of mergers and acquisitions), moving to the Corporate Taxation Division.

Rupert Sebag-Montefiore, Non-Executive Director, age 50

Rupert joined Savills plc in 1980 and was appointed to the board in 1991. In May 2000 he became Managing Director of FPDSavills, the general practice surveying subsidiary of Savills plc. He was appointed to the board of Savills plc in 1995. In January 2001 he was appointed the Board of Fastcrop plc (the holding company of Primelocation.com), an internet property aggregator site in which FPDSavills has made an investment. He is also Governor of Bournemouth University.

Neil Crabb, Non-Executive Director, age 36

Neil is joint Managing Director of Sigma Technology Group plc, a technology investment and advisory business quoted on AIM, providing assistance to a number of early-stage UK companies. He has previously worked as an investment manager running both quoted and unquoted portfolios, and amongst other directorships is a director of AIM quoted Micap Plc and Strategic Investment Management Limited, a property investment business.

#### *Key Management Team*

David Brend, Group Creative Director and director of GDO

After his graduation in Graphic Design David joined ICI plc before becoming an art director in a London based advertising agency. He then founded Brend Design, a marketing agency with specific expertise in property marketing and corporate literature. He merged the business with GDO in 1995 and became the new creative director. After the acquisition of GDO by Adventis, David became creative director of the Group.

Ralph Doyle, director of GDO

After experience at Leo Burnett Advertising and Williams Lea City Marketing Group, Ralph founded Gilbert Doyle Associates in 1982. The business and name of this entity were acquired by the Group in 1998. He has considerable industry contacts both in the UK and internationally and account management expertise within both the commercial and retail property sectors.

Sally Gerahty, director of PMC

After experience in the public relations industry Sally joined Jones Lang Wootton in 1983 before joining property agency Permutt Brown Surveyors. In 1990, she joined the marketing department of FPDSavills at a time when the department was undergoing rapid expansion. Sally joined the Group when the PMC was established. Sally has particular expertise in the marketing of niche residential property with an emphasis on media planning.

Philip Sisson, director of GDO

After experience at stockbrokers Cazenove Philip joined Metal Box plc in 1978. He left in 1982 to help establish Gilbert Doyle Associates. The business and name of this entity were acquired by the Group in 1998. Throughout his career, Philip has established considerable property industry contacts and account management expertise in commercial and retail property.

Alan Vine, director of GDO

Alan has an extensive UK and international experience in advertising and marketing. He founded Avin Graphics in 1980, and worked with a number of prestige clients. He joined Judge Advertising in 1994, where he continued to build on his expertise before joining the Group in 1999.

John Vaughan, Public Relations director and director of PMC

Having trained as a journalist, John moved into public relations in 1992. He has extensive experience in property and the public relations sector both in the UK and overseas. He joined the Group in 1998 and is a Member of the Institute of Public Relations.

Gordon Murray, Financial Controller

After over ten years at J Walter Thompson, Gordon moved to Young and Rubicam where he was a financial manager working on large accounts that included a number of household brands. He then worked at RSCG from 1987 before joining Gilbert Doyle Associates in 1993 as financial controller. The business and name of this entity were acquired by the Group in 1998.

### **Reasons for the Placing and Admission**

The Company intends to raise £2,670,000 (net of expenses) pursuant to the Placing. The Placing and Admission is being effected to provide the Group with the additional funds it requires to execute its business strategy outlined above and assist its further growth and development. The Directors consider that the funds receivable pursuant to the Placing, having its Ordinary Shares traded on AIM and the increased profile associated with being a publicly quoted company will significantly assist in the expansion of the Group's operations.

### **Admission to AIM and Dealings**

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 1 July 2004. No application has been or will be made for the Warrants or for any share options to be admitted to trading on AIM.

### **CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares in the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within CREST if the relevant Shareholders so wish.

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

### **Relationship with FPDSavills and the City Code on Takeovers and Mergers**

Rule 9 of the City Code on Takeovers and Mergers (the "City Code") stipulates, *inter alia*, that when a person acquires shares in a company which is subject to the City Code (such as the Company) and such shares, when taken together with shares already held by him or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of the company, that person would normally be required to make a general offer to all the remaining shareholders to acquire the balance of the equity share capital of that company (a "Mandatory Offer"). Similarly, when any or persons acting in concert already hold shares carrying not less than 30 per cent. but not more than 50 per cent. of the voting rights of such a company, and further shares are acquired by any such persons, a Mandatory Offer will normally be required.

Allan Collins will be an Executive Director of both the Company and FPDSavills and Rupert Sebag-Montefiore will be an Executive Director of FPDSavills and a Non-Executive Director of the Company. Mr Collins, Mr Sebag-Montefiore and FPDSavills will therefore be considered as a concert party (the "Concert Party") for the purposes of the City Code.

Immediately prior to the Placing FPDSavills will hold 14,379,200 Ordinary Shares, representing 68.3 per cent. of the issued share capital of the Company. Immediately following the Placing, the Concert Party holding will reduce to 45.5 per cent. of the Enlarged Share Capital. Neither Mr Collins nor Mr Sebag-Montefiore hold Ordinary Shares, nor do they have any options over Ordinary Shares.

**Immediately following the Placing, the Concert Party will hold between them 14,379,200 Ordinary Shares, that is more than 30 per cent. (but not more than 50 per cent.) of the Company's voting share capital. Accordingly, investors should note that any increase in the aggregate shareholding of the Concert Party will (for so long as they continue to be treated by the Panel on Takeovers and Mergers as acting in concert for the purposes of the City Code) be subject to the provisions of Rule 9.**

The attention of investors is drawn to the fact that if members of a concert party group, either collectively or on an individual basis, at any time hold more than 50 per cent. of the issued share capital of a company subject to the City Code, any member of such concert party would normally be entitled to increase his or its shareholding without triggering any obligation under Rule 9 of the City Code to make a Mandatory Offer. However, if the concert party holds over 50 per cent. of the voting rights in the Company, the Panel may in certain circumstances, regard (i) any acquisition by a member of the concert party that increases his individual percentage holding to 30 per cent. or more of the voting rights of the Company or (ii) (if the concert party member already holds 30 per cent. or more of the voting rights of the Company) any acquisition which increases the member's individual percentage holding of the voting rights of the Company, as giving rise to an obligation on that member or if appropriate, the concert party to make a Mandatory Offer.

FPDSavills will provide a number of office and administrative services to the Company on an arm's length basis and under the terms of a separate conditional services agreement between the two companies. Further details of this agreement are set out in paragraph 8 of Part V – Additional Information of this Document and details of the service contract of Allan Collins and the non-executive appointment letter of Rupert Sebag-Montefiore are set out in paragraph 5 of Part V.

### **Terms of the Placing**

The New Ordinary Shares represent approximately 33.3 per cent. of the Enlarged Share Capital and the Sale Shares represent approximately 6.7 per cent. of the Enlarged Share Capital. Net proceeds of the Placing receivable by the Company will (after the expenses of the Placing) amount to £2,670,000. The Placing is conditional, amongst other things, on Admission.

W H Ireland has entered into the Company Placing Agreement pursuant to which it has agreed to use reasonable endeavours to procure subscribers for the New Ordinary Shares and has entered into a Selling Shareholder Placing Agreement with the Selling Shareholder to place the Sale Shares with a value at the Placing Price of up to £1 million, belonging to the Selling Shareholder. The placing of the Sale Shares will only be effected after £3 million of gross proceeds has been raised from the Placing at the Placing Price of New Ordinary Shares.

The Placing has not been underwritten. Further details of the Placing Agreements are set out on pages 53 and 54 of this Document.

The New Ordinary Shares will be issued fully paid and, following allotment, will rank equally in all respects with the Existing Ordinary Shares including in respect of any dividends and distributions paid or made in respect of the Ordinary Shares.

### **Uses of Proceeds**

The net proceeds of the Placing receivable by the Company are expected to amount to £2,670,000 and are intended to provide the Group with the additional funds it requires to execute its business strategy outlined above and assist its further growth and development.

The net proceeds of the Placing of the Sale Shares shall be paid to the Selling Shareholder.

### **Lock-ins and Orderly Market Arrangements**

Upon Admission the Directors and persons connected with them will own 2,546,632 Ordinary Shares representing 8.06 per cent. of the Enlarged Share Capital and in addition will have options over 403,508 Ordinary Shares representing 1.3 per cent. of the Enlarged Share Capital. The Directors and all other shareholders with interests in the Existing Ordinary Shares including the Selling Shareholder have

undertaken to the Company and to W H Ireland that they will not sell or dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission and for the 12 months immediately following will effect a sale only through the brokers for the time being of the Company and will only do so following written consent from that broker in relation to any such disposal and further that any such disposal will be made in such a manner as such broker may reasonably require with a view to maintaining an orderly market in the Ordinary Shares.

### **Dividend Policy**

The Company has paid an annual dividend to its shareholders in each calendar year since 2000. The Directors will continue to seek to pay a dividend where appropriate. It is likely however that the level of such dividend will take into account its size and the level of financial trading performance for that period and have regard to the needs of the Group to retain sufficient funds to finance the development of its activities. It may be that a dividend is not always appropriate and will not therefore be paid.

### **Corporate Governance**

The Directors intend to comply with the main provisions of the Combined Code in so far as they are practicable for a company of its size and stage of development. The Company has appointed three non-executive directors with relevant sector experience to complement the executive directors.

The Board has established an audit committee, a remuneration committee and a nomination committee with formally delegated duties and responsibilities.

The audit committee will initially consist of Mr Mitchell, Mr Sebag-Montefiore and Mr Crabb and will meet at least twice a year at appropriate times in the reporting and audit cycle. It will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on and for meeting with the auditors and reviewing reports from the auditors relating to accounts and internal control systems. It will meet with the auditors once a year without the Finance Director being present.

The remuneration committee will consist of Mr Mitchell, Mr Sebag-Montefiore and Mr Crabb and will meet at least twice a year. It will review the performance of executive directors, set the scale and structure of their remuneration and review the basis of their service agreements with due regard to the interests of the shareholders. The remuneration committee will also make recommendations to the Directors concerning the allocation of share options to Directors and employees. No Director is permitted to participate in discussions or decisions concerning his own remuneration. The remuneration and terms of appointment of non-executive Directors will be set by the Board.

The nomination committee will consist of Mr Mitchell, Mr Sebag-Montefiore and Mr Crabb and will meet at least twice a year. It will be responsible for reviewing the size, structure and composition of the board of directors, succession planning and identifying and monitoring candidates to all vacancies. Appointments to the board of directors will be made by the board of directors.

The Company has adopted and will operate a share dealing code for Directors and applicable employees and will take reasonable steps to ensure their compliance with the AIM Rules on share dealing.

### **Share Options and Warrants**

To further motivate the Company's employees, the Board has adopted an Enterprise Management Incentive share option scheme and an unapproved option scheme to authorise the Company to issue share options to employees. The Remuneration Committee will consider other share option schemes in the future as appropriate. The total options issued pursuant to the Company's share option schemes will not exceed 10 per cent. of the total share capital in issue from time to time without the Board having first obtained the consent of the Shareholders. Further details of the share options can be found in paragraph 7 of Part V - Additional Information of this Document.

