

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 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, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the ordinary share capital of the Company issued and to be issued to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). 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. The Ordinary Shares are not dealt on any other recognised investment exchange and no application is being or has been made for the Ordinary Shares to be admitted to any such exchange. In particular, 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. Further it is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority. The London Stock Exchange has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those which apply to securities admitted to trading on the Official List of the UK Listing Authority. Prospective investors should read the whole text of this document and should be aware that an 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 2 of this document. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on AIM on 11 March 2004.

2 ergo Group plc

(Incorporated in England and Wales with registered no. 5010663)

Placing of 5,833,334 Ordinary Shares of 1p each at 120p per share and

Admission to trading on the Alternative Investment Market

Nominated Advisor and Broker

Numis Securities Limited

Share capital

(immediately following admission to trading on AIM)

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£5,000,000	500,000,000	Ordinary Shares of 1p each	£289,701	28,970,100

The Placing is conditional, *inter alia*, on Admission taking place on or before 11 March 2004 (or such later date as the Company and Numis Securities Limited may agree, being not later than 19 March 2004). The Placing Shares will, following allotment, rank *pari passu* in all respects with the issued ordinary share capital of the Company including the right to receive all dividends and other distributions declared on Ordinary Shares after Admission.

The Ordinary Shares have not been, nor will they be, registered under the US Securities Act of 1933 or under any applicable securities laws of Australia, the Republic of Ireland, South Africa, Canada or Japan. The Ordinary Shares may not be offered or sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. This document must not be mailed or otherwise distributed or sent to or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. This document does not constitute an offer for, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

Numis Securities Limited ("Numis") is regulated by the Financial Services Authority and is acting exclusively for the Company and no-one else in connection with the Placing and Admission. Numis will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to clients of Numis nor for providing advice in relation to the transactions and arrangements detailed in this document or any acquisition of Ordinary Shares. No representation or warranty, express or implied, is made by Numis as to any of the contents of this document (without limiting statutory rights of any person to whom this document is issued). Numis has been appointed as the Company's nominated adviser and broker. In accordance with the AIM Rules, its responsibilities as the Company's nominated adviser 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 the decision to acquire shares in the Company in reliance on any part of this document.

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 Numis Securities Limited, Cheapside House, 138 Cheapside, London, EC2V 6LH for a period of one month from Admission.

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EXPECTED TIMETABLE FOR THE PLACING

Admission and dealings in the Ordinary Shares commence on AIM
and expected date for CREST accounts to be credited 8.00 a.m. on 11 March 2004

Despatch of definitive share certificates (where applicable) By 22 March 2004

Each of the times and dates in the above timetable is subject to change

KEY STATISTICS

Placing Price	120p
Number of New Ordinary Shares being offered in the Placing	2,500,000
Number of Vendor Placing Shares being offered in the Placing	3,333,334
Number of Ordinary Shares in issue following Admission	28,970,100
Placing Shares as a percentage of the enlarged issued share capital	20.14%
Market capitalisation of the Company at the Placing Price	£34,764,120
Gross proceeds of the Placing receivable by the Company	£3,000,000

DIRECTORS, SECRETARY AND ADVISERS

Directors	Keith Seeley (<i>Non-executive Chairman</i>) Barry Anthony Sharples (<i>Joint Managing Director</i>) Neale Spear Graham (<i>Joint Managing Director</i>) Jill Collighan (<i>Finance Director</i>) Michael Frayne (<i>Non-executive Director</i>) Martin Stuart Caller (<i>Non-executive Director</i>)
Registered and Head Office	St. Mary's Chambers Haslingden Road Rawtenstall Lancashire BB4 6QX
Company Secretary	Jill Collighan
Nominated Adviser and Broker	Numis Securities Limited Cheapside House 138 Cheapside London EC2A 6LH
Solicitors to the Company	Wacks Caller Steam Packet House 76 Cross Street Manchester M2 4JU
Solicitors to the Placing	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL
Auditors and Reporting Accountants	KPMG LLP St. James' Square Manchester M2 6DS
Registrars	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

DEFINITIONS

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

“2 ergo” or “the Group”	the Company and, where applicable, its subsidiaries or any one of them as appropriate
“Act”	the Companies Act 1985, as amended
“Admission”	admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective pursuant to paragraph 6 of the AIM Rules
“AIM Rules”	the rules of the London Stock Exchange governing admission to and the operation of AIM
“the Company”	2 ergo Group plc, the ultimate holding company of the Group
“CREST”	the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title of shares in uncertificated form operated by CrestCo Limited
“Directors” or “Board”	the Directors of the Company whose names are set out on page 4 of this document
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company immediately following Admission
“Existing Ordinary Shares”	the 26,470,100 Ordinary Shares in issue at the date of this document (including the Vendor Placing Shares)
“KPMG”	KPMG LLP
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the 2,500,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Numis”	Numis Securities Limited
“Ordinary Shares”	ordinary shares of 1p each in capital of the Company
“Placing”	the proposed conditional placing of the Placing Shares to investors by Numis on behalf of the Company and Selling Shareholders pursuant to the Placing Agreement
“Placing Agreement”	the agreement between Numis, the Directors and the Company details of which are set out in paragraph 13 of Part 7 of this document
“Placing Price”	120 pence, being the price at which each New Ordinary Share is to be issued and each Vendor Placing Share is to be sold under the Placing
“Placing Shares”	the New Ordinary Shares and the Vendor Placing Shares
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“SDRT”	stamp duty reserve tax

“Selling Shareholders”	Barry Anthony Sharples and Neale Spear Graham
“Share Option Schemes”	the 2 ergo Enterprise Management Incentive Scheme 2004 (“the EMI Scheme”) and the 2 ergo Unapproved Share Option Scheme 2004 (“the Unapproved Scheme”) both adopted by the Company on 2 March 2004
“Shareholder”	a holder of Ordinary Shares
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for purposes of Part IV of the Financial Services and Markets Act 2000
“US”	the United States of America, its states, districts, territories and possessions
“US Subsidiaries”	Georgia Holding Company, Inc., 2 ergo, Inc. and M-Invent, Inc.
“Vendor Placing Shares”	the 3,333,334 Ordinary Shares to be sold by the Selling Shareholders pursuant to the Placing

GLOSSARY

“application”	Technology structure that administers the delivery of service, product or content
“channel”	Sales route to market
“infrastructure”	The network of computing and information systems used by the Company in support of its messaging systems and services
“interface”	Connection to the platform
“logo”	Symbol or design downloaded to the screen of a mobile handset
“MMS”	Multimedia Messaging Services – an extension to SMS allowing audio, photographs and video clips to be transmitted to other users
“mobile content”	All forms of data and services which can be used via a mobile handset
“Multiserve Platform” or “Platform”	The modular communications infrastructure developed by the Company to provide its various products and services
“PayPal®”	A method of paying for goods and services utilising a web based account and wallet
“Premium Rate SMS”	An SMS through which an independent third party can charge end users
“SMS”	Short Message Service – a facility for sending text messages on all current handsets

