

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This admission document which comprises a prospectus, has been drawn up in accordance with the AIM Rules and the Public Offers of Securities Regulations 1995, as amended ("POS Regulations"). A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations. The Directors of Berkeley Scott plc (whose names appear on page 7 of this document) accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange for the issued Ordinary Shares, including those to be issued pursuant to the Placing, to be admitted to trading on AIM. The Ordinary Shares are not dealt on any other investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange. It is expected that the Ordinary Shares will be admitted to trading on AIM on 3 December 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. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Prospective investors should read the whole text of this document and should be aware that investment in the Company is speculative and involves a degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" set out in Part II of this document. All statements regarding the Company's business should be viewed in the light of these risk factors.

Berkeley Scott Group Plc

(Incorporated in England and Wales under the Companies Act 1985 with registered no. 02228050)

Placing by

Evolution Securities Limited

Nominated Adviser and Broker

of 4,263,380 Ordinary Shares of 2p each at 71p per share

and

Admission to trading on AIM

Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£1,000,000	50,000,000	Ordinary Shares of 2p each	£170,372.30	8,518,615

The Placing is conditional, *inter alia*, on Admission taking place on or before 3 December 2004 (or such later date as the Company and Evolution Securities Limited may agree, being not later than 17 December 2004).

The Ordinary Shares now being placed will, following allotment, rank *pari passu* in all respects with the issued ordinary share capital of the Company on Admission including the right to receive all dividends and other distributions declared made or paid on the Ordinary Shares after Admission.

The Placing is not being made, directly or indirectly, to, or for the account or benefit of, any US Person or in or into the United States, Canada, Australia, the Republic of Ireland, Japan or South Africa and this document must not be mailed or otherwise distributed or sent in or into the United States of America, Canada, Australia, the Republic of Ireland, Japan or South Africa. The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended. Furthermore, the Placing Shares have not been, and will not be, registered under the securities legislation of any state of the United States, any province of Canada, the Commonwealth of Australia, the Republic of Ireland, Japan or South Africa. Accordingly, unless an exemption under relevant securities laws is applicable, the Placing Shares may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, any US Person or, in or into the United States, Canada, Australia, the Republic of Ireland, Japan and South Africa.

Evolution Securities Limited, which is regulated in the UK by the Financial Services Authority, is acting as the Company's nominated adviser and broker in connection with the proposed Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. Evolution Securities Limited has not authorised the contents of any part of this document for the purpose of Regulation 13(1)(g) of the POS Regulations and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Evolution Securities Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible. Evolution Securities Limited will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of any acquisition of Ordinary Shares in the Company.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Evolution Securities Limited, 100 Wood Street, London EC2V 7AN from the date of this document and for a period of one month from Admission.

CONTENTS

	Page
Definitions	3
Expected Timetable for Admission	6
Placing Statistics	6
Directors, Secretary and Advisers	7
Part I Information on the Group	8
Introduction	8
Key Strengths	8
Resourcing	8
Consulting	10
The Market Opportunity	11
Competition	11
Strategy	12
Financial Information	12
Current Trading and Prospects	13
Reasons for Admission and Placing and Use of Proceeds	13
Directors and Senior Management	13
Share Option Schemes	14
Corporate Governance	15
CREST	15
Dividend Policy	15
Lock-in Arrangements	15
The Placing	16
Taxation	16
Further Information	16
Part II Risk Factors	17
Part III Financial Information on the Group	20
Part IV Unaudited Pro Forma Statement of Net Assets of Berkeley Scott Group Plc	38
Part V Additional Information	39

DEFINITIONS

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

“1996 Share Option Scheme”	the Berkeley Scott Limited Share Option Scheme (1996)
“2004 Plan”	the Berkeley Scott Group Company Share Option Plan 2004
“Act”	the Companies Act 1985, as amended
“Admission”	admission of the entire ordinary share capital of the Company, issued and to be issued, to trading on AIM becoming effective pursuant to paragraph 6 of the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules for AIM listed companies and their nominated advisers published by the London Stock Exchange governing admission to, and the operation of, AIM
“Approved 1999 Share Option Scheme”	the Berkeley Scott Group plc Approved Share Option Scheme (1999)
“Berkeley Scott” or “Berkeley Scott Group” or “Group”	the Company and/or any of its subsidiaries
“Board”	the board of directors of the Company for the time being including a duly constituted committee of the directors
“Capital Reorganisation”	the proposed conversion of the Special Shares and subdivision of the Company’s share capital as described in paragraph 3.2 of Part V of this document
“Chairman’s List”	the list of officers and employees of the Company and others identified by the Chairman of the Company as persons wishing to subscribe for Placing Shares pursuant to the Placing
“Company”	Berkeley Scott Group Plc
“CREST”	the electronic, paperless transfer and settlement system to facilitate the transfer of title to shares in uncertificated form, operated by CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
“Directors”	the directors of the Company, whose names are set out on page 7 of this document and “Director” means any one of them
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company immediately following Admission and the Placing
“Evolution Securities”	Evolution Securities Limited, the Company’s nominated adviser and broker for the purposes of the AIM Rules, a member of the London Stock Exchange and regulated in the UK by the Financial Services Authority
“FMCG”	fast moving consumer goods
“Implant”	an employee of the Group based at the premises of a client

“London Stock Exchange”	London Stock Exchange plc
“Master Vendor”	Berkeley Scott acting as primary contractor to a client
“Official List”	the Official List of the UK Listing Authority
“Orderly Market Agreements”	the conditional agreements dated 30 November 2004 between the Company, Evolution Securities, the Directors and certain Shareholders which prevent the disposal of Ordinary Shares in certain circumstances, details of which are set out in paragraph 10.3 of Part V of this document
“Ordinary Shares”	ordinary shares of 2p each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares at the Placing Price by Evolution Securities on behalf of the Company, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 30 November 2004 and made between Evolution Securities, the Directors and the Company relating to the Placing, details of which are set out in paragraph 10.2 of Part V of this document
“Placing Price”	71p, being the price at which each Ordinary Share is to be issued or sold (as the case may be) in the Placing
“Placing Shares”	the 4,263,380 new Ordinary Shares which are the subject of the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995 (SI 1995/1537), as amended
“SDRT”	stamp duty reserve tax
“Share Option Schemes”	the 2004 Plan, the Approved 1999 Share Option Scheme, the Unapproved 1999 Share Option Scheme and the 1996 Share Option Scheme being the arrangements approved by the Company for the grant of options over Ordinary Shares and referred to in more detail in paragraph 8 of Part V of this document
“Shareholders”	holders of the Ordinary Shares following Admission
“Special Shares”	the special shares of £1.00 each in the capital of the Company, in existence prior to Admission (such shares being the subject of the Capital Reorganisation)
“UK”	United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“Unapproved 1999 Share Option Scheme”	the Berkeley Scott Group plc Unapproved Share Option Scheme (1999)
“US”, “USA” or “United States”	United States of America, its territories and possessions, any state of the US and the District of Columbia and any area subject to its jurisdiction
“US Person”	as defined in Regulation S of the United States Securities Act 1933, as amended

“VCTs”

Elderstreet Downing VCT plc and Chrysalis A VCT plc (formerly called Downing Classic VCT plc)

EXPECTED TIMETABLE FOR ADMISSION

Publication of this document	30 November 2004
Admission and dealings in the Ordinary Shares expected to commence on AIM and expected date for CREST accounts to be credited	3 December 2004
Despatch of definitive share certificates (where applicable)	by 17 December 2004

PLACING STATISTICS

Placing Price	71p
Gross proceeds raised pursuant to the Placing	£3.03 million
Estimated proceeds of the Placing receivable by the Company net of expenses	£2.24 million
Number of Ordinary Shares in issue immediately following the Placing	8,518,615
Market capitalisation following the Placing at the Placing Price	£6.05 million

DIRECTORS, SECRETARY AND ADVISERS

Directors	Jeremy John Hamer – <i>Non-executive Chairman</i> Douglas Roderick (Roddy) Buell Watt – <i>Chief Executive</i> David John Philip Oakley – <i>Finance Director</i> Roger William Taylor – <i>Senior non-executive Director</i> Michael James (Rupert) Bayfield – <i>Non-executive Director</i> All of the Directors can be contacted at the Company’s registered and head office.
Registered and Head Office	Berkeley House 11-13 Ockford Road Godalming Surrey GU7 1QU
Company Secretary	IMCO Secretary Limited
Nominated Adviser and Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Solicitors to the Company	Irwin Mitchell 21 Queen Street Leeds LS1 2TW and Pinsents 1 Park Row Leeds LS1 5AB
Solicitors to the Placing	Dechert LLP 2 Serjeants’ Inn London EC4Y 1LT
Auditors and Reporting Accountants	BDO Stoy Hayward LLP Connaught House Alexandra Terrace Guildford Surrey GU1 3DA
Registrars	Capita IRG Plc trading as Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TH
Principal Bankers	The Royal Bank of Scotland Group (acting as agents for National Westminster Bank Plc) Corporate Banking Thames Valley Corporate-Heathrow Office Benwell House Green Street Sunbury-on-Thames Middlesex TW16 6QT

PART I

INFORMATION ON THE GROUP

Introduction

The Group is a market-leading provider of people resourcing solutions to the hospitality and leisure industries. It has provided such services for 20 years and is now planning to expand into a broader range of consumer focused, service oriented sectors including retail, FMCG, facilities management and travel & tourism. Commercially, the Group is organised into two main business areas, Resourcing and Consulting, and provides broad-based 'people solutions' rather than pure recruitment services.

Through its 15 branch national network of offices, which provides the Group with a strong competitive advantage in the management recruitment market, the Group provides resourcing services to its long-standing blue chip client base throughout the UK. Leveraging this infrastructure is a key element of the Group's strategy. The Group employs approximately 180 staff, of whom in the region of 140 are fee-earning consultants. The Directors believe that there is potential in all of the Group's key markets to grow its business.

Key Strengths

The Directors consider that the following are the Group's key strengths:

- It is a market leader in the hospitality and leisure sectors with a long-standing, blue chip client base, including Compass Group, Sodexho, InterContinental Hotels, Hilton Hotels, Whitbread, Accor and Macdonald Hotels
- It offers a full range of services relating to planning, attracting, recruiting and retaining personnel at all levels
- It provides executive search, management recruitment and temporary recruitment services
- It has the consultants and products to take advantage of improving market conditions which offer increasing opportunities for growth
- It has an experienced management team
- It has a clearly defined strategy to grow the business

The Directors consider that the combination of these strengths differentiates the Group from its competitors and will enable it to capitalise on the opportunities which exist.

Resourcing

This part of the business comprises a permanent and temporary staff recruitment business, trading under the Berkeley Scott name, and an executive search business trading under the name of ISIS. It is the largest part of the Group, accounting for approximately 91 per cent. of turnover in the year ended 30 September 2004.

Berkeley Scott

Berkeley Scott provides temporary and permanent recruitment solutions through a network of 15 offices throughout the UK. In the year ended 30 September 2004, it generated turnover of approximately £9.4 million and £5.3 million respectively from its temporary and permanent recruitment services. It recruits for operational and support function roles, principally in the hospitality, leisure and retail sectors. The Group's skills allow it to deliver services at all levels, from craft-level through to senior management. Team members are recruited from relevant areas of industry and operate in sector specific divisions. They are therefore able to bring their industry knowledge to bear.

Permanent Recruitment

Berkeley Scott provides nationwide support for major employers, as well as services on a local basis to smaller companies. It has developed a variety of rate structures for differing situations. Berkeley Scott utilises the internet and traditional advertising to complement these rate structures. It also provides after-service support to its customers thereby aiming to give genuine, long-term value and secure repeat business. Using a well-established account management process, Berkeley Scott is committed to providing client service and support for the long-term as evidenced by a number of its existing major customer relationships.

Berkeley Scott has a substantial database of over 100,000 screened management candidates relevant to the hospitality, leisure and retail industries.

The services provided by the management recruitment teams include:

- Database selection
- Advertised selection, including web advertising
- Salary surveys and benchmarking

Temporary Recruitment

Berkeley Scott's temporary recruitment services are also provided on a local and national basis. These services include:

- Short or long-term bookings
- Provision of quality screened personnel at all levels
- High volume staffing for events or seasonal bookings

Temporary staff provided by Berkeley Scott are all screened to ensure they have the right to work in the UK, and the skills to perform the functions required to a high standard. Temporary staff are trained by Berkeley Scott as a matter of course.

Interim Management

There is an on-going demand for managerial level candidates to be placed with clients on an interim basis – whether to undertake specific projects, to provide cover, or to bring a certain set of skills to an organisation for a period. Berkeley Scott has an extensive pool of experienced candidates, available for interim assignments in its core operating sectors, regardless of length or purpose of the assignments.

Outsourcing

The Directors see outsourcing as a further growth area for Berkeley Scott. Whether demand is for long-term support or one-off situations (such as new business openings), the Company is able to construct teams appropriate to volume recruitment projects.

Outsourcing services include:

- Mass recruitments for new openings and major projects
- Long term 'Master Vendor' or national contract capability
- Campaign management, including response handling and competency based screening

ISIS

ISIS is an executive search business operating at a senior executive level. In the year ended 30 September 2004, it generated turnover of approximately £0.5 million. ISIS operates not only within the hospitality and leisure sectors but also in other consumer related sectors. The ISIS team combines in-depth sector knowledge with a flexible solutions-led approach.

The services provided by ISIS include:

- Executive search
- Advertised selection
- Corporate intelligence gathering
- Executive research and benchmarking

The combined services of ISIS and Berkeley Scott enable the Group to provide effective nationwide recruitment solutions at every level from senior management to shop floor, and of both a temporary and permanent nature.

Consulting

This area of the business, which accounted for approximately 9 per cent. of the Group's turnover in the year ended 30 September 2004, provides a range of consulting services under the brand names of The Talent Partnership, BSA&C and Berkeley Scott Web Services.

The Talent Partnership

The Talent Partnership provides consulting services which are focused on assisting clients in developing stable and motivated teams. The Talent Partnership provides advice in the four areas of planning, attracting, recruiting and retaining personnel.

In the year ended 30 September 2004, The Talent Partnership generated turnover of £0.13 million. The Board regards this as an important element of the Group's all round service.

BSA&C

BSA&C is the Group's advertising, design and communications agency and is considered by the Directors to be a key differentiator from competitors, generating turnover of £1.3 million in the year ended 30 September 2004. BSA&C supports the resourcing strategy of its clients by delivering communications solutions, and providing the tools by which organisations can communicate effectively in hard copy form with both the employment marketplace and their own workforces.