The Company has, under the terms of the service agreements or letters of appointment that it has with each of the Directors, granted them respectively the option to subscribe for up to the following numbers of Ordinary Shares as further set out on pages 47 and 48 of this document:

Charles Phillpot	263,158	0.83%
Peter Mitchell	140,350	0.44%

The Company has issued 947,368 Warrants, equivalent to 3 per cent. of the Enlarged Share Capital, to W H Ireland. The Warrants are exercisable at the Placing Price pursuant to and on the terms of the Warrant Instrument. Further details of the Warrants can be found in paragraph 8 of Part V - Additional Information of this Document.

### **Employees**

As at the date of this Document, the Company has 43 employees including 2 executive Directors.

### **Taxation**

The Directors have received advice that a subscription for Ordinary Shares by individual investors who are UK tax payers may, subject to their personal circumstances, qualify under the Enterprise Investment Scheme ("EIS"). Furthermore, the Directors have received advice that a subscription for Ordinary Shares by certain institutional investors may qualify under the Venture Capital Trust ("VCT") regulations. On the basis of the information provided to date the Inland Revenue has given provisional confirmation that the Company is a qualifying company under the EIS and VCT legislation.

Further information regarding taxation is set out in paragraph 11 of Part V of this Document. These details are intended only as a general guide to the current tax position under UK law. If an investor is in any doubt as to his or her tax position he or she should consult his or her own independent financial adviser immediately.

### **Further Information**

Your attention is drawn to Parts II to V of this Document. You should read the whole of this Document.

## PART II

### RISK FACTORS

**The Directors believe that prospective investors should, in particular, carefully consider the following industry specific and general risks and uncertainties before making an investment decision regarding the Company. If any of these risks and uncertainties, together with the possible additional risks and uncertainties of which the Directors are currently unaware or which they consider not to be material in relation to the Company's business, actually occur, the Company's business, financial position or operating results could be materially and adversely affected. It should be noted that this list is not exhaustive and that certain other risk factors may apply.**

#### **Market Perception**

Market perception of the Group may change for a number of reasons, potentially affecting the value of investors' holdings and the ability of the Group to raise further funds by the issue of further Ordinary Shares or otherwise. Some of the reasons affecting the market perception of the Group may be outside the control of the Group.

#### **AIM and Liquidity of the Ordinary Shares**

The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. Furthermore, AIM is not the Official List and the Ordinary Shares will not be listed on the Official List, where it may be easier for an investor to realise his or her investment. Shares traded on AIM may thus carry a higher risk than shares listed on the Official List.

Notwithstanding that Admission becomes effective and dealings commence in the Ordinary Shares, this should not be taken as implying that there will be a liquid market for the Ordinary Shares and an investment in the Ordinary Shares may be difficult to realise as the Ordinary Shares may be or become difficult to sell.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go significantly down as well as up. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment.

In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

#### **Possible Volatility of the Price of the Ordinary Shares**

The price at which the Ordinary Shares will be traded and the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its proposed operations, and some which may affect the business sectors in which the Group operates. For example, significant changes in policy and government legislation in respect of the UK property market in which the Group operates could materially affect the Group's performance.

Factors could also include the performance of the Group's operations, large purchases or sales of the Ordinary Shares, liquidity or the absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Group, or the industry as a whole; general economic, political or judicial conditions or administrative factors, as well as the relative performance of the Group's competitors.

Following Admission the market price of the Ordinary Shares could be subject to significant fluctuations due to various factors and events. In addition to these external factors set out above, variations in the Group's operating results, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares could all affect the market price. The Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities

and which may be unrelated to the Group's operating performance. Any of these events could result in a decline in the market price of the Ordinary Shares.

### **Attraction and Retention of Key Employees**

The Group's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Group is, and will continue to be, to a significant extent, dependent on the expertise and experience of the Directors and senior management and a loss of one or more could have a materially adverse affect on the Group.

Equally the ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in employing appropriate staff and the failure to do so may have a detrimental effect upon the trading performance of the Group. In particular, growth could be limited by a lack of capacity to provide the Group's services.

### **Sector Risks**

The Group operates in a highly competitive market place. There are a number of specific risks with respect to the sector that the Group operates within. Quality of service is usually an overriding consideration for customers. Other key determinants include creative reputations and the ability to meet defined budgets. The diversified marketing services industry is highly labour intensive reflecting the reliance on creative skill and knowledge. The number of communication channels available to marketers is increasing. In turn, there is rising demand for specialists in various marketing fields. Revenue is predominantly in the form of fees for project specific work. There can be therefore some volatility of the Group's revenue. The magnitude of fees generated by the Group is therefore largely determined by the Group's customers' annual marketing budgets and work load.

### **Strategic Risks**

The Directors are seeking to grow the Group's operations by acquiring other companies, businesses or the services of individuals. Whilst it is intended that such acquisitions will have a positive benefit to the Group and its operations, there can be no guarantee that this will be the case and the Group's share price and the Group's business may suffer as a result. Furthermore, it should be recognised that, by making such acquisitions as outlined in this Document, the Group may be entering into sectors in which it currently has little experience. These sectors have risk factors inherent to them of which the Directors may or may not be aware which may impact significantly on the results and events forecast by the forward looking statements mentioned below.

### **Requirement for Further Funds**

It may be necessary for the Company to raise further funds in the future, which may be by way of the issue of further Ordinary Shares on a non pre-emptive basis which may result in a dilution of an investors' shareholding. There can be no guarantee that such a further fundraising would be successful.

### **Reliance upon Existing Contracts**

The Group is currently dependent upon a number of key customers, including in particular FPDSavills, who provide the Group with the majority of its business. Details of the material contracts with FPDSavills are summarised on page 54 of Part V – Additional Information of this Document. The Group has an extremely healthy relationship with these customers but in many instances the Group is not party to written agreements with these customers and it is therefore conceivable that the Group may lose the benefit of work carried out for these customers at short notice. Any loss of such business could have a materially adverse affect on the Group's turnover and profitability. The Group has previously engaged freelance contractors, by way of oral agreements, to create materials in which intellectual property rights might subsist. In the absence of written contracts of engagement, such rights are not owned by the Group.

## **Taxation Framework**

This Document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Such legislation and practice may change and the current interpretation may therefore no longer apply.

## **Forward Looking Statements**

Certain statements within this Document, including those in the part of this Document under the heading “Information on the Group”, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements.

Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, competition, changes in development plans and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this Document will, in fact, occur. In particular, there is no assurance that the Group will be able to achieve the level and rate of growth of profits envisaged by the Directors.

These forward looking statements are correct only as at the date of this Document. The Group will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this Document except as required by law or by regulatory authority.

## **General**

The risks noted above do not necessarily comprise all those potentially faced by the Group and are not intended to be presented in any assumed order of priority.

**Although the Directors will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investment in the Group may not be suitable for all recipients of this Document and investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any decision to invest.**

## PART III

### FINANCIAL INFORMATION ON THE GROUP

ChantreyVellacottDFK



Russell Square House 10-12 Russell Square London WC1B 5LF

The Directors  
Adventis Group plc  
95 Wigmore Street  
London  
W1U 1HH

11 June 2004

The Directors  
W H Ireland Limited  
Cannongate House  
62-64 Cannon Street  
London  
EC4N 6AE

Dear Sirs

**ADVENTIS GROUP PLC (“Adventis” or the “Company”)**

#### **Introduction**

We report on the financial information set out below. The financial information has been prepared for inclusion in the circular to shareholders dated 11 June 2004 (the “Prospectus”) issued in connection with the proposed placing and the subsequent admission of all the issued and to be issued ordinary shares in Adventis to trading on the Alternative Investment Market of London Stock Exchange plc (the “Admission”).

#### **Incorporation and share capital**

Adventis was incorporated under the name of Reddin Associates Limited as a limited company in England and Wales on 8 April 1998 with company number 03542727.

At incorporation, the Company had an authorised share capital of £100 divided into 100 ordinary shares of £1 each, of which 2 were issued fully paid at par to the subscribers to the Company’s Memorandum of Association.

On 22 April 1998, the authorised share capital of the Company was increased from £100 to £3,500 by the creation of an additional 3,400 ordinary shares of £1 each. On the same date, the Company issued 3,498 ordinary shares of £1 each at par, fully paid for cash.

On 13 May 1998, each of the 3,500 issued ordinary shares of £1 each was reclassified as an “A” ordinary share of £1 each. On the same date, the authorised share capital of the Company was increased to £450,000 by the creation of 400,000 redeemable preference shares of £1 each, 33,500 “A” ordinary shares of £1 each and 13,000 convertible “B” ordinary shares of £1 each.

On the same date, the Company issued 33,500 “A” ordinary shares of £1 each and 13,000 convertible “B” ordinary shares of £1 each, fully paid at par, as consideration for the entire issued share capitals of Gilbert Doyle Oakmont Limited and Property Marketing Company Limited, and 200,000 redeemable preference shares of £1 each, fully paid at par.

All ordinary shares carry the right to one vote per fully paid share.

On 20 May 1998, the Company changed its name from Reddin Associates Limited to Oakmont Group Limited.

On 29 October 1998, the Company passed a special resolution to be re-registered in England and Wales as a public limited company and changed its name from Oakmont Group Limited to Adventis Group plc.

On 31 July 1999, 100,000 issued redeemable preference shares of £1 each were redeemed at par for cash.

On 31 December 1999, the remaining 100,000 issued redeemable preference shares of £1 each were redeemed at par for cash.

On 9 May 2002, the authorised share capital of the Company was increased to £452,630 by the creation of 2,630 “A” ordinary shares of £1 each. On the same date, Sigma Technology Management Limited was granted an option to subscribe for shares in the Company or any successor company equal to 5% of the fully diluted share capital on the occurrence of certain events, in consideration for the provision of services to the value of £20,000.

Sigma Technology Management Limited has served notice that it will exercise its option in full, conditional upon and with immediate effect from Admission.

Immediately before, and conditional upon, Admission each of the issued “B” ordinary shares will convert into 1 “A” ordinary share in accordance with the conversion rate set out in the Company’s Articles of Association.

On 8 June 2004, the Company passed a special resolution that, with immediate effect and conditional upon Admission, the authorised share capital of the Company will be reduced by the cancellation of the 400,000 authorised redeemable preference shares of £1 each, the existing “A” ordinary shares will be reclassified as ordinary shares of £1 each, each of the issued and unissued ordinary shares of £1 each will be subdivided into 400 ordinary shares of 0.25p each and the authorised share capital of the Company will be increased from £52,630 to £150,000 by the creation of 38,948,000 ordinary shares of 0.25p each.

### **Basis of preparation**

The financial information set out below is based on the audited consolidated financial statements of Adventis and its subsidiaries (together herein referred to as the “Group”) for the three years ended 31 December 2001, 31 December 2002 and 31 December 2003, which were audited by PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, after making such adjustments as we considered necessary.

The adjustments made were as follows:

- To reflect the capital redemption reserve, created in the 31 December 2003 financial statements as a prior year adjustment, in the opening reserves at 1 January 2001; and
- To reflect the issue of share options in the accounting period issued.

The Group for the period from 1 January 2001 to 31 December 2003 comprised Adventis and its three wholly owned subsidiaries, Premium Media Limited, Gilbert Doyle Oakmont Limited and Property Marketing Company Limited.

### **Responsibility**

The above mentioned financial statements are the responsibility of the directors of the Company. The directors of Adventis are responsible for the contents of the Prospectus in which this report is included.

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

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

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

### **Opinion**

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at 31 December 2001, 31 December 2002 and 31 December 2003 and of its results and cash flows for the years then ended.