PART 1

INFORMATION ON THE GROUP

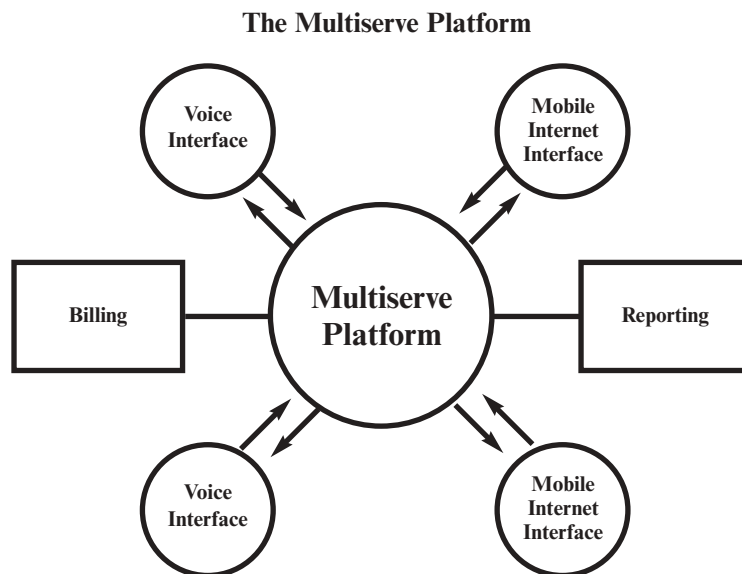
Introduction

Barry Sharples and Neale Graham founded 2 ergo Limited in September 1999 and since then have built a profitable business with a history of growing and recurring revenues. The Group has developed over the past four years to be in what the Directors believe to be a strong position in the field of converging communications.

The Company is based in Rawtenstall in the North West of England. It has co-located technical sites in Leeds and Manchester and a US sales office in Atlanta, Georgia.

2 ergo's products and services facilitate communication and interaction between companies and their staff or customers, utilising mobile internet, SMS, MMS, web and voice applications.

2 ergo has developed its own communication infrastructure, the Multiserve Platform. Through this proprietary technology, 2 ergo offers a broad range of functionality and communication capabilities to business organisations. The diagram below illustrates the manner in which this Platform receives information from a multitude of communication devices running on a variety of protocols. The Platform identifies which type of device is requesting the client's information or content and delivers it in a format and protocol appropriate to that device. The Platform comprises a separate module for each protocol such as mobile internet, SMS, MMS, web and voice. These are integrated in such a way that they can be used separately or in combination depending on a client's requirements.



2 ergo's client base includes companies such as Vodafone, Orange, MMO₂, T-Mobile, Virgin Mobile and Marconi.

2 ergo derives its revenues from a combination of service fees, application development fees and transactional fees. Each service generates income in any one or all of these three ways, the development fees being predominantly one off charges followed by regular monthly service fees and then regular transactional revenues that vary in line with client activity. This revenue model has been successfully adopted with the objective of ensuring positive cash flow and continued client commitment.

As a result of the growth of both its client base and the amount of data processed through the Multiserve Platform for those clients, 2 ergo's revenues have grown strongly over the last 3 years. 2 ergo's turnover for the 12 months to 31 August 2003 was £4,575,000. For the 3 month period to 31 January 2004 the Company's average monthly turnover was approximately £710,000 per month.

Products and Services

Mobile Internet Services

The Multiserve Platform allows 2 ergo to provide products capable of integrating with a client's existing communication services (including web sites, web based data stores or other forms of data or content) and offering remote information and data access via the various mobile devices currently available. The Platform can be used across all the current UK mobile phone networks and is capable of adaptation across other global networks.

2 ergo's mobile products and services include:

- Delivery of mobile content including financial information, sports results, ring tones, logos, games, video clips, horoscopes, and sales results.
- Tracking the location of goods in transit or members of a mobile workforce.
- Hosting and serving of mobile internet information sites and mobile access to web sites.
- Remote programming of mobile devices.

Messaging Services

2 ergo's messaging solutions and services include:

- Distribution of marketing messages to client databases world-wide using SMS and MMS protocols.
- Provision of high capacity inbound data collection for voting and competition services whereby users can register their entry by texting into the Platform.
- Auto response services utilising two-way SMS messaging commonly used in SMS-based competitions providing an instant win or lose response and other interactive response services.

Voice Services

2 ergo's voice solutions and services include:

- Facility to obtain information from databases utilising text to speech technology.
- Distribution of outbound voice broadcasts to client or staff databases and the provision of voicemail and message services.
- Inbound competition and registration lines using premium rate telephony, commonly used in television and radio competitions and voting services.
- Key-pad driven information lines which provide the caller with details of news, sport or forthcoming events and the ability to forward the caller to a live operator.

Web Services

The Multiserve Platform allows 2 ergo to offer its clients the facility to deploy, maintain and monitor new services via a secure on-line web interface. Services include:

- Empowering clients to send out information via secure web access from 2 ergo's outbound SMS, MMS and voice gateways. For instance, a provider of equity market information can use the Platform to provide time critical outbound SMS alerts for share price movements and corporate announcements. A subscriber to such a provider's service can use the provider's website to set the parameters of the service he requires (name of company/sector, type of announcement, message format etc.). These instructions are then stored in the Platform which interacts with the provider's information database and automatically sends messages to the subscriber according to his instructions.
- Allowing clients the facility to register new services such as competitions, alert services and other content delivery and then set and amend the service preferences and parameters.

Billing Services

This module provides the facility for the client's customers to make payments for their goods or services, by way of the following payment methods:

- Premium Rate SMS.
- Premium Rate Telephony.
- Promotional Currency and Units.
- PayPal® Account.
- Credit or debit card.

Reporting Services

This module allows a client to receive regular reports of transactional activity services including:

- Providing clients with live on-line reporting of the income generated from their customers using the service through the Platform.
- Providing clients with on-line status and delivery reports of their service to their customers.

Scope of Services

All of the Company's products and services can be provided using one of the three options below:

- A fully managed facility where 2 ergo hosts and manages the entire service or application on behalf of the client.
- A standard facility, where 2 ergo hosts the entire service or application but provides the client with a pre-configured web-based interface to access the services or application and undertake their own service management.
- Provision of technical documentation, programming examples and diagnostic tools to allow clients to build their own service or application to interface with the Multiserve Platform.

Revenue Model

Clients interface with the Multiserve Platform in various ways depending on the protocol being used. Typically 2 ergo charges monthly service fees, application development fees and transactional fees. Each service generates income in any one or all of these three ways, the development fees being predominantly one off charges followed by regular monthly service fees and then regular transactional revenues that vary in line with client activity.