BSA&C provides the following range of services:

- Recruitment advertising
- Employer brand development
- Media planning and/or buying
- Recruitment toolkits
- Training and induction material
- In-house bulletins/magazines

Berkeley Scott Web Services

The Group has developed a candidate attraction facility using its website – www.berkeley-scott.co.uk. Designed and built in-house, this has now won two major UK awards for excellence, Professional Recruiter Magazine 'Best Recruitment Website' and caterer.com 'UK Recruitment Website of the Year'. Today, 70 per cent. of all candidates placed by the Group are derived from Berkeley Scott's website and the internet in general.

The Group has also developed *Sourcerer*, an on-line recruitment management system aimed at enabling employers to control volume recruitment requirements. This product has recently been placed with both a major UK hotel chain and a restaurant chain. Seeing further potential to develop this product, the Company

is, in conjunction with a technology partner, working to develop further the *Sourcerer* product, which is now being actively marketed to other clients. The Directors believe that *Sourcerer* will provide the Group with opportunities to further strengthen its client relationships and enhance its offering in the outsourcing arena.

The Market Opportunity

The Directors believe that the Group will benefit from several factors they see as driving change in the employment marketplace, namely: the expansion in the European labour market following the enlargement of the European Union in May 2004; acute skills shortages in the hospitality sector; and growing and increasingly complex employment-related legislation. Together these factors are contributing to a demand for more sophisticated and flexible recruitment and consultancy services, such as those provided by the Group.

To date, the Group has focused on the hospitality and leisure sectors which employ 1 in 10 of the UK's workforce. These sectors experience one of the highest levels of staff turnover in the UK at more than twice the national average (approximately 45 per cent. in 2002 compared to a national average of approximately 20 per cent.). They also require large numbers of temporary staff to cover events ranging in duration from a few hours to several days.

The UK recruitment sector in general, and the hospitality industry in particular, were depressed between 2001 and 2003 as a result of major adverse domestic and world events. Recently, however, there have been signs of recovery in the hospitality sector, including:

- Improving hotel occupancies in London
- The first signs of the return of the US market to UK hotels
- Growing numbers of overseas visitors to the UK
- Contract caterers reporting improving optimism about the future

In anticipation of the current market upturn, the Group has made significant investment to develop its infrastructure, including: the opening of 3 new offices; expenditure in excess of £0.5m on upgrading and expanding its IT recruitment software and hardware infrastructure (including iProfile, a resourcing tool exclusively licensed to the Company within the hospitality and leisure recruitment sectors); and the implementation of a group-wide management restructuring aimed at improving operational efficiencies.

Recent market research conducted by Reed Business Information commissioned by Berkeley Scott indicated that the Group was used by twice as many companies as its nearest management recruitment rival and was rated 'Best' by twice as many employers as any other company. The Directors believe that this market research, which received over 3,500 responses, provides a real benchmark of the Company's profile within its current markets.

Based on the above factors, the Directors are optimistic that current market conditions provide an increasing opportunity for growth.

Competition

The Group competes at three distinct levels of the market place: (i) as an executive search company placing senior executives; (ii) as a core management recruitment business providing high volume specialist recruitment of an operations and support function nature; and (iii) on the high street, through a branch network which provides blue-collar recruitment of both a temporary and permanent nature.

The executive search market is principally made up of a large number of generalist search providers, many of which have an international infrastructure and a number of other small niche players which are typically unincorporated. Competitors include Korn/Ferry International and Heidrick and Struggles.

In terms of the core management recruitment business, the Group competes with many small businesses, most of which are specialists in the hospitality sector. Of these businesses only a handful have any real scale

of operation, and none has a national network of offices. The Group is the market-leader at this level of the market, with its main competitors being Portfolio International (part of PSD), Profile and the Chess Partnership. The Group also competes in this area with generalist recruitment companies such as Michael Page International and a number of retail specialists such as Retail Human Resources.

As a high street recruitment business, the Group competes with a range of larger generalist temporary and blue-collar recruitment providers. These include Blue Arrow (Corporate Services Group), Reed Employment Services, and Adecco. The Directors believe that, despite the Group only having been involved in this market since 1997, few others have a significantly greater presence in the hospitality and leisure sectors.

Strategy

The Directors, who have a track record of growing the business, are seeking, through a mixture of organic and acquisition-led growth, to consolidate the Group's strong market position in the hospitality and leisure sectors. The Directors also intend to replicate the Group's business model in other consumer and service sectors, with the aim of achieving a similarly strong position in a wider market.

The principal elements of the Group's strategy are set out below.

Expansion through organic growth

The Directors anticipate that organic growth will take a number of forms. The Group has recently opened new offices in Edinburgh, Southampton and Glasgow and intends to open a number of further offices in key strategic locations. Cities identified for expansion are Newcastle, Liverpool, Belfast, Dublin and Guildford. It is also planned to increase the scale of the Group's operations in London in due course.

The Group intends to grow and strengthen the existing regional hospitality and leisure teams, as there is significant opportunity for growth in all areas. As a result of this exercise, further penetration of existing 'blue chip' national accounts is anticipated.

There is also an opportunity to cross-sell value-added services such as those provided by The Talent Partnership to the Group's existing client base. This provides the Group with opportunities to increase revenues, including through further licensing of *Sourcerer*.

Finally, the Group perceives additional opportunity to grow the business through securing new outsourcing contracts.

Expansion by acquisition

The Directors believe that there is a real opportunity to widen the market coverage of Berkeley Scott. In particular, they perceive that there is potential to utilise the Group's national office network, IT infrastructure and management team to develop business for the Group through implementing a strategy of making stepping-stone acquisitions within the identified sectors of retail, FMCG, facility management and travel & tourism. A programme of identification of potential acquisition targets is being put in place. The Company has a track record of making and successfully integrating acquisitions having made three between 1997 and 1999.

Financial Information

The following summary of financial information relating to the Group's activities for the three years ended 30 September 2004 has been extracted from the financial information on the Group set out in Part III of this document. Potential investors should read the whole of this document and not rely only on the following summary information.

	2002	2003	2004
	£	£	£
Turnover	14,433,077	14,451,259	16,611,136
Gross profit	4,329,575	3,807,925	4,356,277
EBITDA	939,749	441,985	840,228
Profit/(loss) on ordinary activities before interest and taxation	438,801	(47,071)	343,327
Profit/(loss) on ordinary activities before taxation	36,915	(383,601)	(3,715)

Current Trading and Prospects

Since 30 September 2004, the date to which the last audited accounts for the Group were prepared, the Group has continued to trade in line with expectations with turnover well ahead of last year.

The Directors believe that the Group's strategy, as outlined in this document, will enable it to sustain its growth throughout the current and next financial year.

Reasons for Admission and Placing and Use of Proceeds

The Directors believe that admission to trading on AIM will be beneficial to the Company for the following reasons:

- It will raise the profile of the Group, providing an opportunity to reinforce its market position and its standing as an industry leader and help it to attract new clients
- It will facilitate the Group's strategy of expansion by acquisition through offering new sources of financing for such acquisitions
- The Group will be better placed to attract, recruit and retain key employees who may be further incentivised through the Share Option Schemes
- It will aid the raising, when necessary, of additional finance, whether equity or debt, for the future development of the Company's business

Admission and the raising of £3.03 million (before expenses) through the Placing will be used to strengthen the balance sheet of the Group and to assist in further expansion into related consumer sectors, as well as funding general working capital requirements. Further details on the proposed use of proceeds are included in Part IV of this document.

Directors and Senior Management

Brief biographies of the Directors and senior managers are set out below. Paragraph 6.7 of Part V of this document contains further details of the Directors' current and past directorships and certain other important information regarding the Directors.

Jeremy Hamer FCA, aged 52 – Non-executive Chairman

Jeremy joined the Company as a non-executive Director in September 1999 and was appointed Chairman in April 2004. He is also chairman of the remuneration committee. A qualified chartered accountant, he was previously an associate of Elderstreet Private Equity Limited. He is also a director of a number of other quoted and unquoted companies, including Inter Link Foods PLC and Glisten PLC.

Roddy Watt FHCIMA, aged 49 – Chief Executive

Roddy was one of the two founders of the Group in 1984. He previously worked for Hyatt International and ITT Sheraton Corporation in hotel operations. He has a BSc (Hons) in hotel and catering administration, is a fellow of the Hotel, Catering and International Management Association (HCIMA), a member of the Recruitment and Employment Confederation and was inaugural Chairman of the British Hospitality Association Recruitment Committee. Roddy is responsible for implementing the Group's strategy and overall management of the Group's operations.

David Oakley FCA, aged 59 – Finance Director

David joined the Company in December 2000 and was appointed to the Board in July 2001. A qualified chartered accountant, he was previously finance director of Wentworth Group Holdings Limited, which included Wentworth Golf Club and the Westbury Hotels in London and New York. He has also held a number of senior management roles in the IT industry and for the Lex Service Group and worked in the hospitality industry as general manager of the Carlton Tower Hotel in London. David is responsible for all financial aspects of the Group's business, as well as the IT infrastructure and the Group's property portfolio.

Roger Taylor FCA, aged 38 – Senior non-executive Director

Roger is the senior non-executive Director and chairman of the audit committee. He joined the Company as a non-executive Director in 2000. A qualified chartered accountant, he has been chief financial officer of The Carphone Warehouse Group Plc since 2000. He was previously a corporate finance partner with BDO Stoy Hayward, in which role he first became involved with the Company in 1997 and has been involved in its development since that time.

Rupert Bayfield, aged 62 – Non-executive Director

Rupert joined the Company in 1996 as non-executive Chairman in order to assist in establishing and implementing a growth strategy. He stepped down in April 2004 after eight years in the position owing to time commitments. He was the founder, chairman and chief executive of Computer People Group plc (renamed Delphi Group plc – now part of Adecco) which floated in May 1987 on the Official List of the London Stock Exchange. In 1997, he founded Best International Group Plc (now part of Spring) which became a top 15 IT recruitment business by revenue in its second year of trading. He recently founded CyberTeam Resource Management Limited based initially in Edinburgh. Rupert is Chairman of the nomination committee.

Rupert will step down as a non-executive Director of the Company after its next Annual General Meeting. It is the intention of the Company to replace Rupert with somebody with a suitable commercial background.

Senior management

The Directors are supported by a senior management team:

Kathryn Davies, aged 35, is Commercial Director. She joined the Group in October 1997, having previously spent eight years in senior positions in recruitment, most recently as a director of Sherwoods Personnel, a division of Portfolio International, then part of Prime People plc.

Tony Aylward, aged 38, is Operations Director, Management Recruitment – Hotels Division. He originally joined the Group in 1995 and after some 3 years left to become a senior salesman and team manager at Best People Limited. Tony rejoined the Group in 2002, and took up his current role in mid 2003. He has a background in sales in the hotel industry.

Holly Addison, aged 33, is Operations Director, Management Recruitment – Hospitality & Leisure Division. She originally joined the Group in 1993. After 6 and a half years, she left to broaden her experience in recruitment and resourcing, and held a number of senior roles with other competitor recruitment companies. She rejoined the Group to take up her current role in late 2003.

David Henshaw, aged 42, is Operations Manager with responsibilities for the national network of offices and all temporary recruitment. He has over 14 years recruitment experience having worked with various companies. He joined Berkeley Scott via the acquisition of Gold Helm Roche Limited in 1999 where he had 9 years of service. Prior to working in recruitment he worked for 5 years for a major hotel chain.

Lisa Blood, aged 43 will join the Berkeley Scott Group as Head of Human Resources in November 2004, bringing with her 20 years of human resource experience gained from senior positions within the food, retail and leisure industries. She has worked for Somerfield, Whitbread and most recently the Laurel Pub Company.

Share Option Schemes

The Directors recognise the need to attract, incentivise and retain employees and, to this end, the Company has established the Share Option Schemes. Options granted following Admission under the Share Option Schemes will be subject to performance criteria specified to the Board by the remuneration committee and, save in exceptional circumstances, will not be granted at an exercise price which is below the average market value of an Ordinary Share on the three business days immediately prior to grant. Details of the Share Option Schemes are set out in paragraph 8 of Part V of this document.

Corporate Governance

The Directors recognise the value of the Combined Code on Corporate Governance published in July 2003 (“the Combined Code”). The Company intends, following Admission, to comply with the Combined Code so far as is practicable and appropriate for a public company of its size and nature. The Company also proposes to follow the recommendations on corporate governance of the Quoted Companies Alliance (QCA).

The Board has established an audit committee, a remuneration committee and a nomination committee each with formally delegated duties and responsibilities. All three non-executive directors will sit on each of these committees – Roger Taylor will chair the audit committee, Jeremy Hamer the remuneration committee and Rupert Bayfield the nomination committee.

The audit committee will receive and review reports from management and the Company’s auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group. The audit committee will have unrestricted access to the Group’s auditors.

The remuneration committee will review the scale and structure of the executive Directors’ remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive directors will be set by the Board. The remuneration committee will also administer the grant of options under the 2004 Plan and administration of options already granted under the Share Option Schemes generally.

The nomination committee will nominate suitable candidates, for the approval of the Board, to fill vacancies on the Board and, from time to time, will consider and make recommendations to the Board on its composition and balance.

The Company will take all reasonable steps to ensure compliance by the Directors and employees with the provisions of the AIM Rules relating to dealings in the Company’s securities and has adopted a share dealing code for this purpose.

CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Company’s Articles of Association permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish. The Directors may refuse to register any transfer of an uncertificated share where permitted by the CREST Regulations.

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

Dividend Policy

In the medium term, the Directors intend to maintain an appropriate level of dividend cover whilst taking into account growth in earnings and the Group’s future expansion plans.

Lock-in Arrangements

The Directors and certain shareholders, who, following Admission, will have, in aggregate, an interest in approximately 47 per cent. of the Enlarged Issued Share Capital, have entered into the Orderly Market Agreements under the terms of which they have undertaken not to sell, charge or grant any interests over any Ordinary Shares held by them or in respect of which they have any interests (subject to certain exceptions) for certain periods following Admission and, for a certain period thereafter, to make any disposals through Evolution Securities. Further details of the Orderly Market Agreements are set out in paragraph 10.3 of Part V of this document.