### **Consent**

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

### **Consolidated profit and loss accounts**

<i>Year ended 31 December</i>		<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>	2	9,631	9,657	9,159
<b>Operating profit</b>	2	486	540	418
Interest (payable)/receivable	5	(5)	(4)	1
<b>Profit on ordinary activities before tax</b>		481	536	419
Tax on profit on ordinary activities	6	(127)	(112)	(86)
<b>Profit for the financial year</b>		354	424	333
Dividends	7	(115)	(248)	(297)
<b>Retained profit transferred to reserves</b>	17	239	176	36

Turnover and operating profit relate to continuing operations.

There were no recognised gains or losses other than the profits shown above.

**Consolidated balance sheets**

<i>As at 31 December</i>		<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Fixed assets</b>				
Intangible assets – goodwill	8	298	277	259
negative goodwill	8	(48)	(48)	(45)
		<u>250</u>	<u>229</u>	<u>214</u>
Tangible assets	9	112	151	157
		<u>362</u>	<u>380</u>	<u>371</u>
<b>Current assets</b>				
Work in progress		146	1	–
Debtors	11	1,517	2,201	1,972
Cash at bank and in hand		1,146	772	501
		<u>2,809</u>	<u>2,974</u>	<u>2,473</u>
<b>Creditors – amounts falling due within one year</b>	12	<u>(2,379)</u>	<u>(2,363)</u>	<u>(1,808)</u>
<b>Net current assets</b>		<u>430</u>	<u>611</u>	<u>665</u>
<b>Total assets less current liabilities</b>		792	991	1,036
<b>Creditors – amounts falling due after one year</b>	13	–	–	(7)
<b>Provisions for liabilities and charges</b>	14	–	(3)	(5)
<b>Net assets</b>		<u>792</u>	<u>988</u>	<u>1,024</u>
<b>Capital and reserves</b>				
Called up share capital	16	50	50	50
Capital redemption reserve	17	200	200	200
Other reserves	17	–	20	20
Profit and loss account	17	542	718	754
<b>Total shareholders' funds</b>		<u>792</u>	<u>988</u>	<u>1,024</u>

## Consolidated cash flow statements

<i>Year ended 31 December</i>		<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Net cash inflow from operating activities</b>	18	697	197	890
<b>Returns on investments and servicing of finance</b>				
Interest paid		(5)	(4)	–
Interest received		–	–	3
Interest element of finance leases		–	–	(2)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(5)	(4)	1
<b>Tax paid</b>		(159)	(133)	(131)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		(24)	(73)	(35)
<b>Equity dividends paid</b>		(115)	(248)	(297)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>		394	(261)	428
<b>Financing</b>				
Capital element of finance lease rental payments		–	–	(6)
Increase/(decrease) in cash for the year	19	394	(261)	422

## Reconciliation of movement in equity shareholders' funds

<i>Year ended 31 December</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit for the financial year	354	424	333
Dividends	(115)	(248)	(297)
Retained profit for the year	239	176	36
Issue of share options	–	20	–
Net movement in the year	239	196	36
Equity shareholders' funds at the start of the year	553	792	988
Equity shareholders' funds at the end of the year	792	988	1,024

## Notes to the financial information

### 1. Principal accounting policies

#### *Basis of accounting*

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

#### *Basis of consolidation*

The consolidated accounts include the results of Adventis and its subsidiary undertakings. Intra-group sales and profits are eliminated on consolidation.

### *Goodwill*

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis, over its estimated useful economic life which is considered to be 20 years.

Negative goodwill arising on consolidation is included within intangible fixed assets and released to the profit and loss account over the period expected to be benefited, considered to be 20 years.

### *Turnover*

Turnover represents commissions and fees receivable excluding VAT.

### *Fixed assets*

Fixed assets are stated at historical cost less provision for depreciation or amortisation and any permanent diminution in value.

### *Depreciation*

Provision for depreciation is made at rates calculated to write off the cost, less estimated residual value, of tangible fixed assets over their estimated useful lives as follows:

	<i>Basis</i>
Furniture & office equipment	15% reducing balance
Leasehold improvements	Reducing balance over the period of the lease
Computer equipment and software	33% reducing balance

### *Work in progress*

Work in progress is stated at the lower of cost and net realisable value.

### *Deferred taxation*

Deferred tax is provided in full on timing differences which result in an obligation to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in financial statements.

A deferred tax liability is recognised if transactions result in the Group having an obligation to pay more tax in future years. A deferred tax asset will only be recognised to the extent that it is considered to be more than likely that it will be recovered. Deferred tax assets and liabilities are not discounted.

### *Accounting for leases*

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Payments under operating leases are charged to the profit and loss account as they fall due.

### *Pension costs*

Retirement benefits for employees are provided by a defined benefit scheme which is funded by contributions from the Group and its employees. The contributions are determined by an independent qualified actuary. The Group is not able to identify its share of the underlying assets and liabilities and therefore the scheme is accounted for as a defined contribution scheme. Contributions are charged to the profit and loss account when they are payable.

The Group also operates a number of defined contribution, individual pension plans. Contributions are charged to the profit and loss account when they are payable.

## 2. Turnover and operating profit

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover (all UK origin)	9,631	9,657	9,159
Staff costs (see note 3)	(2,188)	(2,173)	(2,065)
Depreciation of tangible fixed assets:			
Owned assets	(36)	(34)	(41)
Leased assets	–	–	(10)
Amortisation of purchased goodwill	(18)	(21)	(18)
Negative goodwill released to the profit and loss account	8	–	3
Other operating charges	(6,911)	(6,889)	(6,610)
Operating profit	<u>486</u>	<u>540</u>	<u>418</u>

Turnover by destination is not materially different from turnover by origin.

Operating profit is stated after charging:

Auditors' remuneration – Audit	10	12	15
– Non-audit	5	3	–
Operating lease rentals – Plant and equipment	15	2	3
– Other	109	96	210
	<u>139</u>	<u>113</u>	<u>131</u>

## 3. Staff and directors

### (a) Analysis of staff costs

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Basic salaries and wages	1,690	1,596	1,543
Incentive bonuses and commissions	247	309	256
Social security costs	194	204	201
Pension costs	57	64	65
	<u>2,188</u>	<u>2,173</u>	<u>2,065</u>

### (b) Average number of employees

Average number of employees (including directors)	<u>48</u>	<u>41</u>	<u>38</u>
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### (c) Directors' emoluments

The aggregate emoluments of the directors were:

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Remuneration	467	491	546
Bonuses	163	188	181
Pension contributions	28	45	51
	<u>658</u>	<u>724</u>	<u>778</u>

The number of directors accruing benefits under the Group's defined benefit scheme during the year ended 31 December 2003 was 3 (2002 – 3; 2001 – 3).

The emoluments (including pension contributions) of the highest paid director were as follows:

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Remuneration	97	99	99
Bonuses	50	70	45
Pension contributions	13	15	18
	<u>160</u>	<u>184</u>	<u>162</u>

#### 4. Pension scheme

The Company participates in the Savills plc group pension scheme which provides benefits based on final pensionable salary. The scheme is funded by company and employee contributions, the rates being fixed for the Savills plc group as a whole by an independent qualified actuary on the basis of triennial valuations. The plan was closed to new entrants on 1 April 2001 but continues to operate for existing members.

The most recent actuarial valuation completed, using the projected unit method, was as at 5 April 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments (7.0%), the rates of increase in salaries (5.0%) and pensions (3.0%), and the assumed dividend yield (2.75%). The valuation showed that the market value of the scheme's assets was £28,875,648 and that the actuarial value of those assets represented 75% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The charge to the Company's profit and loss account in relation to the above pension scheme during the period covered by this report were as follows:

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Pension contributions	<u>48</u>	<u>53</u>	<u>52</u>

The plan is in deficit and the contributions payable are higher than the anticipated long term cost to address the deficit. The report and accounts of Savills plc reported that the deficit for the Savills plc group plan was assessed £25.5m as at 31 December 2003 (2002 - £25.3m, 2001 - £16.4m). The Group is not able to identify its share of underlying assets and liabilities and therefore cannot account for it as a defined benefit scheme. The pension cost to the Company under FRS17 is therefore the contributions paid to the scheme by the Company, as detailed above.

The Company also contributes to an individual defined contribution plan. The total pension charge for the year in respect of this defined contribution plan was £nil (2002 – £nil; 2001 – £392).

## 5. Interest (payable)/receivable

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank interest payable	(5)	(4)	–
Bank interest receivable	–	–	3
Finance lease interest	–	–	(2)
	<u>(5)</u>	<u>(4)</u>	<u>1</u>

## 6. Tax on profit on ordinary activities

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Current tax:</b>			
UK corporation tax on profits of the year	131	112	39
Adjustment in respect of previous years	(4)	(3)	45
	<u>127</u>	<u>109</u>	<u>84</u>
<b>Deferred tax:</b>			
Origination and reversal of timing differences	–	3	2
Tax on profit on ordinary activities	<u>127</u>	<u>112</u>	<u>86</u>

The tax assessed is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

Profit on ordinary activities multiplied by the standard rate of 30%	144	161	126
Effects of:			
Expenses not deductible for tax purposes	12	18	17
Capital allowances in excess of depreciation	3	(5)	(2)
Other timing differences	3	(4)	(15)
Tax losses	(31)	(58)	(87)
UK corporation tax on profits for the year	<u>131</u>	<u>112</u>	<u>39</u>

## 7. Dividends

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interim ordinary dividends paid (see note 24)	<u>115</u>	<u>248</u>	<u>297</u>

## 8. Intangible assets – Group

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Purchased goodwill</b>			
<b>Cost</b>			
At 1 January and 31 December	365	365	365
<b>Amortisation</b>			
At 1 January	49	67	88
Charge for the year	18	21	18
At 31 December	67	88	106
<b>Net book value</b>			
At 31 December	298	277	259
<b>Negative goodwill</b>			
<b>Cost</b>			
At 1 January and 31 December	66	66	66
<b>Amortisation</b>			
At 1 January	10	18	18
Release for the year	8	–	3
At 31 December	18	18	21
<b>Net book value</b>			
At 31 December	48	48	45

## 9. Tangible assets

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Equipment and leasehold improvements</b>			
<b>Cost</b>			
At 1 January	248	272	345
Additions	24	73	57
At 31 December	272	345	402
<b>Depreciation</b>			
At 1 January	124	160	194
Charge for the year	36	34	51
31 December	160	194	245
<b>Net book value</b>			
At 31 December	112	151	157

The net book value of the Group's equipment and leasehold improvements includes £11,447 (2002 – £nil; 2001 – £nil) in respect of assets held under finance leases.

## 10. Investments

The subsidiary undertakings of Adventis and their principal activities are shown below. All are registered in England and Wales and operate in the UK.

<i>Subsidiary undertaking</i>	<i>Principal activity</i>	<i>Ordinary shares held</i>
Gilbert Doyle Oakmont Limited	Advertising and marketing services	100%
Premium Media Limited	Advertising and media services	100%
Property Marketing Company Limited	Advertising and marketing services	100%

## 11. Debtors

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	1,224	1,743	1,432
Amounts owed by parent undertaking	234	335	509
Other debtors	2	–	11
Prepayments and accrued income	57	123	20
	<u>1,517</u>	<u>2,201</u>	<u>1,972</u>

## 12. Creditors – amounts falling due within one year

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank overdrafts	1,265	1,152	459
Obligation under finance leases and hire purchase contracts	–	–	6
Trade creditors	263	173	142
Amounts owed to parent undertaking	53	23	–
Corporation tax	61	37	–
Other taxation and social security	124	157	155
Other creditors	61	99	80
Accruals and deferred income	552	722	966
	<u>2,379</u>	<u>2,363</u>	<u>1,808</u>

The bank overdraft facility is secured by a cross guarantee and debenture whereby each company within the Group guarantees the liabilities of the others and various other fixed and floating charges registered against the assets of the companies within the Group.