Bespoke applications allow the Company to develop additional intellectual property which can be used in future projects for different clients. This allows the Company to ensure efficient and timely deployment of applications.

Application Development

2 ergo's client base ranges from small independent companies to blue-chip organisations. The flexibility of the Multiserve Platform and the range of products already developed allows 2 ergo to cater for many of its clients' communication requirements. If such requirements fall outside the product portfolio, 2 ergo is usually able to build a bespoke solution or service. An applications team specialises in the design and deployment of bespoke solutions or services across the entire range of protocols.

While bespoke in their initial application, these products are capable of being developed so as to be generic and thereby add to 2 ergo's ongoing product portfolio.

It is often possible to use a single piece of application software in a number of different ways. For instance, 2 ergo has developed an application enabling an operator accessing the internet from any location or via any device, to access a database, select a target subject and transmit a message via SMS to a designated mailing list. This has enabled a global oil company to communicate with selected parts of its mobile international work force and band managers at Virgin Records to provide promotional material to pop groups' registered fan bases.

The following are further examples of some of the bespoke applications recently developed by the Company:

24 hour Information Check

An application for estate agents allowing persons passing a For Sale sign to telephone an automated information line. Property details are converted from text to speech and spoken to the caller. Text confirmation of these details and photographs of the property (if the phone is MMS enabled) can then be sent to the prospective purchaser's mobile phone. The caller also has the option to be connected through to the estate agency office or to an out of hours service number. This enables the estate agency to provide certain of its services 24 hours a day, 365 days a year. The Company's revenue for this service is generated through a percentage of the telephone call charges and transactional fees per SMS/MMS message.

TextPlover

An SMS based, automated competition entry service launched simultaneously in over 500 public houses. This involved the creation of an interactive treasure hunt where prizes were hidden on a map, copies of which were distributed by the client to all participating public houses. Customers entered the competition by texting a grid reference to the Multiserve Platform. This interacted with the competition database and sent a text message back to the competitor's mobile phone informing them whether or not they had won a prize.

Fantext

A service allowing supporters of sports clubs to exchange SMS messages via the Multiserve Platform. Once a supporter has registered with the client operating the application they are matched to other supporters according to pre-established parameters. These allow them to exchange SMS messages with other supporters of their team or supporters of opposing teams. The messages are transmitted via 2 ergo's Platform so no phone numbers are exchanged and the service is therefore safe and anonymous. The application can be adapted to cater for many other usergroups.

Mobile Phone Portal

2 ergo has developed a multifunctional mobile phone portal providing mobile e-mail and other business and general public services for the customers of two leading retailers of mobile phones. The portal allows such customers to access the mobile internet. The portal provides a collection of information services which the retailer considers to be of interest to its user base. This application can be easily adapted to provide a company with a corporate portal on all of its staff's mobile phones.

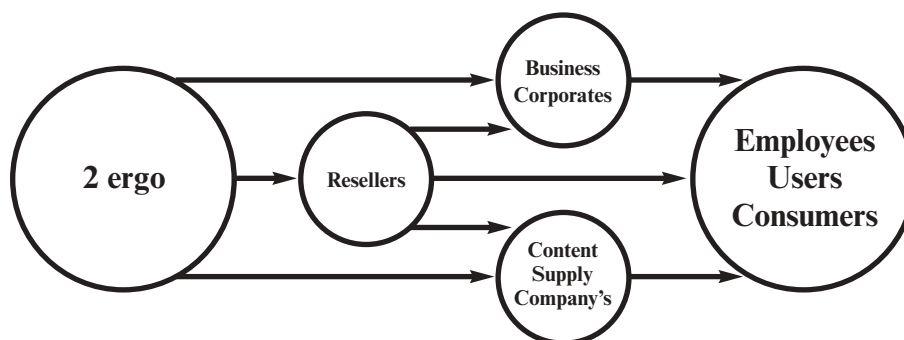
Auto Alerts

2 ergo can provide an SMS notification service to, for example, job hunters allowing a recruitment agency to communicate new positions to them immediately. The agency has secure access to the Multiserve Platform enabling them to issue messages to segments of their database. An automated version can also be provided where human involvement is not required: should a particular position become available the database is scanned and when a match is made an SMS notification is issued to the relevant individual.

Marketing Strategy

The Company's preferred route to market is through established relationships with businesses who resell the Company's products and services to their customers as detailed in the diagram below. 2 ergo focuses on these business partners to generate sales. This strategy has been successful in minimising the time to market for 2 ergo's products and allows the Company a more diverse customer group than 2 ergo's sales force could access. The Company also pursues business opportunities with large corporate entities seeking to create direct strategic relationships that the Directors believe will lead to improved profit margins for the Company.

Channels to Market



The Company's customer relationship management systems monitor sales activity by giving real time on-line reports on client business volumes to 2 ergo's sales teams. These systems also provide an audit trail of each client's activities and track new business contacts and targets.

Competitive Advantages

Comprehensive services and products

There are several competitors in each of the key market areas (mobile services, messaging, voice, web and bespoke). However, the Directors believe that there are few direct competitors covering all protocols. The Directors consider that this ability to provide a multi-protocol service is proving to be a major factor in winning new business in the fields of converging communications. The Company has repeatedly demonstrated the ability to build and activate client services at short notice. Client feedback leads the Directors to believe that this is a key factor in winning future business.

Technology and Staff

The Multiserve Platform comprises both proprietary and industry standard technologies. This enables the Platform to interact successfully with most communication devices and protocols. The Company continues to spend a significant amount of resources in developing and protecting its proprietary technology which the Directors consider to be an important barrier to entry.

The Directors believe that potential competitors would need to incur significant financial and other development costs in order to assemble and bring to market a competing range of technologies. 2 ergo's systems function across a large number of technology protocols, each of which requires operatives with a high degree of expertise. 2 ergo has brought together a technical team which continues to be strengthened through targeted recruitment and who are incentivised through the Company's share option and bonus schemes.

Client Relationships

The Directors are committed to client retention and, as such, significant investment has been made in providing the Company's Business Development Managers with the facilities to monitor client relationships on a daily basis, supported by operations and technical staff. The Company can track client performance through web-based management screens providing live statistics relating to the performance of client services. In this way, the Company provides a dynamic service which the Directors believe enhances the Company's relationship with its clients and builds an obstacle to potential new entrants to the market.

Opportunities

2 ergo plans to deliver mobile applications and services in the US through the US Subsidiaries. These companies will focus on developing and capturing market share in the mobile content and services markets in North America, building upon 2 ergo's experience gained in developing application and delivery solutions attractive to businesses and consumers.