The Placing

On Admission, the Company will have 8,518,615 Ordinary Shares in issue and a market capitalisation of approximately £6.05 million. 4,263,380 new Ordinary Shares are being placed on behalf of the Company, which represents approximately 50.0 per cent. of the Enlarged Issued Share Capital. Evolution Securities has agreed to underwrite 3,619,031 new Ordinary Shares under the Placing Agreement. The balance of 644,349 new Ordinary Shares which are the subject of the Placing, has not been underwritten by Evolution Securities. The proceeds receivable by the Company, net of expenses, are estimated to be approximately £2.24 million.

Particulars of the Placing Agreement are set out in paragraph 10.2 of Part V of this document. The Placing Shares will be in registered form and, on Admission, will rank *pari passu* in all respects with the other issued Ordinary Shares and will rank in full for dividends and other distributions declared, paid or made following Admission in respect of the ordinary share capital of the Company. It is expected that definitive title to the Placing Shares will be delivered either under CREST on the date of Admission, where delivery is requested in uncertificated form, or by first class post by no later than 14 days from such date, where delivery is requested in certificated form. No temporary documents of title will be issued.

Taxation

Information regarding United Kingdom taxation with regard to the Placing is set out in paragraph 13 of Part V of this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

Further Information

Your attention is drawn to the financial information on the Group in Parts III and IV of this document and the additional information set out in Part V of this document.

PART II

RISK FACTORS

In addition to all other information set out in this document, investors should carefully consider the risk factors described below before making a decision to invest in the Company. If any of the following events actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Group's results could actually differ materially from those anticipated in the forward-looking statements as a result of many factors, including, without limitation, the risks faced by the Group which are described below and elsewhere in this document. Making an investment in the Company may not be suitable for all recipients of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. This summary of risk factors is not exhaustive.

The Group may face competition from competitors with much greater capital

The Group may face significant competition, both actual and potential, including competition from competitors which either: have greater capital resources in the provision of products and services than those of the Group; are able to provide services which are more effective, economically viable or advanced than those provided by the Group; or undertake an aggressive pricing policy. Despite its current contractual arrangements, there is no assurance that the Group will be able to compete successfully in such a market place.

Market saturation

The Group's expansion plans may be materially affected by increased supply of products and services by other companies. If the market becomes saturated with similar products and services, especially in the Group's target areas, then the effectiveness of the rollout set out in the Company's strategic plans may be severely diminished. The Group's ability to penetrate new geographical markets may be impeded if the Group's competitors have already become established in those markets.

The Group may face increased competition from on-line competitors

As described in Part I of this document, currently 70 per cent. of all candidates placed by the Group are derived from Berkeley Scott's award-winning website and the internet in general. However, the Group may face increased competition from on-line competitors and it cannot guarantee that this will not erode the Group's internet-related business, or indeed that derived from its traditional market place.

The Company may need additional access to capital in the future

The Group's capital requirements depend on numerous factors, including the rate of market acceptance of the Group's products and services and its ability to expand its customer base. If its capital requirements vary materially from its current plans, the Company may require further financing. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to the Company. If the Company is unable to obtain additional financing as needed, the Group may be required to reduce the scope of its operations or anticipated expansion or to cease trading.

Dependence on third party technology systems and services

The Group's business, in particular its internet-related activities, depend on technology systems and services provided by third parties. Whilst the Group has comprehensive contingency planning, disaster recovery procedures and insurance in place, it cannot guarantee that if there is any interruption to the systems or services provided by those third parties or those systems or services are not as scaleable as anticipated or at all, or there are problems in upgrading such systems or services, the Group's business will not be adversely affected. In addition, the Group may be unable to find adequate replacement services on a timely basis or at all.

Management of growth

The Group's plans to continue its growth will place additional demand on the Group's management, customer support, marketing, administrative and technological resources. If the Group is unable to manage its growth effectively, its business, operations or financial condition may deteriorate.

Dependence on key personnel and staff turnover

The Group's success depends to a significant extent upon a limited number of key employees. The loss of one or more key employees could have a material adverse effect on the Group. The Group has entered into and is the beneficiary of a keyman insurance policy in respect of Roddy Watt. No assurances can be given, however, that the loss of any executive officer of the Company would not have a material adverse effect on the business, financial condition or results of operations of the Group. In addition, the Group may be adversely affected by staff turnover at more junior levels. The Group has endeavoured to ensure that the employees at all levels are incentivised, but the retention of such staff cannot be guaranteed.

Exposure to major adverse domestic and world events

As described in Part I of this document, the UK recruitment sector in general, and the hospitality industry in particular, were depressed between 2001 and 2003 as a result of major adverse domestic and world events (including acts of terrorism). Whilst the Group has sought to mitigate this risk, for example via its strategy of broadening its coverage within the consumer-related recruitment sector, it cannot guarantee that in the future any such events will not adversely affect its business.

Changing laws and cultural environment in relation to licensed drinking hours and smoking

It has been widely publicised that the UK government is considering introducing new laws in relation to licensed drinking hours and smoking, which may change the culture of socialising. The hospitality and leisure industries would clearly be exposed to any such change. It is difficult for the Group to anticipate the potential negative consequences of this, but it cannot guarantee that such change will not adversely affect recruitment trends in these industries.

Shortage of candidates and skills

As described in Part I of this document, the hospitality and leisure sectors are major employers of the UK's workforce and they experience relatively high levels of staff turnover. Furthermore, these sectors have recently shown signs of growth. The Group's clients require large numbers of staff, both permanent and temporary. To meet this demand, the Group has developed increasingly sophisticated and flexible recruitment and consultancy services, and is also seeking to capitalise on the expansion of the European labour market following the recent enlargement of the European Union. However, it cannot guarantee that it will be able to supply sufficient numbers of, or suitably skilled, candidates to meet the future demand of its clients. This may adversely affect the Group's business.

Trading Market for the Ordinary Shares

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions,

legislative changes affecting the Group's sector and other events and factors outside of the Company's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

PART III

FINANCIAL INFORMATION ON THE GROUP



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
Connaught House, Alexandra Terrace,
Guildford, Surrey. GU1 3DA

30 November 2004

The Directors
Berkeley Scott Group plc
Berkeley House
11–13 Ockford Road
Godalming
Surrey
GU7 1QU

The Directors
Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

Dear Sirs

BERKELEY SCOTT GROUP PLC (THE “COMPANY” OR “BERKELEY SCOTT”)

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 30 November 2004 of Berkeley Scott Group plc (“the Prospectus”).

Basis of preparation

The financial information is based on the audited consolidated financial statements of Berkeley Scott and its subsidiaries (“the Group”) for the three years ended 30 September 2004 (the “Relevant Period”) to which no adjustments were considered necessary.

BDO Stoy Hayward LLP, Chartered Accountants and Registered Auditors, Connaught House, Alexandra Terrace, Guildford, Surrey GU1 3DA, have been auditors to Berkeley Scott throughout the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of Berkeley Scott who approved their issue.

The directors of Berkeley Scott are responsible for the contents of the Prospectus in which this report is included.

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

Basis of opinion

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

amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its consolidated profits for the three 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 paragraphs 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of consolidation

The consolidated financial information incorporates the results of Berkeley Scott Group plc and all of its subsidiary undertakings as at 30 September 2004 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a trade or a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Agency income on temporary placements is recognised on a weekly basis as the service is supplied. Income on permanent placements is recognised when the offer of employment has been accepted by the candidate. Provision for fee rebates is made for withdrawals within a reasonable period after the commencement of employment.

Advertising income is recognised when the advertisement is placed.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Motor vehicles and computer equipment	–	25% on a straight line basis
Office equipment	–	10% – 33% on a straight line basis
Short leasehold premises and improvements	–	over the duration of the lease

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

The Group makes contributions to money purchase pension schemes of certain staff and directors. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are charged to the profit and loss account in the year in which they are made and amounted to £82,756 (2003 – £52,822, 2002 – £92,271).

Finance costs

Finance costs associated with the issue of debt are carried forward and charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

Consolidated profit and loss accounts

	Notes	2002 £	2003 £	2004 £
Turnover	1	14,433,077	14,451,259	16,611,136
Cost of sales		<u>(10,103,502)</u>	<u>(10,643,334)</u>	<u>(12,254,859)</u>
Gross profit		4,329,575	3,807,925	4,356,277
Operating expenses				
Operating expenditure before depreciation, amortisation and exceptional items		(3,389,826)	(3,252,778)	(3,472,941)
Exceptional item	3	–	(113,162)	(43,108)
Depreciation, amortisation and similar charges	2	(500,948)	(489,056)	(496,901)
		<u>(3,890,774)</u>	<u>(3,854,996)</u>	<u>(4,012,950)</u>
Operating profit/(loss)	2			
EBITDA				
		939,749	441,985	840,228
Depreciation, amortisation and similar charges		(500,948)	(489,056)	(496,901)
		<u>438,801</u>	<u>(47,071)</u>	<u>343,327</u>
Profit/(loss) on ordinary activities before interest and taxation		438,801	(47,071)	343,327
Interest receivable		5,292	1,331	624
Interest payable and similar charges	6	<u>(407,178)</u>	<u>(337,861)</u>	<u>(347,666)</u>
Profit/(loss) on ordinary activities before taxation		36,915	(383,601)	(3,715)
Tax (charge)/credit on profit/(loss) on ordinary activities	7	<u>(83,237)</u>	<u>3,557</u>	<u>(68,485)</u>
(Loss) on ordinary activities after taxation		(46,322)	(380,044)	(72,200)
Dividends payable	8	<u>(48,645)</u>	<u>(48,645)</u>	<u>(48,645)</u>
Retained (loss)	16	<u>(94,967)</u>	<u>(428,689)</u>	<u>(120,845)</u>
Loss per share				
Basic and diluted	9	<u>(0.12)</u>	<u>(0.56)</u>	<u>(0.16)</u>

All amounts relate to continuing activities.

All recognised gains and losses in the three years ended 30 September 2004 are included in the profit and loss account.

Consolidated balance sheets

	<i>Notes</i>	<i>2002</i> £	<i>2003</i> £	<i>2004</i> £
Fixed assets				
Intangible assets	10	3,187,963	2,995,006	2,802,051
Tangible assets	11	638,623	564,161	775,311
		<u>3,826,586</u>	<u>3,559,167</u>	<u>3,577,362</u>
Current assets				
Debtors	13	2,379,566	2,277,133	3,350,647
Cash at bank and in hand		148,099	3,178	2,561
		<u>2,527,665</u>	<u>2,280,311</u>	<u>3,353,208</u>
Creditors: amounts falling due within one year	14	<u>(2,739,384)</u>	<u>(3,682,279)</u>	<u>(4,307,717)</u>
Net current liabilities		<u>(211,719)</u>	<u>(1,401,968)</u>	<u>(954,509)</u>
Total assets less current liabilities		<u>3,614,867</u>	<u>2,157,199</u>	<u>2,622,853</u>
Creditors: amounts falling due after more than one year				
	14	<u>(2,049,907)</u>	<u>(1,020,928)</u>	<u>(1,603,733)</u>
		<u>1,564,960</u>	<u>1,136,271</u>	<u>1,019,120</u>
Capital and reserves				
Called up share capital	15	76,960	76,960	80,654
Share premium account	16	1,484,377	1,484,377	1,484,377
Capital redemption reserve	16	1,834	1,834	1,834
Profit and loss account	16	1,789	(426,900)	(547,745)
Shareholders' funds	17	<u>1,564,960</u>	<u>1,136,271</u>	<u>1,019,120</u>

Included within shareholders' funds is an amount of £2 (2002: £2, 2003: £2) in respect of non-equity interests.

Consolidated cash flow statement

	<i>Notes</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
		£	£	£
Net cash inflow from operating activities	19	1,175,882	935,194	944,307
Returns on investments and servicing of finance				
Interest received		5,292	1,331	624
Interest paid		(324,317)	(327,275)	(338,374)
Interest element of finance lease payments		(13,424)	(10,586)	(9,292)
Special dividend – non equity		–	(44,594)	–
Net cash (outflow) from returns on investments and servicing of finance		(332,449)	(381,124)	(347,042)
Taxation				
UK corporation tax		(43,651)	(79,129)	(3,399)
Tax paid		(43,651)	(79,129)	(3,399)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(235,601)	(153,694)	(413,583)
Sale of tangible fixed assets		481	–	–
Net cash outflow from capital expenditure		(235,120)	(153,694)	(413,583)
Cash inflow before management of liquid resources and financing				
		564,662	321,247	180,283
Financing				
Capital element of finance lease payments		(87,854)	(54,113)	(68,939)
Proceeds of bank loan		1,800,000	–	–
Repayment of bank loan		(1,954,058)	(351,884)	(190,000)
Repayment of back-end yield interest loan		(146,127)	–	–
Issue of ordinary share capital		–	–	3,694
Cash outflow from financing		(388,039)	(405,997)	(255,245)
Increase/(decrease) in cash for the year	20	176,623	(84,750)	(74,962)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Turnover

Turnover

	2002	2003	2004
	£	£	£
Analysis by geographical market:			
United Kingdom	14,422,202	14,438,882	16,497,023
Europe	10,875	6,421	25,163
Rest of the world	–	5,956	88,950
	<u>14,433,077</u>	<u>14,451,259</u>	<u>16,611,136</u>

Turnover arises from the provision of recruitment and advertising services to the hospitality industry.

The directors believe that it would be seriously prejudicial to the interests of the Group to disclose further segmental analysis.

2. Operating profit/(loss)

This is arrived at after charging:

	2002	2003	2004
	£	£	£
Depreciation	307,993	296,099	303,946
Amortisation of goodwill	192,955	192,957	192,955
Hire of plant and machinery – operating leases	107,088	93,903	66,963
Hire of other assets – operating leases	443,321	445,800	394,268
Auditors' remuneration			
audit services	24,962	24,125	29,765
non-audit services	6,007	1,600	5,743
	<u>1,082,326</u>	<u>1,054,484</u>	<u>993,640</u>

Depreciation includes £70,748 (2003 – £82,135, 2002 – £121,443) charged on assets held under finance leases and hire purchase contracts.

3. Exceptional items

During 2004 the Group incurred professional costs amounting to £43,108 in relation to the potential acquisition of a competitor, which was subsequently aborted.

The 2003 exceptional item of £113,162 related to redundancy costs.