## 13. Creditors – amounts falling due after more than one year

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Obligations under finance leases and hire purchase contracts	<u>–</u>	<u>–</u>	<u>7</u>

#### 14. Provisions for liabilities and charges

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Deferred tax			
At 1 January	–	–	3
Provided during the year	–	3	2
At 31 December	<u>–</u>	<u>3</u>	<u>5</u>

#### 15. Deferred taxation

	<i>Unprovided</i>		
	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Deferred tax asset			
Accelerated capital allowances	11	5	4
Short-term timing differences	6	3	3
Unutilised trading losses at 30%	369	311	254
	<u>386</u>	<u>319</u>	<u>261</u>

No deferred tax asset has been recognised for unutilised trading tax losses of £847,941 (2002 – £1,036,315, 2001 – £1,229,591) acquired on the purchase of Gilbert Doyle Oakmont Limited. The asset will be recognised when Gilbert Doyle Oakmont Limited has an established history of trading profits and sufficient forecast trading profits to utilise the losses.

#### 16. Share capital

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Authorised</b>			
“A” Ordinary shares of £1 each	37	40	40
“B” Ordinary shares of £1 each	13	13	13
Redeemable preference shares of £1 each	<u>400</u>	<u>400</u>	<u>400</u>
Allotted, called up and fully paid			
“A” Ordinary shares of £1 each	37	37	37
“B” Ordinary shares of £1 each	<u>13</u>	<u>13</u>	<u>13</u>
	<u>50</u>	<u>50</u>	<u>50</u>

On 9 May 2002, the authorised share capital of the Company was increased to 452,630 by the creation of 2,630 “A” ordinary shares of £1 each. On the same date, Sigma Technology Management Limited was granted an option to subscribe for shares in the Company or any successor company equal to 5% of the fully diluted share capital on the occurrence of certain events, in consideration for the provision of services to the value of £20,000.

Sigma Technology Management Limited has served notice that it will exercise its option in full, conditional upon and with immediate effect from Admission.

Immediately prior to any listing or sale, as defined in the Company’s Articles of Association, all of the “B” ordinary shares shall be converted to “A” ordinary shares in accordance with the calculation set out in the Company’s Articles of Association. In the event of a winding up the holders of “A” ordinary

shares and “B” ordinary shares shall be entitled to the issue price in proportion to the shares held by them, after all debts of the Company have been repaid. The “A” ordinary shares and “B” ordinary shares carry the right to one vote per fully paid up share.

Immediately before and conditional upon, Admission each of the issued “B” ordinary shares will convert into 1 “A” ordinary share in accordance with the conversion rate set out in the Company’s Articles of Association.

#### 17. Movements on reserves

	<i>Capital redemption reserve £'000</i>	<i>Other reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2001	200	–	303	503
Retained profit for the year	–	–	239	239
At 31 December 2001	<u>200</u>	<u>–</u>	<u>542</u>	<u>742</u>
At 1 January 2002	200	–	542	742
Retained profit for the year	–	–	176	176
Issue of share options	–	20	–	20
At 31 December 2002	<u>200</u>	<u>20</u>	<u>718</u>	<u>938</u>
At 1 January 2003	200	20	718	938
Retained profit for the year	–	–	36	36
At 31 December 2003	<u>200</u>	<u>20</u>	<u>754</u>	<u>974</u>

#### 18. Reconciliation of operating profit to net cash inflow from operating activities

	<i>Year ended 31 December</i>		
	<i>2001 £'000</i>	<i>2002 £'000</i>	<i>2003 £'000</i>
Operating profit	486	540	418
Issue of share options	–	20	–
Depreciation of tangible assets	36	34	51
Amortisation of intangible fixed assets	18	21	18
Negative goodwill released to profit and loss account	(8)	–	(3)
Decrease/(increase) in work in progress	(52)	145	1
(Increase)/decrease in debtors	488	(684)	238
(Decrease)/increase in creditors	(271)	121	167
Net cash inflow from operating activities	<u>697</u>	<u>197</u>	<u>890</u>

**19. Analysis of net funds/(debt)**

	<i>Opening balance £'000</i>	<i>Cash movement £'000</i>	<i>Other non cash charges £'000</i>	<i>Closing balance £'000</i>
At 31 December 2001				
Overdrafts	(1,521)	256	–	(1,265)
Cash at bank and in hand	1,008	138	–	1,146
Net debt	<u>(513)</u>	<u>394</u>	<u>–</u>	<u>(119)</u>
At 31 December 2002				
Overdrafts	(1,265)	113	–	(1,152)
Cash at bank and in hand	1,146	(374)	–	772
Net debt	<u>(119)</u>	<u>(261)</u>	<u>–</u>	<u>(380)</u>
At 31 December 2003				
Overdrafts	(1,152)	693	–	(459)
Cash at bank and in hand	772	(271)	–	501
Finance leases	–	6	(19)	(13)
Net (debt)/funds	<u>(380)</u>	<u>428</u>	<u>(19)</u>	<u>29</u>

**20. Reconciliation of net cash flow to movement in net debt**

	<i>Year ended 31 December</i>		
	<i>2001 £'000</i>	<i>2002 £'000</i>	<i>2003 £'000</i>
Increase/(decrease) in cash	394	(261)	422
Cash outflow from decrease in debt and lease financing	–	–	6
Finance leases	–	–	(19)
	<u>394</u>	<u>(261)</u>	<u>409</u>
Net debt at 1 January	<u>(513)</u>	<u>(119)</u>	<u>(380)</u>
Net (debt)/funds at 31 December	<u>(119)</u>	<u>(380)</u>	<u>29</u>

## 21. Related party transactions

During the years ended 31 December 2001 and 2002, the Group paid £26,289 and £3,200 respectively to Thames Valley Advertising in respect of client account handling. During the year ended 31 December 2003, Thames Valley Advertising paid the Group £19,369 in respect of services provided. Thames Valley Advertising is owned by the wife of Charles Phillpot, a director of the Company.

As described in Note 25 the ultimate parent company is Savills plc. FPD Savills Limited (a subsidiary of Savills plc) owns 22,948 "A" £1 ordinary voting shares in Adventis, and 13,000 "B" £1 ordinary voting shares which at 31 December 2003 represented 72% of the voting rights of Adventis.

During the year ended 31 December 2003, the Group provided advertising, marketing and media buying services to other companies within the Savills plc group. These were charged on an arm's length basis and totalled £3,091,022 (2002: £4,225,846; 2001: £3,390,476).

Balances outstanding at the end of each year were:

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Debtors – FPD Savills Limited	234	335	509
Creditors – FPD Savills Limited	53	23	–
	<u>          </u>	<u>          </u>	<u>          </u>

Savills plc provided administrative and company secretarial services to the Group at no charge.

## 22. Operating lease commitments

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Land and buildings			
Annual rentals payable on leases expiring:			
Within one year	108	–	–
Between two and five years	–	–	218
After five years	–	182	–
	<u>108</u>	<u>182</u>	<u>218</u>
Other			
Annual rentals payable on leases expiring:			
Within one year	8	14	–
Between two and five years	2	–	3
After five years	–	36	–
	<u>10</u>	<u>50</u>	<u>3</u>

### 23. Obligations under finance leases and hire purchase contracts

	<i>Year ended 31 December</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Minimum lease payments payable:			
Within one year	–	–	7
Within two to five years	–	–	8
After five years	–	–	–
	<hr/>	<hr/>	<hr/>
	–	–	15
Less: Finance charges allocated to future periods	–	–	(2)
	<hr/>	<hr/>	<hr/>
	–	–	13
	<hr/>	<hr/>	<hr/>

### 24. Post balance sheet events

During 1999 the Company redeemed 200,000 £1 preference shares. In the year of redemption the Company failed to credit this diminution in share capital to a capital redemption reserve. The Company declared and paid to its shareholders dividends of £215,000 in 2000; £115,000 in 2001; £248,000 in 2002; and £296,800 in 2003. These dividends were paid as the directors believed that the Company had sufficient distributable profits at the date they were declared. However, it is now known that the Company did not have sufficient distributable profits at the time each dividend was declared and that consequentially each of the dividend payments was wholly or partly an unlawful distribution.

The Company has taken legal advice and rectified the unlawful distributions through the following process. Each of the shareholders has entered into a Deed of Acknowledgement dated 28 April 2004, acknowledging that the dividends they received were unlawfully paid and undertaking to repay the dividends to the Company, along with all interest due. The Company then declared a dividend (the “Rectifying Dividend”) equal to the aggregate of the unlawful distributions plus interest out of current distributable profits. This had the effect of releasing them (by way of set off) from their respective obligations to repay the unlawfully paid dividends. As the financial statements for the financial year ended 31 December 2003 do not show sufficient distributable reserves to declare the Rectifying Dividend, the Company has prepared interim accounts solely for this purpose, which are included in Part IV of the Prospectus for information only.

### 25. Parent undertakings

The immediate parent undertaking of Adventis is FPDSavills Limited and the ultimate parent undertaking is Savills plc, both of which are companies registered in England and Wales.

Yours faithfully

**CHANTREY VELLACOTT DFK**  
**Chartered Accountants**

## PART IV

### UNAUDITED FINANCIAL INFORMATION FOR THE 4 MONTHS ENDED 30 APRIL 2004

#### Profit & Loss Account of the Company 4 Months ended 30 April 2004

	<i>Note</i>	<i>4 months to 30 April 2004 £'000</i>	<i>Year to 31 December 2003 £'000</i>
<b>Administration expenses</b>		(237)	(44)
<b>Operating loss</b>		(237)	(44)
Other operating income	9	891	-
Investment income	2	700	750
Interest payable and similar charges		(1)	-
<b>Profit on ordinary activities before taxation</b>		1,353	706
Tax on profit on ordinary activities		-	-
<b>Profit for the financial period</b>		1,353	706
Dividends		-	(297)
<b>Retained profit for the financial period</b>	8	1,353	409

## Balance Sheet of the Company

		<i>30 April</i> 2004 £'000	<i>31 December</i> 2003 £'000
	<i>Note</i>		
<b>Fixed assets</b>			
Tangible assets		169	145
Investments	3	57	57
		<u>226</u>	<u>202</u>
<b>Current assets</b>			
Debtors	4	2,334	972
<b>Creditors - amounts falling due within one year</b>	5	(889)	(866)
<b>Net current assets</b>		<u>1,445</u>	<u>106</u>
<b>Total assets less current liabilities</b>		1,671	308
<b>Creditors - amounts falling due after more than one year</b>	6	(17)	(7)
<b>Provisions for liabilities &amp; charges</b>		(7)	(7)
<b>Net assets</b>		<u>1,647</u>	<u>294</u>
<b>Capital and reserves</b>			
Called up share capital	7	50	50
Capital redemption reserve	8	200	200
Other reserves	8	20	20
Profit and loss account	8	1,377	24
<b>Total shareholders' funds</b>		<u>1,647</u>	<u>294</u>

Approved by the Board of Directors on 24 May 2004 and signed on its behalf by

C Phillpot

## 1 Principal accounting policies

### (a) Basis of preparation

The interim financial statements have been prepared in accordance with section 270 and section 272 of the Companies Act 1985 in order to demonstrate that the Company has sufficient distributable profits to enable a distribution to be made.