The US wireless communication market is experiencing rapid growth, but presently trails European and East Asian acceptance levels. The Directors believe that the primary reason for this has been technological limitations of mobile telecommunications networks in the US which have only recently been addressed. With the widespread rollout of more advanced mobile telecoms infrastructure and handsets and their belief that the North American market displays a strong desire for mobile content, the Directors consider that North America is in a position to narrow the divide between its own and the European and East Asian markets.

The Company has also been awarded four OFTEL 118 Directory Enquiry licences. The Directors believe that there will be significant opportunities during 2004 to integrate certain existing 2 ergo services (including location based applications) into products for this market.

Summary Financials

The table below sets out the summary financial information of the Group for the three years ended 31 August 2003. This financial information has been extracted without material adjustment from the Accountants' Report set out in Part 4 of this document. Investors should read the whole of this document and not rely solely on the summarised information. The following information should be read in conjunction with "Current Trading, Prospects and Profit Estimate" set out in this Part 1 and the Accountants' Report set out in Part 4 of this document.

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	504	1,551	4,575
Gross profit	264	729	1,792
Operating profit/(loss)	(494)	(187)	467
Profit/(loss) on ordinary activities before taxation	(487)	(194)	453
Profit/(loss) on ordinary activities after taxation	(487)	(194)	604

2 ergo commenced trading in 1999 and a significant portion of its costs since that date has been employed in investing in the technical development of the Multiserve Platform. The Directors estimate that in excess of £1,350,000 has been expensed through the profit and loss account over the last three financial years in respect of this investment.

The Company has been consistently profitable (at the level of operating profit) since January 2003. This profitability generated an increase in cash levels to the point where, at 31 August 2003, cash balances were £335,150, exceeding bank borrowings of £250,000.

Current Trading, Prospects and Profit Estimate

Sales volumes have continued to increase since the end of the last financial year and 2 ergo has entered into several new client relationships since that date. 2 ergo's management has also been pursuing initiatives aimed at increasing recognition of the Company's brand name. The Company intends that these developments will be accompanied by a controlled roll out of its mobile applications and services in appropriate urban centres in the United States.

An estimate of profit before taxation to 29 February 2004 indicates a threefold increase over the comparable period in 2003. The Directors estimate that the profit before taxation of the Group for the six months ended 29 February 2004 will be approximately £210,000 (six months ended 28 February 2003: £73,000).

This operating profit estimate has been calculated after taking into account certain one off costs, or costs incurred in anticipation of future increases in activity. These include in excess of £100,000 spent researching and developing the Group's expansion into the US. In addition, the Group expects a charge to depreciation and amortisation of £203,000 in the six months to 29 February 2004. This compares to a charge for the full year to 31 August 2003 of £208,000. The Directors attribute the increase in costs in this area to the considerable investment undertaken by the Group in its asset base. The Group has also significantly increased its workforce over the six month period to 29 February 2004 to satisfy current and expected future demand.

In addition, the Company expects to eliminate the corporation tax charge for the year ended 31 August 2003 due to expenditure in that year on qualifying research and development. The Directors anticipate that a claim against corporation tax for qualifying research and development will also be made for the current financial year.

Further details of the profit estimate are set out in Part 5 of this document.

Reasons for Float and Use of Proceeds

The Company is proposing to raise £3,000,000, before expenses, by way of the placing of the New Ordinary Shares at 120p per share. A further approximate £4,000,000 is being raised under the Placing by the sale of the Vendor Placing Shares for the Selling Shareholders.

The net proceeds of the Placing available to the Company (being approximately £2,289,000) will be used to invest in infrastructure to enhance the Multiserve Platform, to provide capacity for growth, to facilitate 2 ergo's UK expansion and the launch of the Company's services in the US. The Directors will also investigate potential strategic acquisitions as part of the Company's overall expansion strategy.

The Directors believe that the profile of the Company will be significantly enhanced by its position as a quoted company thus helping to attract new clients. Quoted shares will allow the Company to incentivise management and employees through the Share Option Schemes and provide an alternative form of consideration for acquisitions.

The Placing

The Placing comprises an offer of 5,833,334 Ordinary Shares (representing approximately 20.14 per cent. of the issued ordinary share capital of the Company immediately following Admission) valued at the Placing Price at 120p. Of these 5,833,334 Ordinary Shares:

- (i) 2,500,000 are New Ordinary Shares; and
- (ii) 3,333,334 are Vendor Placing Shares to be sold by the Selling Shareholders.

Pursuant to the placing of New Ordinary Shares, which is to be fully underwritten by Numis in accordance with the terms of the Placing Agreement (further details of which are set out in paragraph 13 of Part 7), the Company will receive approximately £2,289,000, net of underwriting commissions and other fees and expenses of approximately £711,000.

The Company will not receive any proceeds from the sale of the Vendor Placing Shares. The stamp duty attaching to the purchase of the Vendor Placing Shares will be paid by the Selling Shareholders.

Directors

Keith Seeley (Non-executive Chairman) (aged 54)

Keith qualified as a chartered accountant in 1974, working with Cooper Brothers (now known as PricewaterhouseCoopers) and Lathams. As managing partner of Lathams he was responsible for building the practice to become one of the leading firms in the North West before overseeing its sale to Tenon PLC in 2001. He has been a director of 2 ergo Limited since 2001.

Barry Sharples (Joint Managing Director) (aged 42)

After earning professional qualifications as a mechanical and production engineer, Barry's management experiences in IT and communications span engineering, product development, sales and marketing. He and Neale Graham have worked together for over 17 years. Immediately prior to setting up 2 ergo Limited, they sold their previous business to NCH Marketing in October 1998.

Neale Graham (Joint Managing Director) (aged 41)

Neale has an extensive background in running telecommunication, software development and marketing organisations. He has run his own companies within the wireless and mobile phone sector for over 20 years. He was also a joint founder of the Telecoms Industry Association (TIA) representing

the interests of the private telecommunication dealers and launched one of the UK's first telecom industry trade magazines "Communication Trade News".

Jill Collighan (Finance Director) (aged 34)

Jill has over 15 years experience in the accountancy industry. She qualified as a chartered certified accountant in 1994 joining Lathams Chartered Accountants before leaving to set up her own accountancy consultancy business. She has worked with the Group since 2002.

Michael Frayne (Non-executive Director) (aged 44)

Mike Frayne is executive chairman of Intec Telecom Systems plc (techMARK100), a global provider of operations support systems for telecommunications companies. Prior to founding his own business, he worked as a consultant for a number of years in IT management roles in the investment banking industry. He holds an MBA from Wits Business School, Johannesburg and has co-founded businesses that today employ over 1,000 people.

Martin Caller (Non-executive Director) (aged 54)

Martin is managing partner of Wacks Caller, a firm of corporate and commercial solicitors based in Manchester. He specialises in corporate finance and has advised numerous quoted companies. He has been a non-executive director of 2 ergo Limited since 2001.