4. Employees

Staff costs for all employees, including executive directors, consist of:

	2002	2003	2004
	£	£	£
Wages and salaries	9,490,850	10,236,889	11,305,175
Social security costs	738,347	776,395	900,563
Pension costs	92,271	52,822	82,756
	<u>10,321,468</u>	<u>11,066,106</u>	<u>12,288,494</u>

The average number of employees during the years, including executive directors, were:

	2002 <i>Number</i>	2003 <i>Number</i>	2004 <i>Number</i>
Recruitment	129	137	141
Advertising	7	7	6
Administrative staff	25	25	27
Temporary workers (whose costs are included in cost of sales and services charged within turn-over)	747	849	945
	<u>908</u>	<u>1,018</u>	<u>1,119</u>

5. Directors' remuneration

	2002 £	2003 £	2004 £
Directors' management emoluments	431,108	436,140	400,906
Company contributions to money purchase pension schemes	33,488	11,166	16,225
	<u>464,596</u>	<u>447,306</u>	<u>417,131</u>

There were 2 directors in the defined pension schemes during the year ended 30 September 2004 (2003 – 3, 2002 – 3).

The total amount payable to the highest paid director in respect of emoluments was £126,067 (2003 – £162,888, 2002 – £118,783).

Company pension contributions of £9,558 (2003 – £5,310, 2002 – £12,744) were made to a money purchase pension scheme on his behalf.

No directors have exercised options to purchase shares in the Company during the three years ended 30 September 2004.

6. Interest payable and similar charges

	2002 £	2003 £	2004 £
Bank loans and overdrafts	231,959	178,385	135,478
Loan stock interest	58,500	58,500	58,500
Finance costs	25,065	6,000	6,000
Finance leases and hire purchase contracts	13,424	10,586	9,292
Other	4,958	6,734	22,579
Interest payable on invoice discounting	73,272	77,656	115,817
	<u>407,178</u>	<u>337,861</u>	<u>347,666</u>

7. Taxation on profit from ordinary activities

	2002 £	2003 £	2004 £
Current tax			
UK corporation tax on profits of the year	82,686	–	65,086
Adjustment in respect of previous periods	551	(3,557)	3,399
Total current tax	<u>83,237</u>	<u>(3,557)</u>	<u>68,485</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below.

	2002 £	2003 £	2004 £
Profit / (loss) on ordinary activities before tax	36,915	(383,601)	(3,715)
Profit / (loss) on ordinary activities at the standard rate of corporation tax			
Tax in the UK of 30%	11,075	(115,080)	(1,115)
Effect of:			
Expenses not deductible for tax purposes	67,794	75,023	102,293
Capital allowances in advance of depreciation	22,237	(1,947)	(27,771)
Marginal relief	(17,404)	–	–
Lower rate relief	–	(8,568)	(8,321)
Income tax suffered by deduction	(1,016)	–	–
Adjustment to tax charge of previous period	551	(3,557)	3,399
Losses carried forward	–	50,572	–
Total current tax charge	<u>83,237</u>	<u>(3,557)</u>	<u>68,485</u>

Deferred tax

There were unprovided deferred tax assets at each year end, as set out below. This asset has not been included in the balance sheet as the timing of recoverability is uncertain.

	2002 £	2003 £	2004 £
Accelerated capital allowances	14,435	67,305	39,667
Provisions	7,500	3,628	3,015
	<u>21,935</u>	<u>70,933</u>	<u>42,682</u>

8. Dividends

	2002 £	2003 £	2004 £
Special shares dividend paid – non-equity	48,645	48,645	48,645
	<u>48,645</u>	<u>48,645</u>	<u>48,645</u>

The special shares are entitled to a dividend of £12,161 payable on 1 October 2001 and quarterly thereafter, in priority to any other shares.

9. Loss per share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue is 777,691 (2003 – 769,581, 2002 – 769,581) and the loss, being loss after tax and non equity dividends, was £120,845 (2003 – £428,689, 2002 – £94,967).

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share are identical to those used for basic earnings per share as there are no potentially dilutive shares in issue.

10. Intangible assets

	<i>Purchased goodwill</i>	<i>Goodwill arising on consolidation</i>	<i>Total £</i>
Cost			
As at 1 October 2001	283,563	3,585,045	3,868,608
As at 30 September 2002	283,563	3,585,045	3,868,608
As at 30 September 2003	283,563	3,585,045	3,868,608
As at 30 September 2004	283,563	3,585,045	3,868,608
Amortisation			
As at 1 October 2001	80,736	406,954	487,690
Provided for the year	14,170	178,785	192,955
As at 30 September 2002	94,906	585,739	680,645
Provided for the year	14,170	178,787	192,957
As at 30 September 2003	109,076	764,526	873,602
Provided for the year	14,170	178,785	192,955
As at 30 September 2004	123,246	943,311	1,066,557
Net book value			
As at 1 October 2001	202,827	3,178,091	3,380,918
As at 30 September 2002	188,657	2,999,306	3,187,963
As at 30 September 2003	174,487	2,820,519	2,995,006
As at 30 September 2004	160,317	2,641,734	2,802,051

11. Tangible assets

	<i>Motor vehicles</i> £	<i>Short leasehold premises and improvements</i> £	<i>Computer and office equipment</i> £	<i>Total</i> £
Cost				
As at 1 October 2001	10,930	302,969	1,378,413	1,692,312
Additions	–	50,533	243,896	294,429
Disposals	–	(80,007)	(334,769)	(414,776)
As at 30 September 2002	10,930	273,495	1,287,540	1,571,965
Additions	–	53,783	167,854	221,637
Disposals	–	–	(71,019)	(71,019)
As at 30 September 2003	10,930	327,278	1,384,375	1,722,583
Additions	–	97,463	417,633	515,096
Disposals	–	–	–	–
As at 30 September 2004	10,930	424,741	1,802,008	2,237,679
Depreciation				
As at 1 October 2001	9,030	176,752	854,301	1,040,083
Provided for the year	871	49,369	257,753	307,993
Disposals	–	(80,006)	(334,728)	(414,734)
As at 30 September 2002	9,901	146,115	777,326	933,342
Provided for the year	1,029	49,033	246,037	296,099
Disposals	–	–	(71,019)	(71,019)
As at 30 September 2003	10,930	195,148	952,344	1,158,422
Provided for the year	–	57,989	245,957	303,946
Disposals	–	–	–	–
As at 30 September 2004	10,930	253,137	1,198,301	1,462,368
Net book value				
As at 1 October 2001	1,900	126,217	524,112	652,229
As at 30 September 2002	1,029	127,380	510,214	638,623
As at 30 September 2003	–	132,130	432,031	564,161
As at 30 September 2004	–	171,604	603,707	775,311

The net book value of tangible assets for the Group includes an amount of £167,402 (2003 – £142,272, 2002 – £162,512) in respect of assets held under finance lease and hire purchase contracts.

12. Subsidiary and associated undertakings

The following were subsidiary undertakings at the beginning and end of the year and all have been included in the consolidated financial information:

<i>Name</i>	<i>Proportion of voting rights and ordinary share capital held (%)</i>	<i>Nature of business</i>	<i>Last statutory year end</i>
Berkeley Scott Limited	100	Provision of recruitment and advertising services	30 September 2004
Number One Bureau Limited	100	Provision of recruitment services	30 September 2004
Berkeley Scott Sherwoods Limited	100	Dormant	30 September 2004
Berkeley Scott (Chefs) Limited	100	Dormant	30 September 2004
International Service Industry Search Limited	100	Dormant	30 September 2004
*Gold Helm Roche Limited	100	Dormant	30 September 2004
*Roche Recruitment Limited	100	Dormant	30 September 2004
*Roche Personnel Limited	100	Dormant	31 December 2003
*Roche Personnel (London) Limited	100	Dormant	31 December 2003
*Roche Personnel (UK) Limited	100	Dormant	31 December 2003

*Held indirectly.

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration being England and Wales.

13. Debtors

	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	2,037,238	1,938,178	2,385,803
Other debtors	77,597	78,116	73,898
Prepayments and accrued income	264,731	260,839	890,946
	<u>2,379,566</u>	<u>2,277,133</u>	<u>3,350,647</u>

All amounts fall due for payment within one year.

14. Creditors

Amounts falling due within one year

	2002	2003	2004
	£	£	£
Bank loans and overdrafts (secured)	574,134	540,254	514,599
Trade creditors	325,178	231,452	394,535
Corporation tax	82,686	–	65,086
Other taxation and social security	742,057	584,582	758,563
Obligations under finance leases and hire purchase contracts	42,818	45,628	55,396
Dividends payable	48,645	48,645	101,346
Other creditors	401,863	1,151,494	1,775,799
Accruals and deferred income	522,003	430,224	642,393
Loan stock – Elderstreet Downing VCT plc	–	390,000	–
Loan stock – Chrysalis A VCT plc	–	260,000	–
	<u>2,739,384</u>	<u>3,682,279</u>	<u>4,307,717</u>

The bank overdrafts of £224,599 (2003 – £150,254, 2002 – £210,425), bank loans of £290,000 (2003 – £390,000, 2002 – £363,709) and invoice discounting facility of £1,497,681 (2003 – £1,024,368, 2002 – £294,551) are secured by fixed and floating charges over certain assets of the Group.

Included in other creditors is an amount of £12,741 (2003 – £2,393, 2002 – £nil) relating to outstanding pension contributions.

Included in other creditors is an amount of £12,741 (2003 – £2,393, 2002 – £nil) relating to outstanding pension contributions.

Amounts falling due after more than one year

	2002	2003	2004
	£	£	£
Bank loans	1,365,000	975,000	885,000
Loan stock – Elderstreet Downing VCT plc	390,000	–	390,000
Loan stock – Chrysalis A VCT plc	260,000	–	260,000
Obligations under finance leases and hire purchase contracts	34,907	45,928	68,733
	<u>2,049,907</u>	<u>1,020,928</u>	<u>1,603,733</u>

Loan stock represents £650,000 of unsecured 9% loan notes, issued on 30 September 1999 at par. During the year ended 30 September 2004 the Group renegotiated its arrangements with the loan note holders and these loans now fall due for repayment in full by 30 September 2008.

Bank loans are secured on deeds of composite guarantees and mortgage debentures granted by the Berkeley Scott Group plc group companies.

Obligations under finance leases and hire purchase contracts are secured on the assets concerned.

Financial liabilities are due:

	2002 £	2003 £	2004 £
Loan stock			
– in one year or less, or on demand	–	650,000	–
– in more than one year but not more than two years	650,000	–	–
– in more than two years but not more than five years	–	–	650,000
	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>
Loans and overdraft			
– in one year or less, or on demand	574,134	540,254	514,599
– in more than one year but not more than two years	390,000	390,000	390,000
– in more than two years but not more than five years	975,000	585,000	495,000
	<u>1,939,134</u>	<u>1,515,254</u>	<u>1,399,599</u>
Finance leases and hire purchase contracts			
– in one year or less, or on demand	42,818	45,628	55,396
– in more than one year but not more than two years	26,716	31,537	45,495
– in more than two years but not more than five years	8,191	14,391	23,238
	<u>77,725</u>	<u>91,556</u>	<u>124,129</u>

15. Share capital

	2002 £	2003 £	2004 £
Authorised			
9,999,980 Ordinary shares of 10p each	999,998	999,998	999,998
2 Special shares of £1 each	2	2	2
	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid			
806,527 (2003 – 769,581, 2002 – 769,581)			
Ordinary shares of 10p each	76,958	76,958	80,652
2 Special shares of £1 each	2	2	2
	<u>76,960</u>	<u>76,960</u>	<u>80,654</u>

During the year ended 30 September 2004 share options of 36,946 10p ordinary shares at an exercise price of 10p were exercised by an employee.

The special shares entitle the holder to a participating cumulative cash dividend in respect of each financial year of the Company ending on or after 30 September 2002. On a return of assets the special shares will rank pari passu with equity shares. The special shares do not confer voting rights on the holder unless relevant repayments of loans, interest or dividends are over two months overdue.

The special shares are entitled to a dividend of £12,161 payable on 1 October 2001 and quarterly thereafter, in priority to any other shares. As required by FRS 4, the Company has accrued for the dividends that are in arrears.

At 30 September 2004 the following share options were outstanding in respect of the ordinary shares:

<i>Date of grant</i>	<i>Number of shares</i>	<i>Period of option</i>	<i>Exercise price per share (£)</i>
23 April 1996	6,300	23 April 2006	3.57
31 May 1996	13,713	31 May 2006	3.57
30 May 1997	2,800	30 May 2007	4.57
30 May 1997	10,500	30 May 2007	3.57
11 December 1997	6,860	11 December 2007	3.57
30 November 1998	12,390	30 November 2008	4.97
14 April 1999	11,076	14 April 2009	4.97
28 April 2000	1,645	28 April 2010	4.97
26 October 2000	3,000	26 October 2010	4.97
27 February 2001	2,765	27 February 2011	4.97
25 September 2001	4,000	25 September 2011	4.97
27 April 2001	44,500	*See below	1.00
5 August 2004	43,425	5 August 2014	1.00

* The options are exercisable at the earlier of (i) the date of any listing (as defined in the Articles of Association of the Company); or (ii) the date of disposal of the whole of the issued share capital of the Company, or all or substantially all of the assets of the Company; or (iii) the date upon which the loan notes held by the option holders are repaid.