The interim financial statements represent the accounts of the Company, Adventis Group Plc, only, and do not include the results, assets and liabilities of its subsidiary undertakings.

### (b) Other accounting policies

All accounting policies as disclosed in the year-end accounts to 31 December 2003 have been applied in the preparation of these accounts.

## 2 Investment income

	<i>30 April</i> 2004 £'000	<i>31 December</i> 2003 £'000
Income from fixed asset investments	700	750
Interest receivable	84	–
	<u>784</u>	<u>750</u>

## 3 Investments - Company

	<i>Shares in Group</i> <i>undertakings</i> £'000
Cost At 1 January 2004 and 30 April 2004	<u>57</u>

### Subsidiary undertakings

The principal subsidiary undertakings of the Company and their principal activities are shown below. They have share capitals wholly comprised of ordinary shares. All the companies are registered in England and Wales, operate in the UK and are consolidated into the Group Accounts.

<i>Subsidiary undertakings</i>	<i>Principal activity</i>	<i> Holding</i>
Gilbert Doyle Oakmont Limited	Advertising and marketing services	100%
Premium Media Limited	Advertising and media services	100%
Property Marketing Company Limited	Advertising and marketing services	100%

#### 4 Debtors

	<i>30 April 2004 £'000</i>	<i>31 December 2003 £'000</i>
Amounts owed by subsidiary undertakings	1,390	949
Other taxes and social security	–	3
Prepayments and accrued income	52	20
Shareholders' loans	892	–
	<u>2,334</u>	<u>972</u>

#### 5 Creditors - amounts falling due within one year

	<i>30 April 2004 £'000</i>	<i>31 December 2003 £'000</i>
Bank loans and overdrafts	476	373
Obligations under finance leases and hire purchase contracts	9	6
Trade creditors	17	23
Other taxation and social security	7	5
Other creditors	1	1
Accruals and deferred income	379	458
	<u>889</u>	<u>866</u>

#### 6 Creditors - amounts falling due after more than one year

	<i>30 April 2004 £'000</i>	<i>31 December 2003 £'000</i>
Obligations under finance leases and hire purchase contracts	17	7
	<u>17</u>	<u>7</u>

#### 7 Share capital

	<i>30 April 2004 No. shares</i>	<i>31 December 2003 No. shares</i>
Authorised		
“A” Ordinary shares of £1 each	39,630	39,630
“B” Ordinary shares of £1 each	13,000	13,000
Preference shares of £1 each	400,000	400,000
	<u>452,630</u>	<u>452,630</u>
Allotted, called up and fully paid		
“A” Ordinary shares of £1 each	37,000	37,000
“B” Ordinary shares of £1 each	13,000	13,000
Preference shares of £1 each	–	–
	<u>50,000</u>	<u>50,000</u>

Immediately prior to any Listing or sale all of the “B” ordinary shares shall be converted to “A” ordinary shares in accordance with the calculation set out in the Articles of Association. In the event of a winding up the holders of “A” ordinary shares and “B” ordinary shares shall be entitled to the issue price in proportion to the shares held by them, after all debts of the Company have been repaid. The “A” ordinary shares and “B” ordinary shares carry the right to one vote per fully paid up share.

## 8 Reserves

	<i>Capital Redemption Reserve £'000</i>	<i>Other Reserves £'000</i>	<i>Profit and Loss account £'000</i>	<i>Total £'000</i>
At 1 January 2004	200	20	24	244
Retained profit for the period	-	-	1,353	1,395
At 30 April 2004	<u>200</u>	<u>20</u>	<u>1,377</u>	<u>1,597</u>

The capital redemption reserve arose following the redemption of 200,000 £1 preference shares during 1999.

The Company, with Shareholder approval, granted Sigma Technology Management Limited an option to subscribe for shares in the Company or any successor company equal to 5% of the fully diluted share capital in consideration for the provision of services to the value of £20,000 to the Company. In the event of specific corporate events this option is exercisable at nominal value. If it is not exercised the option lapses on 31 May 2005.

## 9 Other operating income

From May 1999 to December 2003 the Company made unlawful distributions totalling £807,400. Following legal advice the position has been rectified by the following process. Each of the shareholders has entered into a Deed of Acknowledgement dated 28 April 2004, acknowledging that the dividends that they received were unlawfully paid and undertaking to repay the dividends to the Company, along with all interest accruing of £84,440. The Board shall then declare a new dividend equal to the aggregate of the unlawful distributions plus interest out of the current distributable profits to each of the shareholders. This will release the shareholders (by way of set off) from their respective obligations to repay the unlawfully paid dividends.

## PART V

### ADDITIONAL INFORMATION

#### 1 Incorporation and Status of the Company

- 1.1 The Company was incorporated in England and Wales on 8th April 1998 under the name of “Reddin Associates Limited” with registered number 03542727 as a private company with limited liability under the Act. On 20th May 1998 the Company changed its name to “Oakmont Group Limited”. On 29th October 1998 the Company was re-registered as a public limited company with the name “Adventis Group plc”. The liability of the members of the Company is limited.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The registered office and the principal place of business of the Company is 95 Wigmore Street, London W1U 1HH.

#### 2 The Subsidiaries

The Company acts as the holding company of the Group. The Company has the following subsidiaries, which are private limited companies, wholly-owned and incorporated in England and Wales:

<i>Name</i>	<i>Field of Activity</i>
Gilbert Doyle Oakmont Limited	advertising and marketing services
Premium Media Limited	advertising and media services
Property Marketing Company Limited	advertising and marketing services

#### 3 Share capital of the Company

- 3.1 The authorised share capital of the Company on incorporation was £100 divided into 100 ordinary shares of £1.00 each of which two shares were issued fully paid at par to the subscribers of the memorandum of association of the Company. On 22nd April 1998, the authorised share capital of the Company was increased by special resolution to £3,500 by the creation of 3,400 new ordinary shares of £1.00 each. On 13th May 1998, the authorised share capital of the Company was increased by ordinary resolution to £450,000 by the creation of an additional:-
  - (a) 400,000 redeemable preference shares of £1.00 each;
  - (b) 33,500 “A” ordinary shares of £1.00 each;
  - (c) 13,000 convertible “B” ordinary shares of £1.00 each.

As part of that resolution, the previously authorised and issued ordinary shares of £1.00 each were re-classified as “A” ordinary shares of £1.00 each. On 9th May 2002, the authorised share capital of the Company was increased by special resolution to £452,630 by the creation of 2,630 new “A” ordinary shares of £1.00 each.

Pursuant to the Company’s articles of association (as adopted by special resolution on 15th October 1998), immediately prior to Admission, each of the “B” ordinary shares convert into 1 “A” ordinary share of £1.00 each.

By a special resolution dated 8 June 2004, with immediate effect and conditional upon Admission, the authorised share capital of the Company will be reduced by the cancellation of the 400,000 authorised redeemable preference shares of £1.00 each; the existing “A” ordinary shares of £1.00 each will be reclassified as ordinary shares of £1.00 each; and each of the issued and unissued ordinary shares of £1.00 each will be subdivided into 400 ordinary shares of 0.25p each; and the authorised share capital of the Company will be increased from £52,630 to £150,000 by the creation of 38,948,000 ordinary shares of 0.25p each.

- 3.2 All of the authorised redeemable preference shares of £1.00 each will be cancelled pursuant to the special resolution referred to paragraph 3.1 above. The authorised and issued ordinary share capital of the Company at the date of this Document and immediately following Admission will be as follows:

	<i>ordinary shares authorised</i>		<i>ordinary shares issued and fully paid</i>	
	<i>£ (nominal value)</i>	<i>Number</i>	<i>£ (nominal value)</i>	<i>Number</i>
Following Admission	150,000	60,000,000	78,947	31,578,948

- 3.3 With immediate effect from and conditional upon Admission:

- (i) the Directors will be generally and unconditionally authorised pursuant to section 80 of the Act to exercise all powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) of the Company up to an aggregate nominal amount equal to £26,053, being 33 per cent. of the aggregate nominal value of the Enlarged Share Capital, for the period from the date of Admission to the date of the next Annual General Meeting in 2005 and thereafter any period (not exceeding five years on any occasion) where such authority is renewed by a resolution of the Company except that the Company may, at any time prior to the expiry of the authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after expiry of the authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;
- (ii) the Directors may, pursuant to section 95 of the Act allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority under section 80 of the Act referred to in paragraph (i) above as if section 89(1) of the Act did not apply to the allotment (otherwise than pursuant to the foregoing paragraph) of equity securities up to an aggregate nominal amount of £15,789 (representing approximately 20 per cent of the Enlarged Share Capital) for the period from the date of Admission to the date of the next Annual General Meeting in 2005 and thereafter any period (not exceeding five years on any occasion) where such authority is renewed by a resolution of the Company, provided that the Company may before the expiry of the power make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

- 3.4 The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act), confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.3. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of existing Ordinary Shares on a pro rata basis.

- 3.5 Following the Placing 24,315,788 Ordinary Shares will remain authorised and unreserved for issue which represents approximately 77.0 per cent of the Enlarged Share Capital.

- 3.6 Save in connection with the Placing and as disclosed in this Part V:-

- (a) no share or loan capital of the Company or any member of the Group has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- (b) no share or loan capital of the Company or any member of the Group is under option or is agreed conditionally or unconditionally to be put under option; and
- (c) no commission, discount, brokerage or other special term has been granted by the Company or any member of the Group or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company or any member of the Group.

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

### **4.1 Memorandum of Association**

The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.

### **4.2 Articles of Association**

The following is a description of the rights attaching to the Ordinary Shares based on the Company's Articles. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

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

(a) *Voting*

Subject to disenfranchisement in the event of:-

- (i) non-payment of calls or other monies due and payable in respect of Ordinary Shares;  
or
- (ii) non-compliance with a statutory notice requiring disclosure as to beneficial ownership of Ordinary Shares,

and, without prejudice to any special rights previously conferred and subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every shareholder who is present in person at a general meeting of the Company shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every Ordinary Share held.

(b) *Dividends*

Subject to the Statutes (as defined in the Articles), the Company at a general meeting may declare dividends to be paid to shareholders according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Except insofar as the rights attaching to, or the terms of issue of, any Ordinary Share otherwise provide, all dividends shall be declared according to the amounts paid-up or credited as paid-up on the shares and apportioned and paid pro rata according to the amounts paid-up or credited as paid-up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

(c) *Distribution of Assets on Liquidation*

On a winding-up, the liquidator may, with the sanction of an extraordinary resolution of the Company and subject to and in accordance with the Statutes, divide among the shareholders in specie or kind the whole or any part of the assets of the Company, subject to the rights of any shares which may be issued with special rights or privileges.

#### **4.2.2 Transferability of Ordinary Shares**

All transfers of Ordinary Shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Board. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. All transfers of Ordinary Shares which are in uncertificated form may be effected by means of a relevant system (as defined in the Articles).

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefor refuse to register any transfer of shares (not being fully-paid shares), provided that any such refusal does not prevent dealings in partly-paid shares from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer of shares (whether fully-paid or not) in favour of more than four persons jointly or made to or by an infant or patient within the meaning of the Mental Health Act 1983.