Dividend Policy

Following Admission the Directors anticipate that earnings will be retained for future development of the Group's businesses and will not be distributed in the short term. The declaration and payment of any future dividends by the Company and the quantum thereof will be dependent upon the Group's results, financial position, cash requirements, future prospects, profits available for distribution and other factors deemed by the Directors to be relevant at the time.

Share Options

Certain employees of the Group have been granted subscription options under a series of individual arrangements over an aggregate of 3,713,625 Ordinary Shares representing 12.8 per cent. of the Enlarged Issued Share Capital.

Further details of the terms of these options and the associated vesting criteria are set out at paragraph 7 of Part 7 of this document.

In preparation for Admission, the Company has also adopted the Share Option Schemes details of which are set out in paragraph 7 of Part 7 of this document. Neither Barry Sharples nor Neale Graham has any shares under option and are not expected to be granted any such options in the near future.

Lock-in Arrangements

Each Director has agreed with Numis not to sell any Ordinary Shares in which he or she is interested on Admission for a period expiring 12 months from the date of Admission.

In addition, each individual named in paragraphs 13.3 and 13.4 of Part 7 of this document has agreed with Numis not to sell any Ordinary Shares in which he is interested on Admission for a period expiring 12 months from the date of Admission.

The lock-in arrangements described above are in respect of, in aggregate, 20,792,849 Ordinary Shares, representing approximately 71.8 per cent. of the Enlarged Issued Share Capital.

These lock-in arrangements will not apply in certain limited circumstances, including an acceptance of a general offer for the share capital of the Company made in accordance with the City Code on Takeovers and Mergers which has been recommended by the Directors or has become unconditional as to acceptances.

Further details of these arrangements are set out in paragraph 13 of Part 7 of this document.

Corporate Governance

The principles and provisions of the Combined Code and the recommendations of the Higgs Report will be adopted by the Company following Admission, to the extent appropriate, in the view of the Directors, for a public company of its size and nature.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

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

The audit committee will receive and review reports from the management and the Company's auditors relating to annual and interim accounts and the accounting and internal controls in place throughout the Group. The audit committee will have unrestricted access to the Group's auditors. The members of the audit committee will be Keith Seeley, Michael Frayne and Martin Caller.

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 of appointment of the non-executive directors will be set by the Board. The remuneration committee will also approve the issue of share options under the Share Option Schemes. The members of the remuneration committee will be Keith Seeley, Michael Frayne and Martin Caller.

Taxation

General information relating to UK taxation with regard to Admission and the Placing is summarised in paragraph 10 of Part 7 of this document. **A potential shareholder who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than the UK, should consult his or her professional advisers immediately.**

Admission, Dealings and CREST

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will take place and that dealings on AIM will commence at 8.00 a.m. on 11 March 2004.

Application will be made to permit Ordinary Shares to be settled through CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred other than by written instrument. The Articles of Association of the Company permit the holding of Ordinary Shares in uncertificated form under the CREST system.

Further Information

Your attention is drawn to the additional information set out in Parts 2 to 7 of this document.

PART 2

RISK FACTORS

Potential investors should carefully consider the risks described below before making any decision to invest in the Company. If any of the risks described should actually occur, the Company could be materially affected. In such circumstances, the price of the Company's stock may fall and you could lose all or part of your investment. This document contains forward looking statements that involve risk and uncertainties. The Company's results could differ materially from those anticipated in the forward looking statements as a result of many factors, including the risks faced by the Group, which are described below and elsewhere in this document.

Sales and profits

The Directors have relied on a number of factors including current trading trends, client interest and industry reports to determine its projected growth. There can be no assurance that 2 ergo will be able to maintain the level and rate of growth of sales and profits envisaged.

Client contracts

Part of 2 ergo's strategy is to enter into special relationships with its contracted clients and business introducers. There can be no guarantee that 2 ergo will be able to secure further contracts or that potential or existing clients will enter into exclusive relationships with other companies marketing the same products as the Company in the future. 2 ergo's failure to secure further contracts or the loss of existing clients could have a material adverse effect on its business and financial condition.

The Group's contracts with certain significant customers may be terminated on short or no notice by such customers. While the Directors are not presently aware of any reason likely to lead to such termination, there can be no guarantee that such termination will not occur in the future. Such termination could have a material adverse effect on upon the Group's revenues and earnings.

Competition

The field of converging communications may become increasingly competitive in the UK and elsewhere. The development of new technologies could give rise to significant new competition which may have a material effect on 2 ergo's business.

Intellectual property rights

The Group relies and will, in the future, rely on intellectual property laws and third party non-disclosure agreements to protect its intellectual property rights. To the extent that the Group's products are protected by intellectual property rights, litigation may be necessary to protect such rights and could result in substantial costs to, and diversion of effort by, the Group with no guarantee of success.

Third party dependencies

2 ergo is dependent upon fixed line and mobile telephone networks within all the countries in which it may operate its services in the future. Because of the relatively small number of networks operating in each country around the world, 2 ergo's ability to trade in certain jurisdictions could be limited by the choice of the respective networks in each.

US market

A proportion of the proceeds of the Placing will be used for the development of the US Subsidiaries. Trading in the US comes with many inherent difficulties associated with launching and managing international operations. If 2 ergo fails to replicate its European experience in the US then this could have a material effect on its operations and/or profitability.

Staff dependency

Whilst the Directors feel that no single individual within the Company is critical to the Company's operations, the future consistent success of the business is dependent upon the senior management and certain key individuals.

Environmental

The actual or perceived health risks associated with the use of mobile devices could reduce the number of mobile users thus adversely affecting the Company's business.

Foreign currency exchange

Changes in currency exchange rates may harm the financial condition of 2 ergo through both transaction and conversion risks. Part of 2 ergo's revenues are derived outside the UK and 2 ergo may be affected by currency fluctuations in particular, in the dollar-sterling and Euro-sterling exchange rates.

Volatility of share price and liquidity

The share price of publicly traded companies can be highly volatile. The price at which the Placing Shares will be placed and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to 2 ergo and its operations and some which may affect the performance of 2 ergo, large purchases or sale of shares, currency fluctuations, legislative changes in 2 ergo's trading sector and general economic conditions. The admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are quoted on the Official List of the UK Listing Authority.

Regulatory and licensing

Existing and possible future legislation, regulation and actions could cause additional expense, capital expenditure, restrictions and delays in the activities of 2 ergo, the extent of which cannot be predicted. Before commencing certain services in some jurisdictions, 2 ergo must obtain permissions, licences or regulatory approvals and there is no assurance that these will be obtained. No assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Company's services in certain jurisdictions.