16. Reserves

	<i>Share premium account</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 1 October 2001	1,484,377	1,834	96,756	1,582,967
Loss for the year	–	–	(94,967)	(94,967)
As at 30 September 2002	1,484,377	1,834	1,789	1,488,000
Loss for the year	–	–	(428,689)	(428,689)
As at 30 September 2003	1,484,377	1,834	(426,900)	1,059,311
Loss for the year	–	–	(120,845)	(120,845)
As at 30 September 2004	1,484,377	1,834	(547,745)	938,466

17. Reconciliation of movements in shareholders' funds

	2002	2003	2004
	£	£	£
At the beginning of the year	1,659,927	1,564,960	1,136,271
New share capital subscribed	–	–	3,694
Loss for the year	(46,322)	(380,044)	(72,200)
Dividends	(48,645)	(48,645)	(48,645)
At the end of the year	1,564,960	1,136,271	1,019,120

18. Commitments under operating leases

The following are the annual commitments under non-cancellable operating leases:

	2002		2003		2004	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£	£	£
Operating leases which expire:						
Within one year	8,450	25,571	16,120	10,793	141,145	16,439
In two to five years	217,714	64,234	206,544	49,017	97,900	29,109
Over five years	146,286	–	219,286	–	100,736	–
	<u>372,450</u>	<u>89,805</u>	<u>441,950</u>	<u>59,810</u>	<u>339,781</u>	<u>45,548</u>

19. Reconciliation of operating profit/(loss) to net cash flow from operating activities

	2002	2003	2004
	£	£	£
Operating profit/(loss)	438,801	(47,071)	343,327
Amortisation of goodwill	192,955	192,957	192,955
Depreciation	307,993	296,099	303,946
Profit on disposal of fixed assets	(439)	–	–
(Increase)/decrease in debtors	841,525	102,433	(1,073,514)
Increase/(decrease) in creditors	(604,953)	390,776	1,177,593
Net cash flow from operating activities	<u>1,175,882</u>	<u>935,194</u>	<u>944,307</u>

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

	2002	2003	2004
	£	£	£
Increase/(decrease) in cash in the year	176,623	(84,750)	(74,962)
Cash outflow from decrease in debt and lease financing	<u>388,039</u>	<u>405,996</u>	<u>258,939</u>
Change in net debt resulting from cash flows	564,662	321,246	183,977
New finance leases	(58,828)	(67,943)	(101,512)
Bank loan interest accrual	(50,293)	11,825	–
Bank loan arrangement fee	<u>(19,144)</u>	<u>–</u>	<u>–</u>
Movement in net debt in the year	436,397	265,128	82,465
Net debt at the beginning of the year	<u>(2,955,157)</u>	<u>(2,518,760)</u>	<u>(2,253,632)</u>
Net debt at the end of the year (note 21)	<u>(2,518,760)</u>	<u>(2,253,632)</u>	<u>(2,171,167)</u>

21. Analysis of net debt

	<i>At start of the year</i> £	<i>Cash flow</i> £	<i>Other non-cash changes</i> £	<i>At the end of the year</i> £
2002				
Cash in hand, at bank	2,795	145,304	–	148,099
Overdrafts	(241,744)	31,319	–	(210,425)
Cash	(238,949)	176,623	–	(62,326)
Debt due after one year				
Finance leases	(32,471)	56,392	(58,828)	(34,907)
Bank loans	(897,726)	(615,000)	147,726	(1,365,000)
Loan notes	(650,000)	–	–	(650,000)
Debt due within one year				
Finance leases	(74,280)	31,462	–	(42,818)
Bank loans	(1,061,731)	915,185	(217,163)	(363,709)
Financing	(2,716,208)	388,039	(128,265)	(2,456,434)
Total	(2,955,157)	564,662	(128,265)	(2,518,760)
2003				
Cash in hand, at bank	148,099	(144,921)	–	3,178
Overdrafts	(210,425)	60,171	–	(150,254)
Cash	(62,326)	(84,750)	–	(147,076)
Debt due after one year				
Finance leases	(34,907)	56,922	(67,943)	(45,928)
Bank loans	(1,365,000)	–	390,000	(975,000)
Loan notes	(650,000)	–	650,000	–
Debt due within one year				
Finance leases	(42,818)	(2,810)	–	(45,628)
Bank loans	(363,709)	351,884	(378,175)	(390,000)
Loan notes	–	–	(650,000)	(650,000)
Financing	(2,456,434)	405,996	(56,118)	(2,106,556)
Total	(2,518,760)	321,246	(56,118)	(2,253,632)
2004				
Cash in hand, at bank	3,178	(617)	–	2,561
Overdrafts	(150,254)	(74,345)	–	(224,599)
Cash	(147,076)	(74,962)	–	(222,038)
Debt due after one year				
Finance leases	(45,928)	78,707	(101,512)	(68,733)
Bank loans	(975,000)	–	90,000	(885,000)
Loan notes	–	–	(650,000)	(650,000)
Debt due within one year				
Finance leases	(45,628)	(9,768)	–	(55,396)
Bank loans	(390,000)	190,000	(90,000)	(290,000)
Loan notes	(650,000)	–	650,000	–
Financing	(2,106,556)	258,939	(101,512)	(1,949,129)
Total	(2,253,632)	183,977	(101,512)	(2,171,167)

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF BERKELEY SCOTT GROUP PLC

The following unaudited pro forma statement of net assets of Berkeley Scott Group plc following the Placing and Admission has been prepared for illustrative purposes only to provide information about the impact of the Placing and Admission on the Group and because of its nature may not give a true reflection of the financial position of the Group. It has been prepared on the basis that the Placing and Admission were undertaken as at 30 September 2004 and on the basis set out in the notes:

	<i>Adjustments</i>					<i>Pro forma net assets of the Group £000</i>
	<i>As at 30 September 2004 (note 1) £000</i>	<i>Placing (note 2) £000</i>	<i>Bank debt repayment (note 3) £000</i>	<i>Loan stock repayment (note 4) £000</i>	<i>Invoice discounting facility (note 5) £000</i>	
Fixed assets						
Intangible assets	2,802	–	–	–	–	2,802
Tangible assets	775	–	–	–	–	775
	<u>3,577</u>	–	–	–	–	<u>3,577</u>
Current assets						
Debtors	3,351	–	–	–	–	3,351
Cash at bank and in hand	2	2,244	(675)	(829)	(742)	–
	<u>3,353</u>	2,244	(675)	(829)	(742)	3,351
Creditors: amounts falling due within one year	<u>(4,307)</u>	–	190	179	742	<u>(3,196)</u>
Net current (liabilities)/assets	(954)	2,244	(485)	(650)	–	155
Creditors: amounts falling due after one year	<u>(1,604)</u>	–	485	650	–	<u>(469)</u>
	<u>1,019</u>	<u>2,244</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,263</u>

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the Group at 30 September 2004 have been extracted from the Accountants' Report set out in Part III of this document.

Adjustments:

2. Gross proceeds from the placing being £3.027 million, less expenses of £0.783 million arising from the Placing and Admission, resulting in net proceeds of £2.244 million.
3. Repayment of existing bank loan totalling £1,175,000. Refinancing by means of a new five year term loan for £500,000. The net reduction of bank debt is therefore £675,000.
4. Repayment of loan stock of £650,000, accrued loan stock interest payable of £78,000 and accrued special dividends payable of £101,000, resulting in a total payment of £829,000 based on the balances at 30 September 2004. The actual amounts repaid will be based on the balances outstanding at the date of repayment.
5. The balance of funds available will be used to reduce the amount drawn against the invoice discounting facility of the Group. As at 30 September 2004, the amount drawn was £1.5 million.
6. No adjustments have been made to reflect the trading results of the Group since the balance sheet date.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors of the Company, whose names appear on page 7 of this document, accept responsibility for the information contained in this document. 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.

2. THE COMPANY

- 2.1 The Company was incorporated in England and Wales with registration number 02228050 on 8 March 1988 as a private unlimited company under the name Chescham. The Company was re-registered as a private company limited by shares on 1 June 1990 and consequently renamed Chescham Limited. The name of the Company was changed to Berkeley Scott Limited on 7 June 1990.
- 2.2 The Company was re-registered as a public limited company on 26 January 1998 and changed its name to Berkeley Scott Group plc. The liability of the members is limited.
- 2.3 The Company's registered office is at Berkeley House, 11/13 Ockford Road, Godalming, Surrey, GU7 1QU.
- 2.4 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.5 The business of the Company is to act as the ultimate holding company of the Group which is involved principally in labour recruitment.
- 2.6 The Company is the holding company for the following principal subsidiary companies as detailed below:

<i>Name</i>	<i>Company Number</i>	<i>Date of Incorporation</i>	<i>Principal Activity</i>	<i>Percentage of shares held by the Company</i>
Berkeley Scott Limited	03472296	27/11/1997	Labour recruitment	100
Number One Bureau Limited	01171065	21/05/1974	Labour recruitment	100
Berkeley Scott Sherwoods Limited	02628055	10/07/1991	Dormant	100
Berkeley Scott (Chefs) Limited	02505565	24/05/1990	Dormant	100
International Service Industry Search Limited	02443759	17/11/1989	Dormant	100

- 2.7 The registered office of each of the above companies is at Berkeley House, 11/13 Ockford Road, Godalming, Surrey, GU7 1QU. Each of the above companies is incorporated in England and Wales.

3. SHARE CAPITAL

- 3.1 As at the date of this document, the Company has an authorised share capital of £1,000,000 comprising 9,999,980 Ordinary Shares of 10p each and 2 Special Shares of £1.00 each and a fully paid up share capital of £85,104.70 comprising 851,027 Ordinary Shares of 10p each in the capital of the Company and 2 Special Shares of £1.00 each.

- 3.2 On 15 November 2004, conditional on Admission, pursuant to resolutions of the Company it was resolved that:
- (1) the 2 Special Shares be converted and redesignated as 20 ordinary shares of £0.10 each ranking pari passu with the existing unissued and issued ordinary shares of £0.10 each in the capital of the Company and having the rights and being subject to the restrictions set out in the new Articles of Association referred to below with all former rights and restrictions attaching to such Special Shares being cancelled in their entirety;
 - (2) each of the existing issued (including the ordinary shares created as referred to in paragraph 3.2(1) above) and unissued ordinary shares of the Company of £0.10 each be sub-divided into 5 ordinary shares of £0.02 each;
 - (3) in substitution for and to the exclusion of any existing authority, the Board be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment, such power to expire at the expiry of the next annual general meeting of the Company following the passing of the resolution or, if earlier, the date following fifteen months after the date on which the resolution is passed (the "Period of Authority") (save that during the Period of Authority the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred had not expired) provided that such power is limited to:
 - (a) the allotment for cash of up to 5,000,000 ordinary shares pursuant to, or contemplated by, the Placing;
 - (b) the allotment of equity securities for cash where such securities have been offered (whether by way of rights issue, open offer or otherwise) to the holders of equity securities and other persons entitled to participate therein in proportion (as nearly as may be) to their holdings of equity securities (or, as appropriate, the number of such securities which such other persons are for those purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the law or the requirements of any recognised body of, or stock exchange in, any territory; and
 - (c) the allotment (otherwise than pursuant to the powers referred to in sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of 10 per cent. of the issued share capital of the Company immediately following Admission; and
 - (4) new Articles of Association were adopted.
- 3.3 The holders of the 2 Special Shares have, conditional on Admission, consented to the passing and implementation of the resolutions set out at paragraph 3.2 above and to every variation or abrogation of the rights attaching to the Special Shares.
- 3.4 At the Company's Annual General Meeting held on 27 July 2004 (the "AGM") the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £1,000,000 for the period commencing on the date of the AGM and expiring on the earlier of the date of the next annual general meeting of the Company, or, the date following 15 months after the date of the AGM (unless previously renewed, varied or revoked by the Company in general meeting) but the Company may, before such expiry make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Directors may allot relevant securities in pursuance of that offer or agreement as if such authority had not expired.
- 3.5 Immediately following Admission, the authorised share capital of the Company will be £1,000,000 divided into 50,000,000 Ordinary Shares and the issued share capital will be £170,372.30 divided into 8,518,615 Ordinary Shares each fully paid or credited as fully paid.

- 3.6 Following Admission, the new Ordinary Shares subscribed under the Placing will rank *pari passu* in all respects with the existing Ordinary Shares, including as regards voting rights, the right to receive all dividends and other distributions declared, made or paid after Admission on the ordinary share capital and rights to a return of capital on a winding up.
- 3.7 On Admission the unsecured nine per cent. loan notes 2008 currently held by the VCTs will be repaid, together with interest accrued up to the date of Admission, from the proceeds of the Placing. In addition, the participating cumulative cash dividend of £121,612.50 on the Special Shares held by the VCTs will be paid out of the Company's distributable reserves.
- 3.8 Conditional on Admission, the investment agreement entered into on 30 September 1999 by, *inter alia*: (1) the VCTs; (2) the Company; and (3) Elderstreet Private Equity Limited will be terminated pursuant to a deed of termination dated 30 November 2004. The VCTs will relinquish their rights attaching to the Special Shares, which will, on Admission, be converted into Ordinary Shares pursuant to the resolution of the Company described in paragraph 3.2 above.
- 3.9 Save as disclosed in this document:
- 3.9.1 no unissued share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- 3.9.2 no listed or unlisted securities have been issued by the Company not representing share capital and no convertible securities have been issued by the Company;
- 3.9.3 no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- 3.9.4 there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises; and
- 3.9.5 no commission, discount, brokerage or other special terms has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.
- 3.10 None of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the Placing or Admission.

4. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of co-ordinating the administration of a group of companies or undertakings. The objects of the Company are set out in full in clause 3 of the Memorandum of Association of the Company.

5. ARTICLES OF ASSOCIATION

The new Articles of Association of the Company (which were adopted conditional upon Admission) contain provisions, *inter alia*, to the following effect:

5.1 *Voting rights*

Subject to disenfranchisement as provided in paragraph 5.4 below and subject to any special terms as to voting on which any shares may be issued (no such shares currently being in issue), on a show of hands every member present in person (or, being a corporation, present by a duly authorised representative) shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

5.2 *Transfer of shares*

The Ordinary Shares are in certificated form and are capable of being held in uncertificated form.

A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the CREST Regulations, which includes CREST. The directors may refuse to register any transfer of an uncertificated share where permitted by the CREST Regulations. If the directors refuse to register a transfer of an uncertificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal. All transfers of certificated shares must be effected by a transfer in writing in any usual form or any other form approved by the directors. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share held in certificated form and may also refuse to register any transfer of a certificated share unless the instrument of transfer is:

- 5.2.1 duly stamped (if so required), lodged with the Company's registrars or at such other place as the directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- 5.2.2 in respect of only one class of shares; and
- 5.2.3 in favour of not more than four transferees.

5.3 *Dividends*

The Company in general meeting may declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other moneys payable in respect of a share shall bear interest as against the Company.

There are no fixed dates on which entitlement to dividends arises.

All dividends unclaimed for a period of twelve years after becoming due for payment shall be forfeited and shall revert to the Company.

5.4 *Disclosure of interests in shares*

If any member or other person appearing to be interested in shares of the Company is in default in supplying within fourteen days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in section 212 of the Act, the Directors may, for such period as the default shall continue, impose sanctions upon the relevant shares.

The sanctions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholding representing at least 0.25 per cent. by nominal value of any class of shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares.

5.5 *Distribution of assets on liquidation*

On a winding-up any surplus assets will be divided amongst the holders of the Ordinary Shares according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges. The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, divide amongst the members *in specie* the whole or any part of the assets of the Company in such manner as he may determine.

5.6 *Changes in share capital*

Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or in the absence of such

determination as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amounts so cancelled or the amount of the reduction.

Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

5.7 *Variation of rights*

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders.

5.8 *Directors' interests*

A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare in accordance with the Act the nature of his interest.

Provided that he has declared his interest in accordance with article 119, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No Director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.

Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of any obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) the subscription by him for shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participation in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
- (d) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that the shares in which he is interested do not represent one per cent or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;

- (e) any proposal relating to an arrangement in whole or in part for the benefit of the employees of the Company which does not award to him as such any privilege or advantage not awarded to the employees to whom such arrangement relates;
- (f) any proposal concerning the purchase or maintenance of insurance against any liability which would otherwise attach to all or any of the Directors.

Where proposals are under consideration concerning the appointment of two or more Directors to offices or employments with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

The Company may by ordinary resolution suspend or relax these provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of these provisions.

5.9 *Remuneration of Directors*

The ordinary remuneration of the Directors (other than an executive Director) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of the ordinary remuneration of such Directors shall not exceed £250,000 per year) to be divided among them in such proportion and manner as the directors may determine. The Directors shall also be paid by the Company all travelling, hotel and other expenses as they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.

The emoluments and benefits of any executive Director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants, or apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

5.10 *Retirement of Director*

A Director shall be capable of being appointed or reappointed a Director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his having attained any particular age and section 293 of the Act (relating to the appointment and retirement as Directors of persons who are aged 70 or over) shall not apply.

5.11 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of the Company and by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings secure that they respect their borrowings so that the aggregate amount at any time outstanding in respect of money borrowed by the Company (excluding borrowings between members of the Group) shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to three times the aggregate of the amount paid up or credited as paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the consolidated capital and revenue reserves of the Company as shown by the latest audit consolidated balance sheet of the Company.

6. DIRECTORS' AND OTHER INTERESTS

6.1 The interests of the Directors and the persons connected with them within the meaning of section 346 of the Act (all of which are beneficial unless otherwise stated) in the issued share capital of the Company which:

- 6.1.1 have been notified by each Director to the Company pursuant to section 324 or section 328 of the Act are required to be entered into the Register of Directors' Interests pursuant to section 325 of the Act; or
- 6.1.2 are required to be entered into the Register of Directors' Interests pursuant to section 325 of the Act; or
- 6.1.3 are interests of a connected person (within the meaning of section 346 of the Act) of a Director which would, if the connected person were a Director, be required to be disclosed under paragraphs 6.1.1 and 6.1.2 above and the existence of which is known to or could with reasonable diligence be ascertained by that Director;

were, as at 29 November 2004 (being the last practicable date prior to publication of this document) and will be, immediately following Admission, as follows:

<i>Name</i>	<i>Number of existing Ordinary Shares*</i>	<i>Existing Ordinary Shares under option*</i>	<i>Number of issued Ordinary Shares on Admission</i>	<i>Percentage of Enlarged Issued Share Capital</i>
J J Hamer	8,535	–	43,746	0.51%
D R B Watt	905,050**	27,690	905,050	10.62%
D J P Oakley	–	70,000	14,084	0.17%
R W Taylor	20,120	15,000	41,246	0.48%
M J Bayfield	45,270	102,865	45,270	0.53%

*Calculated on the basis that the resolution to sub-divide each of the existing issued and unissued ordinary shares of 10p each in the Company into 5 ordinary shares of 2p each (as set out in paragraph 3.2(2) of this Part V) has taken effect.

**This figure includes the Ordinary Shares held by "DRB Watt and Family" and "DRB Watt and Mrs. B C B Smith (Trust)" as outlined in the table at paragraph 6.3 below.

6.2 Save as disclosed in paragraph 6.1 above, none of the Directors (nor any person connected with them within the meaning of section 346 of the Act) has or will immediately following Admission have any interest in the share capital of the Company or any of its subsidiaries.

6.3 As at 29 November 2004 (being the last practicable date prior to the publication of this document), in so far as it is known to the Directors, the following persons were or will immediately following Admission, be interested in 3 per cent. or more of the Company's issued share capital:

<i>Name</i>	<i>Number of Ordinary Shares before Placing*</i>	<i>Percentage of issued share capital before Placing*</i>	<i>Number of Ordinary Shares after Placing</i>	<i>Percentage of existing Ordinary share capital after Placing</i>
D R B Watt and family	765,050	17.98	765,050	8.98%
D R B Watt and Mrs B C B Smith (Trust)	140,000	3.29	140,000	1.64%
G D Katzler and family	293,615	6.90	293,615	3.45%
G D Katzler and Mr J K O'Callaghan	280,000	6.58	280,000	3.29%
The Katzler Settlement	315,000	7.40	315,000	3.70%
D Newling Ward and S Newling Ward	445,900	10.48	586,745	6.89%
Brockham Limited	130,340	3.06	130,340	1.53%
Elderstreet Downing VCT plc	719,665	16.91	888,679	10.43%
Chrysalis A VCT plc	479,790	11.27	479,790	5.63%
C Whittall	184,730	4.34	184,730	2.17%

*Calculated on the basis that the resolution to sub-divide each of the existing issued and unissued ordinary shares of 10p each in the Company into 5 ordinary shares of 2p each (as set out in paragraph 3.2(2) of this Part V) has taken effect.

- 6.4 Save as disclosed in this paragraph 6, no Director has or has had 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 Group and which was effected by any member of the Group during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 6.5 There are no outstanding loans granted by any member of the Group nor has any guarantee been provided by any member of the Group for the benefit of any Director.
- 6.6 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any material waiver of emoluments during the financial year immediately preceding the date of this document.
- 6.7 In addition to their directorships of the Company, the Directors are or have been directors or partners of the following companies and partnerships at any time within the five years prior to the date of this document:

<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Jeremy John Hamer	Honeysuckle Group Plc Baldwin & Francis Limited Inter Link Foods Plc Napier Brown Foods Plc Glisten Plc Rose Bowl PLC Avingtrans plc Access Intelligence plc Unicorn AIM VCT II plc Financial Decisions	Club4sports Limited D'Aguiar Marketing and Design Limited No Legwork Plc Honeysuckle Fashions Limited Pro:atria Limited The National Solicitors' Network Limited Rushden Granulating Company Limited Rushden Playsafe Limited Dowcarter Limited Qube Strategic Marketing Limited
Douglas Roderick Buell Watt	International Service Industry Search Limited Gold Helm Roche Limited Berkeley Scott (Chefs) Limited Berkeley Scott Share Option Scheme Trustee Company Limited Number One Bureau Limited Berkeley Scott Limited Berkeley Scott Sherwoods Limited Roche Recruitment Limited Roche Personnel Limited Roche Personnel (London) Limited Roche Personnel (UK) Limited	Berkeley Scott Charity Challenge Limited
David John Philip Oakley	Berkeley Scott Share Option Scheme Trustee Company Limited International Service Industry Search Limited Number One Bureau Limited Gold Helm Roche Limited Roche Recruitment Limited Roche Personnel Limited Roche Personnel (London) Limited Roche Personnel (UK) Limited Berkeley Scott (Chefs) Limited Berkeley Scott Sherwoods Limited Berkeley Scott Limited	Horton Park Golf and Country Club Limited Wentworth Golf and Tennis Foundation Wentworth Group Holdings Limited Wentworth Club Limited Wentworth Golf and Country Club Limited Wentworth Management Services Limited Settlehope Limited Chelsfield WH Limited Wentworth Senior Masters Limited

<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Michael James (Rupert) Bayfield	CyberTeam Resource Management Limited Ned Kelly's Limited The Down Under Group Limited Interregnum Resource Management Limited Bayfield Consulting Limited (formerly CyberTeam Limited, a Guernsey company) Bayfield Family Holdings Limited (a Guernsey company)	Acotoo Limited (formerly Best International Group plc) Watt Marketing Limited
Roger William Taylor	Mviva Limited The Carphone Warehouse Limited Fresh Telecom Limited Papertimes Limited The Phone House Holdings (UK) Limited The Carphone Warehouse Services Limited Talktalk Telecom Limited Old Opal Telecom PLC Opal Telecommunications Limited Opal Telecom Marketing Limited Martin Dawes Switched Service Limited Opal Telecom Limited Cellcom Limited The Carphone Warehouse Group PLC	Trackcover Limited Cellular Data Services Limited Cellular Repair Services Limited Bookdefine Limited

6.8 Jeremy Hamer was (a) a non-executive director of Harveys Traditional Bakery Limited which was liquidated in 1997 during his tenure as a director, (b) a non-executive director of Vendotech Limited which entered into creditors' voluntary arrangements in 1999 within 12 months of his ceasing to be a director, (c) a non-executive director of No Legwork Plc which completed a members' voluntary winding-up in 2002 during his tenure as a director, (d) a representative non-executive director of Elderstreet DRKC Limited and was a non-executive director of each of Rushden Granulating Company Limited, Rushden Playsafe Limited, D'Aguiar Marketing and Design Limited and Qube Strategic Marketing Limited, all of which were liquidated or entered into administration between 2001 and 2004 during his tenure as a director and (e) a non-executive director of Club4sports Limited which entered into a members' voluntary liquidation in 2003 during his tenure as director.

Rupert Bayfield was a non-executive director of Modern World Limited until 11 September 1996. Within 12 months of his ceasing to be a director and following a change of ownership of that company (also on 11 September 1996), the company went into an insolvent liquidation.

6.9 Save as disclosed above none of the Directors has:

- 6.9.1 any unspent convictions in relation to indictable offences;
- 6.9.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 6.9.3 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;

- 6.9.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 6.9.5 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he as a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 6.9.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 6.9.7 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.

7. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

- 7.1 Roddy Watt entered into a service contract with the Company on 25 September 2001 with continuous employment since 3 January 1984. The service contract is terminable by either party on twelve months' notice. Mr Watt's annual basic salary is £110,250 to be reviewed annually or as otherwise determined by the remuneration committee of the Company. Mr Watt is entitled to participate in the Company's discretionary bonus scheme. Mr Watt is entitled to a car, contributions to a pension scheme and private medical insurance. The service agreement also contains certain restrictions on Mr Watt following the termination of his employment.
- 7.2 David Oakley entered into a service contract with the Company on 25 September 2001 with continuous employment since 18 December 2000. The service contract is terminable by either party on six months' notice. Mr Oakley's annual basic salary is £84,000, to be reviewed annually by the remuneration committee of the Company. Mr Oakley is entitled to participate in the Company's discretionary bonus scheme and, in addition, is contractually entitled to a bonus of £15,000 payable on Admission. Mr Oakley is entitled to a car, contributions to a pension scheme and private medical insurance. The service agreement also contains certain restrictions on Mr Oakley following the termination of his employment.
- 7.3 Rupert Bayfield is subject to a non-executive director letter of appointment dated 30 July 2003, he has continuity of service since 14 May 1996. In addition he provides consultancy services to the Company via Bayfield Consulting Limited pursuant to a consultancy agreement dated 10 May 2002 between the Company and Bayfield Consulting Limited. By a letter dated 21 October 2004, the consultancy agreement and the letter of appointment were varied to provide for payment by the Company of fees of £16,000 and £4,000 in respect of the consultancy agreement and letter of appointment respectively amounting in aggregate to £20,000 per annum. His consultancy agreement is terminable by either party on six months notice.
- 7.4 Jeremy Hamer was appointed as Chairman of the Company on 29 April 2004, and his terms of appointment are set out under a non-executive director letter of appointment dated 29 October 2004. Prior to this he was a non-executive director of the Company appointed by Elderstreet Private Equity Limited on 30 September 1999. Mr Hamer is entitled to fees of £15,000 per annum and his appointment is terminable on 12 months' notice following a fixed 12 month term. There is also a consultancy agreement dated 29 October 2004 between the Company and Financial Decisions (a partnership) for the provision of Mr Hamer's services from 29 April 2004. Financial Decisions receives £10,000 per annum from the Company. The consultancy agreement is terminable on 12 months notice.
- 7.5 Roger Taylor is subject to a non-executive director letter of appointment dated 29 October 2004. The appointment is for an initial period of 12 months from 24 April 2004 and is terminable on 3 months' notice on or after the initial period. He has continuity of service since 1 March 2000. Mr Taylor is entitled to fees of £15,000 per annum.

- 7.6 The aggregate remuneration and benefits in kind granted to the Directors during the last financial year was £417,131 and the aggregate remuneration and benefits in kind to be paid to the Directors is estimated to be £378,624 for the current financial year.

8. SHARE OPTION SCHEMES

- 8.1 The Company has granted options over its Ordinary Shares pursuant to the terms of the 2004 Plan, the Approved 1999 Scheme, the Unapproved 1999 Scheme and the 1996 Share Option Scheme.

8.2 *The 2004 Plan*

The Company adopted the 2004 Plan in May 2004. The 2004 Plan is intended to supercede all of the other Share Option Schemes. The principal terms of the 2004 Plan for which any employee of the Company is eligible are summarised below:

8.2.1 *Eligibility*

Participants in the schemes must be an employee of any member of the Company and any company which is for the time being a subsidiary (as defined in Section 736 of the Act). On Admission, the remuneration committee of the Directors or such other committee comprising a majority of non-executive directors of the Company to which the Directors delegate responsibility for the operation of the shares) (“the Committee”) have an absolute discretion as to the selection of persons to whom options may be granted.

8.2.2 *Grant of Options*

Options may be granted at any time before Admission within 42 days of the announcement of the Company’s results for any financial period or within 42 days following Admission. Options may, also, be granted within a period of 28 days from an employee joining the Company, or at other times if in the opinion of the remuneration committee, the circumstances are exceptional.

Under the 2004 Plan, the Board may also grant options which will be Enterprise Management Incentive Options (“**EMI Options**”). All options granted under the 2004 Plan are personal to the holder.

An option shall immediately cease to be exercisable if:

- (a) it is transferred or assigned (other than to the personal representatives of the option holder), mortgaged, charged or otherwise disposed of;
- (b) the option holder is adjudged bankrupt;
- (c) the option holder makes or proposes a voluntary arrangement; or
- (d) the option holder is not, or ceases for any other reason (except his death) to be the sole legal or beneficial owner of the option free from encumbrances or would not, upon the exercise of the option, be the sole beneficial owner of the shares thereby acquired, free from encumbrances.

After Admission the number of shares in respect of which options may be granted on any date when added to the number of shares issued or issuable pursuant to rights to subscribe for shares granted in the period of 10 years ending on that date pursuant to the scheme or any other employee’s share scheme, shall not exceed 10 per cent. of the other issued ordinary share capital of the Company.

8.2.3 *Exercise of Options*

Options granted under this scheme will generally become exercisable on the third anniversary of the date of grant subject to the satisfaction of any performance conditions imposed and may remain exercisable until ten years after the date of the grant.