The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless the instrument of transfer is duly stamped, is in respect of only one class of share and is lodged at the Transfer Office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

#### **4.2.3 Variation of Rights**

Subject to the Statutes, the special rights attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound-up) be altered or abrogated with the written consent of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the issued shares of that class at which a quorum of two or more persons holding or representing by proxy not less than one-third of the issued shares of that class (or in the case of an adjourned meeting such quorum as is specified by the Articles) is present. The special rights conferred upon the holders of any shares or class of share shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith or the purchase by the Company of any of its own shares.

#### **4.2.4 Changes in Capital**

Subject to the provisions of the Statutes and to any special rights conferred on the holders of any shares or class of shares, the Company may issue redeemable shares. Subject to the provisions of the Statutes and to any special rights previously conferred on the holders of any existing shares, any share may be issued with such special rights or such restrictions as the Company may determine by ordinary resolution. The Company may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount, sub-divide its share capital into shares of a smaller amount (subject to the provisions of the Statutes) and cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

Subject to the provisions of the Statutes, the Company may reduce share capital, any capital redemption reserve and any share premium account in any manner. The Company may also, subject to the requirements of the Statutes, purchase its own shares.

#### **4.2.5 Untraced Shareholders**

Subject to the Statutes, the Company may sell any shares of a member or person entitled thereto who is untraceable, if during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to such member or person in respect of his shares have remained uncashed or mandated dividend payments have failed and the Company has received no indication of the existence of such member or person. The net proceeds of sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company in respect of those proceeds.

If on two consecutive occasions notices or other communications (including dividend payments) have been sent through the post to any holder of shares to his registered or other specified address but returned undelivered or mandated dividend payments have failed, or following one such occasion and enquiries by the Company fail to establish a new address or account, the Company

may cease to send such notices or other such communications or mandated payments until the person entitled thereto otherwise requires.

#### **4.2.6 Non-UK Shareholders**

There are no limitations in the Memorandum or Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company (whether electronically or otherwise), including notices of general meetings, unless he has given an address in the UK to the Company to which such notices may be sent.

#### **4.2.7 Sanctions on Shareholders**

A holder of Ordinary Shares loses his rights to vote in respect of Ordinary Shares if and for so long as he or any other person appearing to be interested in those shares fails to comply with a request by the Company under the Act requiring him to give particulars of any interest in those Ordinary Shares within 14 days. In the case of shareholdings representing 0.25 per cent. or more, in nominal amount, of the share capital of the company then in issue, or any class thereof, the sanctions which may be applied by the Company include not only disenfranchisement but also the withholding of the right to receive payment of dividends and other monies payable on, and restrictions on transfers of, the Ordinary Shares concerned.

#### **4.2.8 Directors**

The Directors (other than those holding executive office with the Company or any subsidiary of the Company) shall be paid by way of fees for their services at such rate and in such proportion as the Board may resolve, a sum not exceeding an aggregate of £150,000 per annum or such larger amount as the Company may by ordinary resolution determine or, in the case of such Directors who are resident outside the UK, such extra remuneration as the Board may determine. Any Director who holds executive office or who performs duties outside the ordinary duties of a Director, may be paid such remuneration or extra remuneration by way of salary, commission or otherwise as the Board may determine.

The Directors shall also be paid all expenses properly incurred by them in attending meetings of the Company or of the Board or otherwise in connection with the business of the Company.

A Director who is in any way, whether directly or indirectly, interested in any contract or proposed contract with the Company shall declare the nature of his interest in accordance with the Statutes.

A Director shall not vote, and shall not be counted in a quorum, in respect of any contract, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of shares or debentures or other securities of or otherwise through the Company), except that this prohibition shall not apply to:-

- (a) The giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) The giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) Any contract or arrangement by a Director to participate in the underwriting or sub-underwriting of any offer of shares, debentures or other securities of the Company or any of its subsidiaries for subscription, purchase or exchange;
- (d) Any contract or arrangement concerning any other company in which the Director and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 of the Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company. For the purpose of

this paragraph, there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder;

- (e) Any arrangement for the benefit of employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (f) Any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of inter alia any Directors of the Company.
- (g) Subject to the provisions of the Statutes, and provided that he had disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested, may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested and shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. Any Director may act by himself or by his firm in any professional capacity (other than auditor) and he or his firm shall be entitled to remuneration as if he were not a Director.
- (h) Notwithstanding Section 293 of the Act, a Director aged 70 or more shall be capable of being appointed a Director and shall not be required to retire by reason of his age.
- (i) The Directors are not required to hold qualification shares.
- (j) At each annual general meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire shall retire by rotation at every third Annual General Meeting after his last appointment or re-appointment. A retiring Director shall be eligible for re-election. The Company may from time to time by ordinary resolution appoint any person to be a Director. The Directors may also from time to time appoint one or more Directors but any Director so appointed shall retire at or at the end of the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- (k) The Board may from time to time appoint one or more Directors to be the holder of any executive office for such period and on such terms as it decides.

#### **4.2.9 Borrowing Powers**

The Articles provide that the aggregate principal amount from time to time remaining undischarged of all moneys borrowed by the Company (exclusive of intra-group borrowings) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to an amount equal to 3 times the aggregate of the issued Share capital and reserves of the Company adjusted in the manner set out in the Articles.

## 5 Directors and their Interests

- 5.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and their immediate families and the persons connected with them (within the meaning of section 346 of the Act) in the issued share capital of the Company which have been notified to the Company pursuant to Section 324 and 328 of the Act (or are required to be disclosed in the Register of Directors' interests pursuant to Section 325 of the Act) or the existence of which is known or could, with reasonable diligence, be ascertained by any Director as at the date of this Document and as expected to be immediately following the Placing, conditional upon Admission, are as follows:-

<i>Name</i>	<i>At the Date of this Document</i>			<i>Immediately Following the Placing</i>		
	<i>No. of Ordinary Shares</i>	<i>% of Issued Share Capital</i>	<i>No. of Ordinary Shares over which Options are granted</i>	<i>No. of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>	<i>No. of Ordinary Shares over which Options are granted</i>
Charles Phillpot	1,494,000	7.10	Nil	1,494,000	4.73	263,158
Allan Collins	Nil	Nil	Nil	Nil	Nil	Nil
Rupert Sebag-Montefiore	Nil	Nil	Nil	Nil	Nil	Nil
Neil Crabb*	1,052,632	5.00	Nil	1,052,632	3.33	Nil
Peter Mitchell	Nil	Nil	Nil	Nil	Nil	140,350

- \* Held by Sigma Technology Management Limited, of which Mr Crabb is a director. The parent company of Sigma Technology Management Limited is Sigma Technology Group plc of which Mr Crabb is a shareholder. Further details of the share option agreement with the Company and Sigma Technology Management Limited are set out in paragraph 8.7 of this Part V.

Further details of the Directors' Options are set out in paragraph 7 below.

- 5.2 Save as disclosed above in paragraph 5.1, none of the Directors or persons connected with the Directors (within the meaning of section 346 of the Act) has any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company.
- 5.3 There are no outstanding loans granted or guarantees provided by the Company or any member of the Group to or for the benefit of any of the Directors.
- 5.4 Save as disclosed above in the Related Party Transactions note on page 34 of Part III of this document and otherwise in this Document no Director 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.
- 5.5 None of the Directors or any person connected with them (within the meaning of section 346 of the Act) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet).
- 5.6 The terms of the Directors' service contracts or letters of appointment are as follows:-
- (a) Charles Phillpot entered into an agreement with the Company to act as Managing Director on 7 May 2004 with effect from the date of the agreement. His term of employment is for an indefinite period terminable on six months' notice by either the Company or Mr Phillpot. The Company may at any time and in its absolute discretion terminate the Agreement with immediate effect and make a payment in lieu of notice. Mr Phillpot will receive an annual salary of £97,400 payable by equal monthly instalments in arrears. His salary will be reviewed annually, with the first review on 1 April 2005. The Company may, in its absolute discretion pay to Mr Phillpot a bonus of such amount payable at such times as may from time to time be determined by the Remuneration Committee. He will be entitled to private medical cover for himself and his close family, PHI cover, life assurance cover and membership of a defined contribution occupational pension scheme. He will be entitled to 27 days' holiday per annum. The Agreement contains detailed

provisions regarding confidentiality, intellectual property and other matters and post-termination restrictive covenants applicable for six months after the termination.

- (b) Allan Collins entered into an agreement with the Company to act as a part-time Finance Director on 6 May 2004 with effect from 19 April 2004. The appointment is for an indefinite period subject to twelve weeks' notice by either party at any time and also subject to the Articles. Mr Collins will receive an annual fee of £10,000 payable in monthly instalments in arrears. This fee will be reviewed annually and any increase will be entirely at the discretion of the Company. He will not be entitled to any bonus, pension or other benefits. He is subject to confidentiality obligations and provisions relating to conflicts of interest. In the event of termination of his appointment, however caused, he has agreed he will not be entitled to any compensation for loss of office.
  - (c) Peter Mitchell entered into an agreement with the Company to act as its Non-Executive Director and Chairman on 26 April 2004 with effect from 15 March 2004. The appointment is for a minimum period of one year subject to four months' notice by either party at any time and also subject to the Articles. Mr Mitchell will receive an annual fee of £30,000 payable in monthly instalments in arrears. This fee will be reviewed annually if Mr Mitchell's appointment is extended by the Board and any increase will be entirely at the discretion of the Company. He will not be entitled to any bonus, pension or other benefits. He is subject to confidentiality obligations and provisions relating to conflicts of interest. In the event of termination of his appointment, howsoever caused, he has agreed he will not be entitled to any compensation for loss of office.
  - (d) Rupert Sebag-Montefiore entered into an agreement with the Company to act as its Non-Executive Director on 6 May 2004 with effect from 19 April 2004. The appointment is for an indefinite period subject to three months' notice by either party at any time and also subject to the Articles. FPDSavills will receive an annual fee of £10,000 (plus VAT) payable in monthly instalments in arrears in respect of Mr Sebag-Montefiore's services. This fee will be reviewed annually and any increase will be entirely at the discretion of the Company. He will not be entitled to any bonus, pension or other benefits. He is subject to confidentiality obligations and provisions relating to conflicts of interest. In the event of termination of his appointment, howsoever caused, he has agreed he will not be entitled to any compensation for loss of office.
  - (e) Neil Crabb entered into an agreement with the Company to act as its Non-Executive Director on 6 May 2004 with effect from 19 April 2004. The appointment is for an indefinite period subject to three months' notice by either party at any time and also subject to the Articles. Sigma Technology Management Limited will receive an annual fee of £6,000 (plus VAT) payable in monthly instalments in arrears in respect of Mr Crabb's services. This fee will be reviewed annually and any increase will be entirely at the discretion of the Company. He will not be entitled to any bonus, pension or other benefits. He is subject to confidentiality obligations and provisions relating to conflicts of interest. In the event of termination of his appointment, howsoever caused, he has agreed he will not be entitled to any compensation for loss of office.
- 5.7 Save as disclosed in paragraph 5.6 above, there are no service contracts in existence or proposed between any Director and the Company or any member of the Group.
- 5.8 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Document.
- 5.9 The aggregate remuneration and benefits in kind paid by the Company to the Directors in respect of the period ended 31 December 2003 was £778,000. It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the financial period ending 31 December 2004 will be approximately £414,000 (excluding Company pension contributions as detailed in 5.13 of this Part V).
- 5.10 In addition to directorships in the Group, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this Document:-