PART 3

ACCOUNTANTS' REPORT ON 2 ERGO GROUP PLC



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The Directors
Numis Securities Limited
Cheapside House
138 Cheapside
London
EC2V 6LH

8 March 2004

Dear Sirs

2 ERGO GROUP PLC (THE "COMPANY" OR "2 ERGO GROUP")

We report on the financial information set out in paragraphs below. This financial information has been prepared for inclusion in the Admission Document dated 8 March 2004 of 2 ergo Group plc (the "Admission Document").

Basis of preparation

The financial information set out in paragraphs below is based on the unaudited accounts of 2 ergo Group plc for the period ended 31 January 2004 to which no adjustments were considered necessary.

The unaudited accounts for the period ended 31 January 2004 were prepared for the purposes of the Admission Document.

Responsibility

Such unaudited accounts are the responsibility of the directors of the Company who have approved their issue.

The directors of the Company are responsible for the contents of the Admission Document dated 8 March 2004 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 of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and 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 Company at 31 January 2004.

We consent to the inclusion in the Admission Document dated 8 March 2004 of this report and accept responsibility for this report for the purposes of paragraph 45 (8)(b) of Schedule 1 of the Public Offers of Securities Regulations 1995.

1. BALANCE SHEET

	<i>Note</i>	<i>At 31 January 2004 £</i>
Current assets		
Cash at bank and in hand		2
Net assets		<u>2</u>
Capital and reserves		
Called up share capital	2.2	<u>2</u>
Shareholders' funds		<u><u>2</u></u>

2. NOTES TO THE FINANCIAL INFORMATION

2.1 Background

The Company was incorporated on 9 January 2004 as Sharelease plc. The Company has not yet commenced business, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

2.2 Called up share capital

	<i>At</i>
	<i>31 January</i>
	<i>2004</i>
	£
Authorised:	
50,000 equity ordinary shares of £1 each	<u>50,000</u>
Allotted and fully paid:	
2 equity ordinary shares of £1 each	<u>2</u>

2.3 Post balance sheet events

On 2 March 2004:

- (a) the authorised share capital of the Company was increased from £50,000 to £5,000,000 by the creation of 4,950,000 ordinary shares of £1 in the capital of the Company;
- (b) each of the existing issued ordinary shares and each of the existing unissued ordinary shares of £1 each in the capital of the Company were subdivided into 100 ordinary shares of 1p; and
- (c) the Company entered into a number of individual share option arrangements in respect of 3,713,625 ordinary shares of 1p each at an exercise price of between £5.46 and £12.00 per 25 ordinary shares of 1p each in the capital of the company.

On 2 March 2004, 26,470,100 (on the basis of a 25 for 1 swap) ordinary shares of 1p each were issued in connection with the acquisition of the whole of the issued share capital of 2 ergo Limited.

Apart from these transactions, and the issue of shares detailed above, 2 ergo Group plc has not entered into any other transactions since incorporation.

Yours faithfully

KPMG LLP

PART 4

ACCOUNTANTS' REPORT ON 2 ERGO LIMITED



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London
EC2V 6LH

8 March 2004

Dear Sirs

2 ERGO LIMITED (THE "COMPANY" OR "2 ERGO")

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document of 2 ergo Limited dated 8 March 2004 (the "Admission Document")

Basis of preparation

The financial information set out in paragraphs 1 to 4 is based on the audited financial statements of the Company for the three years ended 31 August 2003 prepared on the basis described in note 4.1 after making such adjustments as we consider necessary.

Responsibility

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

The directors for 2 ergo Group plc are responsible for the contents of the Admission Document dated 8 March 2004 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 of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of 2 ergo Limited as at the dates stated and of its results and cash flows for the years then ended.

1. PROFIT AND LOSS ACCOUNTS

		<i>Years ended 31 August</i>		
	<i>Note</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
		<i>£</i>	<i>£</i>	<i>£</i>
Turnover	4.2	503,634	1,551,401	4,575,281
Cost of sales		<u>(239,887)</u>	<u>(822,547)</u>	<u>(2,783,391)</u>
Gross profit		263,747	728,854	1,791,890
Administrative expenses		(757,535)	(1,028,970)	(1,324,822)
Other operating income		–	113,364	–
Operating profit/(loss)	4.3	<u>(493,788)</u>	<u>(186,752)</u>	<u>467,068</u>
Other interest receivable and similar income	4.5	7,823	799	307
Interest payable and similar charges	4.6	<u>(947)</u>	<u>(7,592)</u>	<u>(14,224)</u>
Profit/(loss) on ordinary activities before taxation		<u>(486,912)</u>	<u>(193,545)</u>	<u>453,151</u>
Tax on profit/(loss) on ordinary activities	4.7	–	–	150,419
Profit/(loss) on ordinary activities after taxation		<u><u>(486,912)</u></u>	<u><u>(193,545)</u></u>	<u><u>603,570</u></u>
Illustrative earnings per share – basic	4.8	(1.9)p	(0.7)p	2.3p
Illustrative earnings per share – fully diluted	4.8	<u><u>(1.9)p</u></u>	<u><u>(0.7)p</u></u>	<u><u>2.3p</u></u>

All activities relate to continuing operations.

Statements of total recognised gains and losses

There were no other gains and losses throughout the period under review other than those reported above.

2. BALANCE SHEETS

	Note	<i>As at 31 August</i>					
		2001		2002		2003	
		£	£	£	£	£	£
Fixed assets							
Intangible assets	4.9		–		–		646,975
Tangible assets	4.10		54,684		87,536		63,286
			<u>54,684</u>		<u>87,536</u>		<u>710,261</u>
Current assets							
Debtors	4.11	98,442		305,612		806,759	
Cash at bank and in hand		<u>6,553</u>		<u>32,787</u>		<u>335,150</u>	
		104,995		338,399		1,141,909	
Creditors: amounts falling due within one year	4.12	<u>(292,672)</u>		<u>(367,384)</u>		<u>(1,074,501)</u>	
Net current assets/(liabilities)		<u>(187,677)</u>		<u>(28,985)</u>		<u>67,408</u>	
Total assets less current liabilities		(132,993)		58,551		777,669	
Creditors: amounts falling due after more than one year	4.13		–	(150,000)		(250,000)	
Provisions for liabilities and charges	4.14		–		–	(15,548)	
Net assets/(liabilities)		<u>(132,993)</u>		<u>(91,449)</u>		<u>512,121</u>	
Capital and reserves							
Called up share capital	4.15		10,973		11,403		11,403
Share premium account	4.16		1,156,109		1,390,768		1,390,768
Other reserves	4.16		(657,074)		(657,074)		(657,074)
Profit and loss account	4.16		<u>(643,001)</u>		<u>(836,546)</u>		<u>(232,976)</u>
Equity shareholders' funds		<u>(132,993)</u>		<u>(91,449)</u>		<u>512,121</u>	