Exercise is also permitted if an option holder dies or his employment ends by reason of injury or disability, redundancy, retirement or as a result of the sale of the business or subsidiary by which the option holder is employed. The number of Ordinary Shares in respect of which an option may be exercised may be adjusted to reflect the proportion of the period of time that has elapsed since the date of grant in all cases except for death. If an option holder leaves for any other reasons than those stated above, the option may only be exercised to the extent that the Committee shall determine and notify to him.

The price per option share payable upon exercise of an option (“the Exercise Price”) shall be determined by the Committee at the time of grant. The Exercise Price shall be not less than the Market Value of an ordinary share.

If as a result of:

- a general offer to acquire the whole of the ordinary share capital which is made on a condition such that if it is satisfied the person making the offer will have control of the Company; or
- a general offer to acquire all the shares in the Company of the same class as the shares;

the Company shall come under the control of another person or persons (a “Change of Control”), options may be exercised (notwithstanding that any performance target is not then satisfied):

- (a) within the period of one month (or such longer period, not exceeding six months, as the Committee may determine and notify to option holder) beginning with the Change of Control;
- (b) in respect of a proportion of the option shares provided that no such determination shall be made by the Committee in relation to a performance option unless and insofar as the Committee is then satisfied that such increase in the proportion of the Option Shares in respect of which any option may be exercised is justified by the performance of the Company since the date of grant.

Options shall, to the extent not then exercised, lapse and cease to be exercisable at the end of such period as is mentioned in sub-paragraph (a) above.

If the Company’s shareholders are notified of a resolution for the voluntary winding up of the Company, options may be exercised (notwithstanding that any performance target is not then satisfied) over such number and proportion of the Option Shares as the Committee may determine and notify to option holders, at any time before the winding-up commences, or within such other period as the Committee may notify to option holders.

All options shall immediately lapse and cease to be exercisable on the commencement of the Company’s winding-up.

If:

- the Committee so determines in relation to any option granted before Admission; or
- in relation to any option granted after Admission

the exercise of such option shall be conditional upon the performance of the Company, and (if the Committee so determines) upon the performance of any member of the Group and/or the option holder, measured against such objective criteria and over such period as the Committee shall specify in the performance option criteria.

8.3 *The Approved 1999 Share Option Scheme and the Unapproved 1999 Share Option Scheme*

8.3.1 *Eligibility*

Participants in these schemes must be employees or full time directors of the Group. Participation was at the discretion of the Board, which may from time to time offered options to qualifying persons. The schemes were administered by the directors of the Company.

8.3.2 *Option Price*

Options were granted over ordinary shares in the capital of the Company. The price per share at which participants in the Approved 1999 Share Option Scheme may subscribe for the Ordinary Shares pursuant to options granted to them was the market value of the ordinary shares as agreed with the Inland Revenue on the date of invitation to apply for the grant of an option. "Market Value" was different under the Unapproved 1999 Share Option Scheme, being the market value as determined by the Company.

8.3.3 *Grant of Options*

All options granted under these schemes are now exercisable and will lapse if not exercised within 10 years of grant. No options may be granted later than 10 years after the date on which the scheme is adopted.

8.3.4 *Exercise of Options*

8.3.4.1 An option may normally be exercised only at some time between the third and tenth anniversary of the date on which it is granted.

8.3.4.2 The right to exercise options may be conditional on the satisfaction of performance criteria that may be introduced from time to time by the Board.

8.3.4.3 In the event that an employee ceases to be in employment by reason of injury, disability, sickness, redundancy, retirement or as a result of the sale of the business or a subsidiary by which the employee is employed, options will be exercisable for a period of 6 months following the termination of employment or, if later, the expiry of 3 years and 6 months from the date of the grant of the options. In the event that an option holder dies before exercising the option they will remain capable of exercise by his personal representatives for the period of 6 months from the date of the option holder's death. If an employee leaves for any other reason other than those stated above the directors may determine in their absolute discretion whether or not the option is exercisable.

8.3.4.4 Special rules apply to the exercise of options in the event of a takeover, scheme of reconstruction or amalgamation which may result in an option being exercised earlier than the third anniversary of the date on which it was granted.

8.3.4.5 The schemes permit an exchange of options on a takeover, merger or reconstruction where the replacement options are broadly on the same terms as the old options, which may prevent the need for premature exercise of the option in these circumstances.

8.3.4.6 A participant may partially exercise his rights covered by his option within certain limits.

8.3.5 *Limits on the Scheme*

No individual may receive options under the Approved 1999 Share Option Scheme exceeding £30,000. There is no financial limit on an employee's entitlement under the Unapproved 1999 Share Option Scheme.

8.3.6 *Variations of Capital*

In the event of any variation or increase of the Company's share capital the number of shares subject to the option and purchase price payable on exercise of the option shall be adjusted by the Board in such way as the auditors of the Company certify to be fair and reasonable.

8.3.7 *Termination*

These schemes may be terminated at any time by resolution of the Board or by the Company in general meeting. Termination will not affect the outstanding right of any participants.

8.4 *The 1996 Share Option Scheme*

8.4.1 *Eligibility*

Participants in this scheme were either a director (executive or non executive) or an employee of the Group. Participation was at the discretion of the Board. The scheme is administered by the Board whose decision on any disputes is final. The Board has reserved the right to amend the scheme rules from time to time.

8.4.2 *Option Price*

The option price on options granted under this Scheme taking into account the bonus issue of the Company that took place in 1997 and the Capital Reorganisation has to be the higher of £0.61 per share or the market value of the ordinary shares at the date of the Company's next annual general meeting following the date of grant.

8.4.3 *Grant of Options*

Options were in 1996 and 1997 granted over the ordinary shares of £1 each in the capital of the Company at that time. Once granted, no option may be transferred, assigned or charged and any purported transfer, assignment or charge shall cause the option to lapse immediately. No options are to be granted if such grant results in the aggregate of the total number of shares over which options have been granted and shares which have been acquired on the exercise of options exceeds 12.5 per cent. of the total paid up share capital of the Company including shares over which there are subsisting options.

8.4.4 *Exercise of Options*

Under the Scheme rules, options may be exercised in the months of March and April in the five years following the date of the annual general meeting relevant to the options being exercised. Any options not being exercised in this five year period lapse.

At an annual general meeting of the Company on 27 April 2001, the exercise period of these options was extended from five to ten years. An option may now be exercised in the ten year period following the Company's annual general meeting to which the option is relevant to. Options may also be exercised in the six month period following the sale of the entire share capital of the Company, or immediately prior to the Company liquidation. All options lapse on the appointment of a liquidator.

8.4.5 *Variations of Capital*

In the event of any variation in the share capital of the Company by way of capitalisation or rights issue, consolidation, subdivision or reduction of capital or otherwise, the number of shares subject to the option and option price for each of those shares shall be adjusted in such a manner as the auditors of the Company for the time being confirmed in writing to be fair and reasonable provided that the aggregate amount payable on the exercise of an option in full is not increased and, the option price for a share is not reduced below its normal value.

8.5 *Other Options*

The Company has also granted options pursuant to an agreement, particulars of which are set out in paragraph 10.6 of this Part V.

9. PREMISES

Details of the Group's principal establishment are as follows:

<i>Address of the Property</i>	<i>Tenant</i>	<i>Term</i>	<i>Rent</i>
1 Dover Street, Cambridge	Berkeley Scott Limited	5 years from 12 June 2002	£10,000 per annum
107 Kirkgate/ 2 Call Lane, Leeds	Berkeley Scott Limited	5 years from 13 September 2001	£10,400 per annum
11-13 Ockford Road, Godalming	Berkeley Scott Group Plc	24 June 1998 to 20 June 2005	£172,500 per annum (subject to review on 24 June 2005)
Neville House, 14 Waterloo Street, Birmingham	Berkeley Scott Group Plc	10 years from 28 June 2000	£15,700 per annum (subject to review on 28 July 2005)
152/154 Bishopsgate, London, EC2	Berkeley Scott Group Plc	26 September 2003 to 26 May 2007	£17,500 per annum.
17 London Road, Southampton	Berkeley Scott Limited	5 years from 1 June 2004	£8,500 per annum
42/43 High Street, Bristol	Berkeley Scott Limited	15 years from 14 January 2000	£21,000 per annum (subject to review on 14 January 2005 and 14 January 2010)
5/7/9 Beadon Road, London, W6	Berkeley Scott Group Plc	5 years from 25 March 2000	£9,000 per annum
Sutherland House 5/6 Argyll Street, London W1	Berkeley Scott Group Plc	10 years from 25 December 1998	£61,750 per annum
6 Churchill Way, Cardiff	Berkeley Scott Limited	5 years from 29 September 1998	£4,250 per annum
64 Charlotte Street, London, W1	Berkeley Scott Group Plc	10 years from 14 September 2001	£39,000 per annum (subject to review on 14th September 2006)
65 Princess Street, Manchester	Berkeley Scott Limited	10 years from 20 January 2004	£30,000 per annum (subject to review on 20 January 2009)
124/130 Market Street and 2/2a Mosley Street, Manchester	Number One Bureau Limited	10 years from 19 May 1995	£8,250 per annum (subject to review on 19 May 2000)
69 St Vincent Street, Glasgow	Berkeley Scott Limited	5 July 2004 to 1 December 2012	£12,000 per annum (subject to review on 1 December 2007)
44 Hanover Street, Edinburgh	Berkeley Scott Limited	25 June 2002 to 24 June 2012	£15,036 per annum (subject to review on 25 June 2007)

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or any company in the Group during the two years immediately prior to the date hereof and are, or may be, material in the context of the Group's business:

10.1 an engagement letter dated 8 November 2004 pursuant to which Evolution Securities has been appointed as nominated adviser and nominated broker to the Company on the terms set out therein and pursuant to which the Company has agreed to pay Evolution Securities a fee of £35,000 plus VAT per annum for its ongoing services in the period following Admission. The letter contains certain undertakings by the Company and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The engagement letter is terminable on the giving of 1 month's notice;

10.2 the Placing Agreement pursuant to which Evolution Securities has agreed conditionally, *inter alia*, on Admission occurring by no later than 3 December 2004 (or such later date as Evolution Securities and the Company may agree being not later than 17 December 2004), as agent for the Company, to use its reasonable endeavours to find subscribers in cash for the Placing Shares at the Placing Price. Evolution Securities has agreed, on the terms and subject to the conditions contained in the Placing Agreement, to subscribe for the 3,619,031 new Ordinary Shares the subject of the Placing for which subscribers are not obtained. The balance of 644,349 new Ordinary Shares which are the subject of the Placing comprising the Chairman's List (as defined in the Placing Agreement) will not be underwritten by Evolution Securities.

Evolution Securities will receive a fee of £175,000 for its services and a commission equal to 3 per cent. of the value of the Placing Price of the total number of Placing Shares (excluding those allocated to the persons on the Chairman's List) subscribed for pursuant to the Placing. Fees and commissions are payable together with VAT where applicable. £250,000 of the fees and commission payable to Evolution under the Placing Agreement will be used by Evolution to subscribe for Placing Shares at the Placing Price on the terms of the Placing.

The Placing Agreement contains certain indemnities and warranties given by the Company and the Directors, *inter alia*, as to the accuracy of the information contained in this document and other matters relating to the Company and its subsidiaries. The Company's and the Directors' liability under the Placing Agreement is subject to certain agreed caps and limitations.

Evolution Securities is entitled to terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a breach of the Placing Agreement or a material breach of any of the warranties contained in it or if an adverse change in financial, economic, political or market conditions occurs.

10.3 the Orderly Market Agreements under which, subject to certain exceptions, (i) the Directors who hold Ordinary Shares have undertaken not to dispose of any Ordinary Shares until the date of the publication of the Group's results for the year ending 30 September 2005 and not to dispose of more than 50 per cent. of their Ordinary Shares during the period between the date of the publication of the Group's results for the year ending 30 September 2005 and the date of the publication of the Group's results for the year ending 30 September 2006; (ii) certain other Shareholders (who will, upon Admission, hold in aggregate 1,760,695 Ordinary Shares) have undertaken not to dispose of any Ordinary Shares until the date of the publication of the Group's interim results for the period ending 31 March 2005 and not to dispose of more than 50 per cent. of their Ordinary Shares during the period between the date of the publication of the Group's interim results for the period ending 31 March 2005 and the date of the publication of the Group's results for the year ending 30 September 2005; and (iii) the VCTs have undertaken not to dispose of any of the Ordinary Shares that they will hold immediately prior to Admission, being an aggregate of 1,199,455 Ordinary Shares, for a period of six months following Admission.

The Directors who hold Ordinary Shares and the other Shareholders have also agreed that any sales or disposals of Ordinary Shares made prior to the expiry of their respective lock in period shall only be made through Evolution Securities;

10.4 a term loan facility agreement dated 30 November 2004 from Royal Bank of Scotland Plc as agent for National Westminster Bank Plc ("Natwest") making available to the Company a term loan of £500,000 (the "New Facility") for the purpose of assisting with working capital and the general business purpose of the Company. The New Facility is repayable in 21 quarterly instalments over a five year term with interest payable on the principal of the aggregate of (i) 2 per cent. and (ii) the base rate from time to time of Natwest, which at the date of this document amounts to 6.75 per cent. The New Facility will be drawn down in full following the repayment after Admission of the Company's current term loan facility of £1,270,000 under a credit agreement between it and Natwest dated 30 November 1998, as amended and restated by an amendment and restatement agreement dated 1 June 2004.

10.5 the Company adopted a loan note instrument on 30 September 1999 which was amended and restated on 1 June 2004 (the "Instrument") constituting £1,100,000 of unsecured nine per cent. loan notes 2008. £650,000 of loan notes were issued on 30 September 1999 under the Instrument and which are currently held by Chrysalis A VCT Plc (formerly Downing Classic VCT Plc) and Elderstreet Downing VCT Plc (the "Loan Notes").

Any interest payments which remain outstanding under the Loan Notes after their payment date are designated as additional principal and, as such, became repayable on 30 September 2008. In calculating interest payments, the converted interest is treated as being additional principal from the beginning of the Interest Period (as defined in the Instrument) which, in the case of the first Interest Period, means the period from and including 30 April 2004 up to and including 30 September 2004, and then subsequently the period from and including 1 October, up to and including 30 September. The Company proposes to repay the Loan Notes and accrued interest in full following Admission and the Placing.