<i>Director</i>	<i>Current Directorships/ Partnerships</i>	<i>Past Directorship/Partnerships</i>
Peter Mitchell	Capital Radio Group Plc PBM Associates	PDP Holdings Limited Capital Radio Restaurants Limited The British Ski and Snowboard Federation Advertising Standards Authority Limited (The) Mountainview Group Limited
Charles John Phillpot	Primeshield Communications Ltd Blackadder Limited	M S V Homes Limited Netthe.Net Limited
Allan Collins	FPDSavills Limited Prime Purchase Limited Hutton Simpson Limited	LZN Limited
Rupert Owen Sebag-Montefiore	FPDSavills Limited Savills Plc Shaw Cramond Limited Fastcrop Plc G.E. Sworder Limited Southern Educational Enterprises Limited Prime Purchase Limited Savills Investor Syndicate No.1 Ltd	
Neil David Crabb	Sigma Technology Founder Partners Limited Sigma Technology Venture Partners Limited Sigma Technology Management Limited Sigma Technology Investments Limited Micap Plc Sigma Technology Group Plc Strategic Investment Management Limited Sigma Innovation Partners Limited Gullivers Wharf Freehold Limited Mclaren Software Group Limited Cezy International Limited Sigma English GP No.2 Limited Sigma Scottish GP No.2 Limited Reversus plc Power X Limited Investhink Limited Weather Index Limited Photo Therapeutics Group Limited	Vianet Limited F.S.M. Technologies Limited Zorba Products Plc Micap Developments Limited Black Box IT Limited Catalyst Media Management Limited Catalyst Media Investments Limited

5.11(a) Save as disclosed below, none of the Directors has:-

- (i) any unspent convictions in relation to indictable offences;
  - (ii) had any bankruptcy order made against him or entered into any voluntary arrangements;
  - (iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a 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;
  - (iv) been or was a partner in any partnership at the time of, or within the 12 months preceding the date of, its compulsory liquidation, administration or partnership voluntary arrangement or receivership of any assets of such partnership nor have any of their assets been the subject of receivership;
  - (v) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - (vi) 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.
- (b) Neil Crabb is a director of Power X Limited, a company that went into administration on 29th January 2002 and implemented a company voluntary arrangement on 5th November 2002. A report from the administrator dated 13th May 2003 stated that a dividend would be paid to unsecured creditors but the timescale and quantum could not be determined until various outstanding claims had been agreed. Mr Crabb has not been the subject of public criticism by the administrator in connection with the administration.

Mr Crabb is a director of Weather Index Limited, a company that went into creditors' voluntary liquidation on 26th November 2002. The report of the liquidator dated 27th November 2002 showed a creditor shortfall of £160,300 and advised that it was unlikely that any dividend would be paid to any class of creditor. Mr Crabb has not been the subject of public criticism by the liquidator in connection with the liquidation.

Mr Crabb is a director of Investthink Limited, a company that went into creditors' voluntary liquidation on 5th December 2002. The report of the liquidator dated 5th December 2002 showed a creditor shortfall of £410,477 and advised that it was unlikely that there would be sufficient funds to pay preferential creditors in full and no funds would be available for unsecured creditors. Mr Crabb has not been the subject of public criticism by the liquidator in connection with the liquidation.

5.12 No loans made or guarantees granted or provided by the Company or any member of the Group to or for the benefit of any Director are outstanding.

5.13 The Company will make following Admission a monthly contribution to Mr Phillpot's pension of £2,265. In addition, the Company will following Admission contribute £62,061 per annum to the pension arrangements of 7 other employees, none of whom is a Director.

## 6 Substantial Shareholders

Save as disclosed in paragraph 5.1 above, the Company is only aware of the following persons who, at the date of this Document and immediately following the Admission and the Placing, disregarding any Placing Shares to be acquired in the Placing, are interested, whether directly or indirectly, jointly or severally, in 3 per cent or more of the issued share capital of the Company or could exercise control over the Company.

<i>Name</i>	<i>At the Date of this Document</i>	<i>% of</i>	<i>Immediately Following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Issued Ordinary Share Capital</i>	<i>No. of Ordinary Shares</i>	<i>% of Issued Ordinary Share Capital</i>
FPDSavills	14,379,200	68.30	14,379,200	45.53
Terence Williams	nil	nil	2,105,263	6.67
Artemis AIM VCT plc	nil	nil	1,754,385	5.56
Charles Phillpot	1,494,000	7.10	1,494,000	4.73
Sigma Technology Management Limited	1,052,632	5.00	1,052,632	3.33
Baronsmead VCT 2 plc	nil	nil	984,918	3.12
Baronsmead VCT 3 plc	nil	nil	984,918	3.12
David Brend	668,400	3.17	668,400	2.12
Philip Sisson	668,400	3.17	668,400	2.12
Ralph Doyle	668,400	3.17	668,400	2.12
Anthony Monteuis	2,121,600	10.08	nil	nil

Note:- Details of the share capital of the Company are set out in paragraph 3 of this Part V.

Note:- Pursuant to an option agreement, dated 9th May 2002, between the Company and Sigma Technology Management Limited (“Sigma”), the Company agreed to grant Sigma an option to subscribe for shares in the Company equal to 5% of the issued share capital of the Company at the date of this Document (for more details, see paragraph 8 of this Part V). Sigma has served notice that it will exercise this right in full, conditional upon and with immediate effect from Admission. Mr. Neil Crabb is a director of both Sigma and Sigma Technology Group plc, the parent company of Sigma.

## 7 Share Option Schemes and Other Options

7.1 The Group proposes to grant options over its shares to a number of employees under the Inland Revenue approved Enterprise Management Incentives (“EMI”) regime and through an unapproved share option scheme.

### 7.2 Potential Grantees

An individual will only be granted options under the EMI regime if he is a *bona fide* employee who works at least 25 hours per week for the Company (or, if less, at least 75 per cent of his working time). This includes an executive director, but not any person who, including the interest of his associates, already has a 30 per cent interest in the Company. The unapproved options are available to employees regardless of numbers of hours worked. This includes non-executive directors, one of whom is currently the Non-Executive Chairman, who is to be granted unapproved options on Admission.

### 7.3 Individual Limits on Options

The grant of the options under the EMI regime is limited so that an individual will not be granted options if the total market value of the ordinary shares comprised in options at the time of the proposed grant would exceed £100,000. In order to calculate the total market value of options it is also necessary to include Ordinary Shares under options already granted to him under the scheme (and certain other Inland Revenue approved schemes including a Company Share Option Plan). There are no such limits on unapproved schemes.

#### 7.4 *Aggregate number of Options*

The Company is able to grant options under the Company's employee share option schemes over a maximum of 10 per cent of the number of Ordinary Shares in issue.

#### 7.5 *Number of Options and Exercise Price*

At the date of this Document, the Company has not granted any options, but proposes to do so on Admission over a total of 1,964,912 Ordinary Shares to a total of 42 individuals. The options to be granted under the EMI regime on Admission are to be granted with an exercise price equal to the Placing Price. The options to be granted on Admission under the unapproved share option scheme are to be granted with an exercise price equal to the Placing Price. If further options are issued after Admission, the exercise price at the date of grant will be no less than the market value of the Ordinary Shares.

#### 7.6 *Time of Exercise*

The options to be granted to employees are to be exercisable between 3 and 10 years from the date of grant and also exceptionally, in other circumstances. The options will generally lapse on the option holder ceasing to be a director or employee of the Company or of any of its subsidiaries. However, if the option holder leaves employment by reason of injury, disability, ill health, redundancy or retirement any option may be exercised at any time in the following six months. On the death of an option holder, the option may be exercised at any time in the following twelve months.

#### 7.7 *Status of Options*

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

#### 7.8 *Adjustment of Options*

The Company may adjust the number of the Ordinary Shares under option and available for option and/or the option price to take account of any capitalisation or rights issue, consolidation, sub-division or reduction in capital of the Company. This is subject to confirmation in writing by the auditors for the time being that such adjustment is fair and reasonable in their opinion.

#### 7.9 *Tax*

Under current legislation and on the basis that the options are operated in accordance with agreements, there should be no tax liabilities for the Company in connection with the granting or exercise of EMI options. Further, when the options are exercised, the Company can expect a corporation tax deduction based on the difference between the market value of the shares at that time and the sum paid by the employee to acquire the shares.

Under the unapproved scheme, if the value of Ordinary Shares at the time of exercise exceeds the exercise price, the Company will be subject to a liability to National Insurance Contributions based on the difference between that market value and the amount paid to acquire the shares.

### **8 Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries during the two years immediately preceding the date of this Document and are, or may be, material:

- 8.1 Lock-In Agreements dated 11 June 2004 between the Company, Sigma Technology Management Limited, Sigma Technology Investments Limited, Anthony Monteuis, Charles Phillpot, FPDSavills, Ralph Doyle, David Brend, and Philip Sisson and WH Ireland, whereby, Sigma Technology Management Limited, Sigma Technology Investments Limited, Anthony Monteuis, Charles Phillpot,

circumstances, to WH Ireland not to sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in the Ordinary Shares held by them for the 12 month period commencing on the date of Admission (the “First Restricted Period”) and not to sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in Ordinary Shares held by them respectively without the prior written consent of WH Ireland and the Company until the end of the 12 month period commencing on the expiry of the First Restricted Period.

- 8.2 The Company Placing Agreement dated 11 June 2004 between the Company, the Directors, and WH Ireland whereby WH Ireland was appointed as agent of the Company to use its reasonable endeavours to procure subscribers for the New Ordinary Shares at the Placing Price. Pursuant to the Company Placing Agreement, the Company and its Directors have given certain warranties to WH Ireland regarding, *inter alia*, the accuracy of information in this Document. The Placing is not underwritten. The Company Placing Agreement is conditional, *inter alia*, on Admission taking place no later than 31 July 2004 or such later date as may be agreed by the Company and WH Ireland and the Company and its Directors complying with certain obligations under the Company Placing Agreement. Under the Company Placing Agreement, the Company had agreed to pay to WH Ireland a commission of 3.5 per cent. of the aggregate value of the New Ordinary Shares at the Placing Price, together with all costs and expenses and VAT thereon, where appropriate.

WH Ireland is entitled, in certain limited circumstances, to terminate the Company Placing Agreement prior to Admission and to the payment of its outstanding costs on such termination.

- 8.3 A Nominated Adviser Agreement dated 26 January 2004 between the Company and WH Ireland pursuant to which the Company has appointed WH Ireland to act as its nominated adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay WH Ireland a success fee of £60,000 (immediately upon completion of the Admission and the Placing), pay an annual advisory fee of £15,000 (quarterly in advance) and issue WH Ireland the warrant described below in paragraph 8.5 for its services as nominated adviser. The Agreement contains certain undertakings by the Company and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable regulations. The Agreement continues for a minimum period of 12 months and is subject to termination, *inter alia*, by either the Company or WH Ireland on the giving of not less than three months’ prior written notice.
- 8.4 A Broker’s Agreement dated 26 January 2004 between the Company and WH Ireland pursuant to which the Company has appointed WH Ireland to act as its broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay WH Ireland a retainer of £10,000 (quarterly in advance) and the commission of 3.5 per cent described above in paragraph 8.2 in relation to the Company Placing Agreement. The Agreement contains certain undertakings by the Company and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable regulations. The appointment continues for a minimum period of 12 months and is subject to termination, *inter alia*, by either the Company or WH Ireland on the giving of not less than three months’ prior written notice.
- 8.5 The warrant instrument between the Company and WH Ireland whereby the Company is bound to create and grant a warrant to subscribe in cash for up to 947,368 Ordinary Shares in the capital of the Company at the Placing Price, payable in full upon exercise. The warrant is exercisable in whole or in part at any time during the period commencing on Admission until the fifth anniversary of the date of Admission. The warrant may be assigned by WH Ireland in whole or in part.
- 8.6 A termination agreement dated 6 May 2004 in relation to a subscription and shareholders’ agreement between (1) FPD Savills, (2) the Company, (3) Mr Phillpot, (4) Mr Monteuis, (5) Mr Doyle, (6) Mr Brend and (7) Mr Sisson, dated 13th May 1998 (the “Shareholders’ Agreement”), whereby each of the parties to the Shareholders’ Agreement agree to waive their rights to the shareholders’ protections provided by the Shareholders’ Agreement. The termination agreement provides that the Shareholders’ Agreement shall terminate and cease to be of any effect. The termination agreement is effective upon Admission.