3. CASH FLOW STATEMENTS

	Note	<i>Years ended 31 August</i>		
		2001	2002	2003
		£	£	£
Net cash inflow/(outflow) from operating activities	4.18	(451,459)	(176,066)	1,094,988
Return on investments and servicing of finance	4.20	6,876	(4,577)	(12,733)
Capital expenditure	4.20	<u>(42,764)</u>	<u>(136,120)</u>	<u>(830,273)</u>
Cash inflow/(outflow) before management of liquid resources and financing		(487,347)	(316,763)	251,982
Financing	4.20	<u>458,785</u>	<u>361,036</u>	<u>85,798</u>
Increase/(decrease) in cash in the period		<u>(28,562)</u>	<u>44,273</u>	<u>337,780</u>

Reconciliations of net cash flow to movements in net cash

	Note	<i>Years ended 31 August</i>		
		2001	2002	2003
		£	£	£
Increase/(decrease) in cash in the year	4.21	(28,562)	44,273	337,780
Net cash at 1 September	4.21	<u>(18,341)</u>	<u>(46,903)</u>	<u>(2,630)</u>
Net cash at 31 August	4.21	<u>(46,903)</u>	<u>(2,630)</u>	<u>335,150</u>

4. NOTES TO THE FINANCIAL INFORMATION

4.1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial information except as noted below.

Basis of preparation

The financial information is prepared in accordance with applicable accounting standards and under the historical cost convention. As described in note 4.16, UITF Abstract 38 has been adopted in the financial information.

The auditors of the Company over period were:

- for the years ended 31 August 2001 and 31 August 2002, Cowgill Holloway.
- for the year ended 31 August 2003, KPMG LLP.

Intangible fixed assets

The database is amortised over 3 years based on the directors' estimate of useful life.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office furniture and fittings	–	25% reducing balance
Computer equipment	–	25% reducing balance and 33.3% straight line

Government grants

Government grants are included within accruals and deferred income in the balance sheet. Grants towards capital expenditure are credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Leasing

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amounts charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development

Costs associated with research and development are charged to the profit and loss account as incurred.

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made in full for deferred tax in accordance with FRS 19. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Employee Benefit Trust

The assets of the trust are included in the Company Balance Sheet together with any related borrowing until the shares vest unconditionally in employees. Any diminution in the value of the shares is recognised as a charge to the profit and loss account. Costs of administration are charged in the profit and loss account as incurred.

4.2 Turnover

Turnover represents amounts receivable for the provision of telecommunications services net of VAT and trade discounts. All turnover has arisen from activities in the UK.

4.3 Operating profit/(loss)

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Operating profit/(loss) is stated after charging:			
Depreciation and other amounts written off tangible fixed assets	18,228	103,268	24,373
Amortisation of intangible fixed assets	–	–	183,175
Operating lease rentals	25,614	22,640	22,673
Auditors' remuneration:			
– audit services	–	4,000	11,000
– other non-audit services	–	13,899	34,000
Directors' emoluments	233,872	229,491	212,808
After crediting:			
Government grants	–	113,364	–
	<u> </u>	<u> </u>	<u> </u>

4.4 Particulars of staff

The average number of persons employed including directors during the year was:

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Technical	7	7	9
Sales and administration	6	8	9
	<u> </u>	<u> </u>	<u> </u>
	<u> 13</u>	<u> 15</u>	<u> 18</u>

The aggregate payroll costs of these persons:

	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Wages and salaries	454,418	586,551	813,810
Social security costs	46,225	59,805	86,165
Other pension costs	–	9,304	17,807
	<u> </u>	<u> </u>	<u> </u>
	<u>500,643</u>	<u>655,660</u>	<u>917,782</u>

Directors' remuneration

Remuneration of directors during the period was as follows:

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Salaries	233,872	229,491	212,808
Pension costs	–	7,200	5,006
	<u>233,872</u>	<u>236,691</u>	<u>217,814</u>

Highest paid Director

The highest paid director earned the following in the years ended:

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Salary paid for qualifying services	58,667	70,000	90,474
Contributions paid into pension scheme	–	1,400	2,128
	<u>58,667</u>	<u>71,400</u>	<u>92,602</u>

There were 2 directors accruing pension rights at 2003 year end (2002: 4) (2001: none).

None of the directors received any remuneration or benefits under long term incentive schemes.

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company according to the register of directors' interests:

	<i>Ordinary shares</i>		
	<i>of £1 each</i>	<i>of 1p each</i>	<i>of 1p each</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
BA Sharples	3,708	370,800	370,800
NS Graham	3,700	370,000	370,000
MS Caller	100	10,000	10,000
T Bladon	271	36,244	36,244
K Seeley	–	9,144	9,144

The Directors had the following options to subscribe for shares in the company which were granted on 28 November 2001:

Trevor Bladon	45,721 ordinary shares at an exercise price of £5.47. This option expires on 31 December 2004
Keith Seeley	22,805 ordinary shares at an exercise price of £5.47. This option expires on 28 November 2011

4.5 Interest receivable and similar income

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Bank interest receivable	7,470	194	55
Other	353	605	252
	<u>7,823</u>	<u>799</u>	<u>307</u>

4.6 Interest payable and similar charges

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	£	£	£
Amounts payable on bank loans and overdrafts	947	7,592	13,385
Other	–	–	839
	<u>947</u>	<u>7,592</u>	<u>14,224</u>

4.7 Taxation

Analysis of charge in period

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	£	£	£
Current tax			
UK Corporation tax based on results for the year	–	–	–
Adjustments in respect of prior year	–	–	(165,967)
Total current tax	–	–	(165,967)
Deferred tax (See note 4.14)	–	–	15,548
Tax on profit on ordinary activities	–	–	(150,419)

The adjustment made in 2003 in relation to prior year is a result of tax credits obtained for research and development.

	<i>Years ended 31 August</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	£	£	£
Current tax reconciliation			
Profit/(loss) on ordinary activities before taxation	(486,912)	(193,545)	453,151
Current tax at 19 per cent. (2002 and 2001 20 per cent.)	(97,382)	(38,709)	86,099
<i>Effects of:</i>			
Non deductible expenses	–	2,415	3,676
Capital allowances in excess of depreciation	–	(7,026)	–
Depreciation in excess of capital allowances	–	–	2,171
Tax losses created (utilised)	97,382	43,320	(58,071)
Research and development tax credit	–	–	(33,875)
	<u>97,382</u>	<u>38,709</u>	<u>(86,099)</u>
Current tax charge	–	–	–

Factors that may affect future tax charges

The company has estimated losses of £nil (2002: £882,372; 2001: £665,768) available to carry forward against future trading profits.