10.6 the Company entered into an option agreement dated 1 June 2004 with Elderstreet Downing VCT Plc, Chrysalis A VCT Plc (formerly Downing Classic VCT) (together the 'VCTs') and Elderstreet Private Equity Limited granting the Funds a call option requiring the Company to grant to the VCTs on an equal basis, an option over 1 Ordinary Share at an exercise price of £0.60 (which will be £0.12 following the Capital Reorganisation) per Ordinary Share for each £5 (which will become £1 following the Capital Reorganisation) of interest due and payable by the Company to the VCTs under the Loan Notes, which remains unpaid within 60 days of the date interest on the Loan Notes has become due and payable following the Company's "cash sweep" under its current banking facility. The "cash sweep" is determined within 10 business days after delivery of the Company's audited accounts, commencing with its audited accounts for the financial period ending 30 September 2004 (the "2004 Accounts"). The Company delivered the 2004 Accounts immediately prior to publication of this document. The first such financial year is the year ending September 2004. As stated above, it is the Company's intention to repay the Loan Notes and accrued interest following Admission and Placing prior to the expiry of the 60 day period referred to above. In the event that payment is made after such date, (taking into account the Capital Reorganisation) the Company will be obliged to grant options in equal proportions to the VCTs over 87,750 Ordinary Shares in aggregate.

11. LITIGATION

No member of the Group is, and nor has any member of the Group been involved in any legal or arbitration proceedings which may have or have had during the twelve months proceeding the date of this document a significant effect on its or the Group's financial position nor are any such proceedings pending or threatened against any member of the Group.

12. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry and having regard to the proceeds of the Placing and the existing loan and bank facilities, the working capital available to the Group will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

13. UNITED KINGDOM TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes (except to the extent that reference is made to shareholders resident outside the United Kingdom) holding Ordinary Shares beneficially as investments and not as securities to be realised in the course of trade, and are based on current legislation and what is understood to be UK Inland Revenue practice. The taxation position of certain categories of shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered. Any prospective purchaser of Ordinary shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

13.1 *EIS Tax Relief*

The Inland Revenue has given provisional confirmation that the Company is a qualifying company under the Enterprise Investment Scheme legislation. To obtain the tax reliefs described below it is necessary to subscribe for ordinary shares in a qualifying company and claim the relief. The summary below gives only a brief outline of how the tax reliefs are given assuming the investor is a 40 per cent. tax payer. It does not set out all the rules which must be met for periods of between three and five years by the Company and the investor. The tax reliefs will only be relevant to investors who pay income tax and/or wish to defer a capital gain. The summary is not a substitute for the investor obtaining professional advice before applying for shares.

The EIS relief has four elements:

13.1.1 *Income Tax Relief*

This allows an investor to reduce the amount of his, or her, liability to income tax in the year of investment. Relief is obtained at the lower rate of income tax, currently 20 per cent., on the amount invested in the shares of qualifying companies. Investors should be able to deduct an amount equal to 20 per cent. of their investment from their liability to income tax in the current tax year. Relief cannot be claimed on more than £200,000 invested by an individual (in any number of qualifying companies) in any tax year.

To retain this relief the shares must be held by the investor for a period that ends three years after the share issue date or three years after the trade starts, whichever is later. This will be referred to below as the three year period.

<i>Example</i>	£
Gross investment in shares	10,000
Less tax relief at 20%	<u>(2,000)</u>
Net cost of investment	<u>8,000</u>

13.1.2 *Capital Gains Tax Exemption*

This exempts investors from the liability to capital gains tax when they realise a gain on a disposal of their shares in qualifying companies after the three year period, provided the EIS income tax relief was given on the shares and has not been withdrawn.

<i>Example</i>	£
Realised value of shares after three year period	20,000
Original gross investment in shares	<u>(10,000)</u>
Tax free gain	<u>10,000</u>

13.1.3 *Loss Relief*

In the event of an investor suffering a loss arising from the disposal of the EIS shares at any time, this relief allows the offset of losses against either capital gains or taxable income in the year of the loss.

<i>Example</i>	<i>40% Taxpayer*</i> £
Realised value of shares	Nil
Original cost of investment	(10,000)
EIS income tax relief	<u>2,000</u>
Loss	(8,000)
EIS loss relief	<u>3,200</u>
Net loss	<u>4,800</u>

* Assumes tax rates do not change

13.1.4 *Capital Gains Tax Deferral*

Individuals and certain trustees can defer all or part of their capital gains tax liabilities by subscribing for eligible shares in an EIS company. There is no monetary limit on the amount of the EIS subscription and thus the gain that can be deferred in this way. The gains that can be deferred are those that have arisen in the three years before the EIS shares are issued or those that arise up to one year after that date. Such gains may be the result of the disposal of an asset or, a gain previously deferred by the individual, may have become chargeable to tax.

Investors should note that this relief is a deferral only and that the original capital gain will crystallise on the disposal of the EIS shares at any time, resulting in CGT being payable in the normal way. The investor would however, be able to claim further deferral to the extent that a qualifying reinvestment is made within the time allowed. A transfer of shares on the owner's death does not cause the deferred gain to crystallise.

Example (assumes a higher rate taxpayer with a chargeable gain of £10,000)

	£
Gross Investment in shares	10,000
Less CGT deferral at 40%	(4,000)
Less tax relief at 20%	(2,000)
Net cost of investment	<u>(4,000)</u>

13.2 *Venture Capital Trust*

The Company has received provisional clearance from the Inland Revenue of the Company's status as a qualifying VCT investment.

Whilst the Company cannot guarantee to conduct its activities in a way to allow it to maintain its status as a qualifying VCT investment, the Directors intend, as far as possible, to do so.

13.3 *Taxation of Chargeable Gains*

Where EIS relief has not been claimed, 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.

If a Shareholder subsequently disposes of all or some of his Ordinary Shares, a liability to United Kingdom tax on chargeable gains may, depending on his circumstances, arise.

Shareholders should note that shares quoted on AIM qualify for "business assets" taper relief. The effect of this relief is to reduce the proportion of any capital gain chargeable to tax each complete year that the shares are held. Maximum relief is obtained once shares have been held for two years, subject to various conditions being satisfied.

Under current United Kingdom law the effect of taper relief is as follows:

Number of Years held	<i>Percentage of Gain Chargeable</i>	<i>Effective rate when higher rate tax payer (40%)</i>
0-1	100	40
1-2	50	20
More than 2	25	10

13.4 *Loss Relief*

If an investor is an individual or an investment company, relief for losses incurred by that investor on disposal of the Ordinary Shares may be available under Sections 573 to 576 of the Income and Corporation Taxes Act 1988, against income of the same or prior year, where EIS relief has not been claimed.

This relief should be available provided the Company and the investor satisfy the relevant statutory requirements.

13.5 *Inheritance Tax*

In certain circumstances unquoted ordinary shares held by an individual Shareholder in trading companies such as the Company potentially qualify for 100 per cent. business property relief which gives up to 100 per cent. exemption from Inheritance Tax. Therefore, where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax will be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the shares for two years before the date of transfer or death. However, other conditions also apply and a Shareholder should take individual professional advice.

13.6 *Stamp duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the new Ordinary Shares. The following is intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it.

13.7 *Shares held outside the CREST system*

The conveyance or transfer on sale of the Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the amount or value of the consideration. Stamp duty is charged in multiples of £5. An obligation to account for stamp duty reserve tax (“SDRT”) at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Ordinary Shares is not completed by a duly stamped instrument of transfer before the “accountable date” for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made. Payment of the stamp duty will cancel the liability to account for SDRT. The purchaser, in general, accounts for stamp duty and is liable for SDRT.

13.8 *Shares held within the CREST system*

The transfer of the Ordinary Shares in uncertificated form in the CREST system will generally attract a liability to SDRT at the rate of 0.5 per cent of the amount or value of the consideration. SDRT on such transfers is collected and paid by CREST. If SDRT is not paid by CREST then the Purchaser will be liable to account for and pay the tax.

13.9 *Dividends and other Distributions*

Under current United Kingdom legislation, no taxation will be withheld at source, from dividends paid by the Company.

An individual United Kingdom resident shareholder is generally entitled to a tax credit in respect of the dividend, which he can set off against his total liability to United Kingdom income tax. The amount of the tax credit is equal to one ninth of the cash dividend. The cash dividend aggregated with the amount of the tax credit (the “**gross dividend**”) will be included in the Shareholder’s income for United Kingdom tax purposes and will be treated as the top slice of the Shareholder’s income. Thus, a Shareholder receiving a dividend of £90 will be treated as having received income of £100 which has a tax credit of £10 attached to it.

An individual United Kingdom resident Shareholder who, after taking into account the gross dividend, pays income tax at the lower rate or basic rate will pay tax on the gross dividend at the Schedule F

ordinary rate of 10 per cent. against which he can set the tax credit. Such a Shareholder will have no further liability to account for income tax on the dividend.

An individual United Kingdom resident Shareholder who, after taking into account the gross dividend, pays income tax at the higher rate will pay tax on the gross dividend at the Schedule F upper rate of 32.5 per cent. against which he can set the tax credit. Such a Shareholder will have a liability to account for additional tax on the gross dividend, calculated by multiplying the gross dividend by the Schedule F upper rate and deducting the tax credit. This will be equivalent to 25 per cent. of the cash dividend received.

An individual United Kingdom resident Shareholder who does not pay income tax or whose liability to income tax does not exceed the amount of the tax credit will not be entitled to claim repayment of the tax credit attaching to the dividend.

Trustees who are liable to income tax at the rate applicable to trusts (currently 40 per cent.) will pay tax on the gross dividend at the Schedule F trust rate of 32.5 per cent. against which they can set the tax credit. To the extent that the tax credit exceeds the trustees' liability to account for income tax the trustees will have no right to claim repayment of the tax credit. Trustees of discretionary trusts should note that the changes to the tax treatment of dividends might impact adversely on beneficiaries who receive income from the trust. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

A United Kingdom resident corporate Shareholder will not generally be liable to corporation tax on any dividend received. Such Shareholders will not be able to claim repayment of tax credit attaching to dividends.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive but are not entitled to claim repayment of the tax credit.

Whether a non United Kingdom resident Shareholder is entitled to repayment of any part of the tax credit in respect of dividends paid to him, will depend upon the provisions of the double tax treaty (if any) between the country in which the Shareholder is resident and the United Kingdom. A non United Kingdom resident Shareholder should consult his own professional advisers on the possible application of such provisions, the procedure for claiming repayment and what relief or credit (if any) may be claimed for such tax credit in the jurisdiction in which he is resident.

This is only a condensed summary of the tax reliefs available to investors and should not be construed as constituting advice which a potential investor should obtain from his, or her, own investment or taxation adviser before applying for shares. The figures in this section are examples only. They are not, and should not be construed as, forecasts of the likely performance of the investment described in this prospectus.

14. GENERAL

- 14.1 The gross proceeds of the Placing are expected to be £3,026,999.80. The total costs and expenses relating to Admission and the Placing (including registration and AIM fees, printing, advertising and distribution costs, legal, accounting, corporate finance and public relations fees and expenses) are payable by the Company and are estimated to amount to approximately £783,000 (excluding applicable value added tax) of which approximately £78,150 is payable in commission pursuant to the Placing Agreement.
- 14.2 The minimum amount which, in the opinion of the Directors, must be raised by the Placing for the purposes set out in paragraph 21(a) of Schedule 1 of the POS Regulations, is £3.027 million which will be applied as follows:
 - 14.2.1 commissions and expenses of the issue – £0.783 million
 - 14.2.2 working capital – £2.244 million

No amounts are to be provided in respect of the matters referred to in sub paragraphs 14.2.1 to 14.2.2 above otherwise than out of the proceeds of the Placing.

- 14.3 BDO Stoy Hayward LLP, as reporting accountants, has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which they appear and to the inclusion of its report in this document and accepts responsibility for such report.
- 14.4 Evolution Securities has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 14.5 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealing on any investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 14.6 The accounting reference date of the Company is 30 September.
- 14.7 The Placing Price represents a premium of 69p over the nominal value of 2p per Ordinary Share. The Placing Price is payable in full in cash on application. No applications for Placing Shares have been or will be accepted other than under the terms of the Placing Agreement and the placing letters sent to prospective placees under the Placing.
- 14.8 Monies received from placees pursuant to the Placing will be held by Evolution Securities until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 3 December 2004 (or such later date as Evolution Securities and the Company may agree being not later than 17 December 2004), placing monies will be returned to placees at their risk without interest prior to delivery of the Ordinary Shares. The period within which the Placing applications may be accepted pursuant to the Placing are set out in the Placing Agreement and in the placing letters sent to placees.
- 14.9 It is expected that definitive share certificates (where relevant) will be dispatched by hand or first class post by 17 December 2004. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 3 December 2004.
- 14.10 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Group's activities.
- 14.11 Save as disclosed in this document, the Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the business of the Group.
- 14.12 Save as disclosed in this document, there are no investments in progress which are significant.
- 14.13 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Company and its subsidiaries since 30 September 2004, being the date of the financial information contained in the Report set out in Part III of this document.
- 14.14 Save as disclosed in this document, the Directors are not aware of any arrangements under which future dividends are waived or agreed to be waived.
- 14.15 No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him unless, in the relevant territory, such an invitation or offer can lawfully be made to him without contravention of any registration or other legal requirements.
- 14.16 Save as disclosed in this document no person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) has:
- 14.16.1 received, directly or indirectly, from the Company, within the twelve months preceding the date of this document; or

14.16.2 entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:

- (a) fees totalling £10,000 or more;
- (b) securities in the Company where these have 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.

14.17 The Company has entered into a consultancy agreement with Nicholas Hamilton dated 29 April 2004 for his services in assisting with the project management of the arrangements relating to the Admission. In return for his services, Nicholas Hamilton will receive remuneration of £43,000. On Admission, he will also be entitled to a completion fee of £15,000 and may, at the absolute discretion of the Company, receive a discretionary bonus of £10,000 payable following Admission.

14.18 The financial information given in Part III of this document does not constitute statutory accounts within the meaning of section 240 of the Act.

15. AVAILABILITY OF ADMISSION DOCUMENT AND OTHER DOCUMENTS

Copies of the following documents are available free of charge from the offices of Evolution Securities, 100 Wood Street, London EC2V 7AN, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document and for a period of one month from the date of this document:

- (a) this Admission Document;
- (b) the Memorandum and Articles of Association of the Company;
- (c) the report from BDO Stoy Hayward LLP set out in Part III of this document;
- (d) the Directors' service contracts and letters of appointment referred to in paragraph 7 of this Part V and the consultancy agreement referred to at paragraph 14.17 of this Part V;
- (e) the Share Option Schemes;
- (f) the material contracts referred to in paragraph 10 of this Part V;
- (g) the consent letters referred to in paragraph 14 of this Part V.

Dated 30 November 2004