- 8.7 Pursuant to a share option agreement dated 9th May 2002 between (1) the Company and (2) Sigma Technology Management Limited (“Sigma”) (“the Option Agreement”), the Company agreed to grant Sigma an option to subscribe for shares in the Company equal to 5 per cent. of the fully diluted share capital of the Company immediately before the Placing in consideration for the provision of services to the value of £20,000 (excluding VAT) by Sigma to the Company, pursuant to a letter of engagement also entered into on 9th May 2002. The fully diluted share capital is defined in the Option Agreement as the aggregate of the nominal value of (i) the issued ordinary shares in the capital of the Company and (ii) the unissued ordinary shares in the capital of the Company which have been placed under option (whether conditionally or not) or which the Company might require to allot pursuant to any offer or agreement made (whether conditionally or not) by the Company. Pursuant to a side letter dated 8 June 2004, Sigma has given notice that it will, conditional upon and with immediate effect from Admission, exercise its option in respect of 1,052,632 Ordinary Shares of 0.25p each in the capital of the Company, at a total aggregate subscription price of £2,632.
- 8.8 A Services Agreement dated 6 May 2004 between the Company and FPDSavills, whereby FPDSavills will provide the Company with Human Resources, Payroll and Company Secretarial Services. In consideration for the Human Resources Services, the Company will pay FPDSavills a retainer of £2,500 per annum and an hourly rate of £50; for the Payroll Services, the Company will pay an annual fee of £200 per company employee charged through the payroll; and for the Company Secretarial Services, the Company will pay a retainer of £2,500 per annum and an hourly rate of £50. Such sums are exclusive of VAT. The Agreement commences on the date of signing and continues for a period of 2 years from Admission and continues until termination by either party giving 30 days’ written notice. The Company may also terminate with due cause.
- 8.9 A Marketing Agreement dated 6 May 2004 between the Company and FPDSavills, whereby the Company will provide marketing, advertising and PR Services to FPDSavills. In consideration, FPDSavills will pay such fees and costs as are agreed between the two parties from time to time. The Agreement commences on the date of signing and continues for a period of 2 years from Admission and, unless terminated, will have effect for a period of 21 months (and thereafter shall continue unless terminated by either party giving 3 months’ written notice). Either party may terminate with due cause. The agreement also contains provisions dealing with liability and confidentiality.
- 8.10 The Selling Shareholder Placing Agreement dated 6 May 2004 between the Company, the Selling Shareholder, and WH Ireland whereby WH Ireland was appointed as agent of the Selling Shareholder for the purpose of procuring purchasers of the Sale Shares. Pursuant to the Selling Shareholder Placing Agreement, the Selling Shareholder has given certain warranties and indemnities to WH Ireland and to the Company regarding, *inter alia*, the Sale Shares. The Selling Shareholder Placing Agreement is conditional, *inter alia*, on Admission taking place no later than 31 July 2004 and the Selling Shareholder providing evidence to W H Ireland that he is the legal and beneficial owner of the Sale Shares. Under the Selling Shareholder Placing Agreement, the Selling Shareholder has agreed to pay to WH Ireland a commission of 3.5 per cent. of the aggregate value at the Placing Price of the Sale Shares placed, together with all costs and expenses and VAT thereon, where appropriate.

WH Ireland is entitled, in certain limited circumstances, to terminate the Selling Shareholder Placing Agreement prior to Admission and to a payment of its outstanding costs on such termination.

## **9 Litigation**

There are no legal or arbitration proceedings (including, to the knowledge of the Directors, any such proceedings which are pending or threatened or being brought by or against any member of the Group) which may have or have had during the 12 months immediately preceding the date of this Document a significant effect on the financial position of the Company or the Group.

## **10 Working Capital**

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing receivable by the Company and existing available facilities, that the working

capital available to the Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

## 11 Taxation

*The comments in this section are intended as a general guide for the benefit of holders of shares as to their tax position under United Kingdom law and Inland Revenue practice as at the date of this Document. Any shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.*

### *Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment.

The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding. The amount paid for the Ordinary Shares subscribed for will be eligible for taper relief allowance for an individual.

If Shareholders dispose of all or some of their Ordinary Shares, a liability to tax on chargeable gains may, depending on the circumstances, arise.

A disposal of all or any of the Ordinary Shares acquired pursuant to the Placing may, depending on the individual circumstances of the relevant shareholder give rise to a liability to UK taxation of chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are neither resident nor ordinarily resident in the UK. Taper Relief will reduce the amount of chargeable gain on a disposal by an individual shareholder. The extent to which it applies will depend on the length of time the shares have been held since 6th April 1998 and on whether the shares held are business or non-business assets.

### *Taxation of Dividends*

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company. Shareholders (other than a company) receiving a dividend from the Company also receive a tax credit in respect of the dividend of an amount equal to one ninth of the amount of the dividend which is 10 per cent of the sum of the dividend and the tax credit. Generally, the liability to United Kingdom income tax is calculated on the sum of the dividend and the tax credit ("the dividend income"). Individual Shareholders whose income is within the starting rate or basic rate tax bands will be subject to income tax at the rate of 10 per cent on their dividend income, so that such Shareholders will have no further liability to income tax on that dividend income. The higher rate of income tax is 32.5 per cent in respect of dividend income. A higher rate tax payer may set the tax credit against his liability to income tax on the dividend income and will have further tax to pay of 22.5 per cent of the dividend income. Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or part of it) from the Inland Revenue.

United Kingdom resident corporate Shareholders are not normally liable to United Kingdom taxation on any dividend received. United Kingdom resident Shareholders (including authorised unit trusts and open-ended investment companies) and pension funds are not entitled to payment in cash of the tax credit.

Whether Shareholders who are resident for tax purposes in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom. In addition, individual Shareholders who are resident in countries other than the United Kingdom but who are Commonwealth citizens, nationals of member states of the European Economic Area or fall within

certain other categories of person within Section 278 of the Income and Corporation Taxes Act 1988 are entitled to the entire tax credit which they may set against their total United Kingdom income tax liability or, in appropriate cases, reclaim in cash. Non-United Kingdom resident Shareholders should consult their own tax advisers on the possible application of such provisions and the procedure for claiming any relief or credit in respect of such tax credit in their own jurisdictions. However, in general, no cash payment will be recoverable from the Inland Revenue in respect of the tax credit.

#### *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

No stamp duty or SDRT will be payable on the issue of shares save that special rules apply to persons operating clearance services or depository receipt services.

A transfer or sale of shares will generally be subject to *ad valorem* stamp duty at the rate of 0.5 per cent rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such Shares is not completed by a duly stamped transfer to the transferee by the seventh day of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent of the amount or value of consideration paid. Liability to SDRT is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the SDRT.

When Shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or SDRT will generally be payable.

When Shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee), no stamp duty or SDRT will generally be payable.

Where a change in beneficial ownership of shares held in uncertificated form occurs and such change is for consideration in money or money’s worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

## **12 General**

- 12.1 Save as disclosed in this Document, there have been no significant changes in the trading or financial position of the Company or Group since 31 December 2003, being the date to which the financial information contained in the Accountants’ Report in Part III have been prepared.
- 12.2 The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees are estimated to amount to £165,000 (excluding VAT). The gross proceeds of the Placing to the Company are expected to be £3,000,000 and the net cash proceeds to the Company of the Placing are expected to be £2,670,000.  
  
The commissions and expenses payable by the Company in connection with or incidental to the Placing are estimated to amount to approximately £165,000 (excluding VAT).
- 12.3 The period within which placing participations may be accepted pursuant to the Placing and arrangements for the payment and holding of subscription monies pending Admission are set out in the Placing Agreements and in the Placing Letters sent to prospective placees.
- 12.4 The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreements and the Placing Letters. All the Placing Shares have been conditionally placed. The Placing is not being guaranteed or underwritten by any person.
- 12.5 Chantrey Vellacott DFK has given and not withdrawn its written consent to the issue of this Document with its name included in it and the references to it in the form and context in which they appear and have authorised the inclusion of its report set out in Part III of this Document for the purposes of paragraph 45(1)(b)(iii) to Schedule 1 to the POS Regulations.

- 12.6 WH Ireland has given and not withdrawn its written consent to the inclusion in this Document of reference to its name in the form and context in which it appears.
- 12.7 The Existing Ordinary Shares are, and the New Ordinary Shares will be, in registered form.
- 12.8 Save as disclosed in this Document, no person (excluding professional advisers otherwise disclosed in this Document and trade suppliers) has:-
- 12.8.1 received, directly or indirectly, from the Group within 12 months preceding the date of this Document; or
- 12.8.2 entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Group on or after Admission any of the following:-
- (a) fees totalling £10,000 or more; or
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 12.9 The Company is placing 10,526,316 New Ordinary Shares pursuant to the Placing. The Placing Price represents a premium over nominal value of 28.25 pence per share. It is expected that definitive share certificates will be despatched by hand or first class post by 15 July 2004. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 1 July 2004.
- 12.10 Save as disclosed in this Document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 12.11 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of shares under CREST. The Company has applied for the issued and to be issued Ordinary Shares to be admitted to CREST and it is expected that the issued and to be issued Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST.
- 12.12 The minimum amount which in the opinion of the Directors must be raised by the Placing in order to provide the sums required to be provided pursuant to paragraph 21(a) to Schedule 1 of the POS Regulations is £2,400,000 which will be applied as follows:-
- (i) purchase price of property – £ nil
- (ii) commissions and expenses of the Placing – £330,000
- (iii) repayment of borrowings – £ nil
- (iv) working capital – £2,070,000
- 12.13 Other than the proposed application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made and there is not intended to be made any other arrangement for dealings in the Ordinary Shares on any such exchange. Trading in the Company's shares on AIM is expected to commence on 1 July 2004.
- 12.14 WH Ireland has been appointed nominated adviser and broker to the Company and is registered in England and Wales with company number 02002044 and its registered office is at 11 St James's Square, Manchester M2 6WH. WH Ireland is regulated in the UK by the Financial Services Authority.
- 12.15 The accounting reference date of the Company is 31st December.
- 12.16 Save as disclosed in this Document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Group's business.
- 12.17 Save as disclosed in this Document, there are no investments by the Group in progress which are significant.

12.18 Save as disclosed in this Document, the Directors are not aware of any exceptional factors which have influenced the Group's activities.

**13 Availability of this Document**

Copies of this Document are available free of charge from the Company's registered office and at the offices of WH Ireland, Cannongate House, 62-64 Cannon Street, London EC4N 6AE during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for one month after Admission.

11 June 2004