4.8 Illustrative earnings per ordinary share

The illustrative earnings per ordinary share reflects the share capital of 2 ergo Group plc following the acquisition of 2 ergo Limited by way of a share for share exchange. The calculation is based on losses of £486,912 and £193,545 and earnings of £603,570 for the years ended 31 August 2001, 2002 and 2003 respectively, divided by ordinary shares of 25,472,421, 26,229,559 and 26,470,100, being the weighted average number of ordinary shares in issue during the respective periods.

The fully diluted earnings per share is based on ordinary shares of 26,398,538, 27,217,222 and 27,457,763 for the years ended 31 August 2001, 2002 and 2003 respectively, allowing for the full conversion of outstanding share purchase options and losses of £486,912 and £193,545 and earnings of £603,570 arising during the respective periods.

The loss per ordinary share and weighted average number of shares for the purpose of calculating the diluted earnings per share for the years ended 31 August 2001 and 2002 are identical to those used for the basic illustrative earnings per share for those periods. This is because the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of FRS 14.

4.9 Intangible assets – database

	£
Cost	
At 1 September 2000	–
Additions	–
At 1 September 2001	–
Additions	–
	<hr/>
At 1 September 2002	–
Additions	820,150
Transfers from tangible fixed assets	10,000
	<hr/>
At 31 August 2003	<u>830,150</u>
Amortisation	
At 1 September 2000	–
Additions	–
At 1 September 2001	–
Additions	–
	<hr/>
At 1 September 2002	–
Charge for year	183,175
	<hr/>
At 31 August 2003	<u>183,175</u>
Net book value	
At 31 August 2003	<u>646,975</u>
At 31 August 2002	<hr/> <hr/>
At 31 August 2001	<hr/> <hr/>

During the financial year ended 31 August 2003 the company acquired a database of mobile telephone numbers available for use by its customers. The cost of the database is amortised over the estimated useful life of 3 years.

4.10 Tangible fixed assets

	<i>Computer equipment</i> £	<i>Office furniture and fittings</i> £	<i>Total</i> £
Cost			
At 1 September 2000	33,570	6,628	40,198
Additions	41,439	1,325	42,764
At 1 September 2001	75,009	7,953	82,962
Additions	133,933	2,187	136,120
At 1 September 2002	208,942	10,140	219,082
Additions	9,793	330	10,123
Transfer to intangible fixed assets	(10,000)	–	(10,000)
At 31 August 2003	<u>208,735</u>	<u>10,470</u>	<u>219,205</u>
Depreciation			
At 1 September 2000	8,393	1,657	10,050
Charge for year	16,654	1,574	18,228
At 1 September 2001	25,047	3,231	28,278
Charge for year	101,875	1,393	103,268
At 1 September 2002	126,922	4,624	131,546
Charge for year	22,937	1,436	24,373
At 31 August 2003	<u>149,859</u>	<u>6,060</u>	<u>155,919</u>
Net book value			
At 31 August 2003	<u>58,876</u>	<u>4,410</u>	<u>63,286</u>
At 31 August 2002	<u>82,020</u>	<u>5,516</u>	<u>87,536</u>
At 31 August 2001	<u>49,962</u>	<u>4,722</u>	<u>54,684</u>

4.11 Debtors

	<i>2001</i> £	<i>2002</i> £	<i>2003</i> £
Trade debtors	82,287	215,504	328,898
Other debtors	8,068	7,733	–
Prepayments and accrued income	8,087	82,375	477,861
	<u>98,442</u>	<u>305,612</u>	<u>806,759</u>

4.12 Creditors: amounts falling due within one year

	<i>2001</i> £	<i>2002</i> £	<i>2003</i> £
Bank loans and overdrafts	53,456	35,417	–
Trade creditors	39,370	86,073	452,429
Taxes and social security costs	70,521	112,585	153,365
Directors' current accounts	38,255	14,202	–
Other creditors	2,336	1,844	2,200
Accruals and deferred income	88,734	117,263	466,507
	<u>292,672</u>	<u>367,384</u>	<u>1,074,501</u>

4.13 Creditors: amounts falling due after more than one year

	2001 £	2002 £	2003 £
Bank loans	–	150,000	250,000
Analysis of loans			
Wholly repayable within five years	–	150,000	250,000
	–	150,000	250,000
Loan maturity analysis			
Within one year	–	–	–
In more than one year but not more than two years	–	30,000	69,445
In more than two years but not more than five years	–	120,000	180,555
	–	150,000	250,000

The loan is secured by a fixed and floating charge over the assets of the company.

4.14 Provision for liabilities and charges

Deferred tax

	2001 £	2002 £	2003 £
Accelerated capital allowances	–	–	16,208
Short term and other timing differences	–	–	(660)
Deferred tax provision	–	–	15,548

4.15 Share capital

	2001 £	2002 £	2003 £
Authorised			
5,000,000 Equity ordinary shares of 1p each	–	50,000	50,000
50,000 Equity ordinary shares of £1 each	50,000	–	–
	50,000	50,000	50,000
Allotted, called up and fully paid			
1,140,300 Equity ordinary shares of 1p each	–	11,403	11,403
10,973 Equity ordinary shares of £1 each	10,973	–	–
	10,973	11,403	11,403

During the financial year ended 31 August 2002 the £1 ordinary shares were subdivided into 1p ordinary shares.

At 31 August 2003, there were unexercised share options as follows:

	<i>Number</i>	<i>Nominal Value</i> £
Equity ordinary shares of 1p each	72,600	726

The rights on the equity ordinary shares of 1p each are exercisable between 28 November 2001 and 31 December 2004; 28 November 2001 and 28 November 2011; and between 1 May 2002 and 1 May 2012 at an exercise price of between £5.46 and £5.47.

4.16 Statement of movements on reserves

	<i>Share premium account</i> £	<i>Other reserves</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
Balance at 1 September 2000	–	–	(156,089)	(156,089)
Retained loss for the year	–	–	(486,912)	(486,912)
Employee Share Trust	–	(657,074)	–	(657,074)
Premium on shares issued during the year	<u>1,156,109</u>	–	–	<u>1,156,109</u>
Balance at 1 September 2001	1,156,109	(657,074)	(643,001)	(143,966)
Retained loss for the year	–	–	(193,545)	(193,545)
Premium on shares issued during the year	<u>234,659</u>	–	–	<u>234,659</u>
Balance at 1 September 2002	1,390,768	(657,074)	(836,546)	(102,852)
Retained profit for the year	–	–	603,570	603,570
Balance at 31 August 2003	<u><u>1,390,768</u></u>	<u><u>(657,074)</u></u>	<u><u>(232,976)</u></u>	<u><u>500,718</u></u>

Other reserves comprises 58,400 shares of 1p each in the company held by Lammtara Industries Trustees EBT Limited for the purpose of share ownership schemes approved by the directors in 2000. The shares are held at cost.

The investment was previously reported as a loan to the EBT of £657,074. The directors consider that the shares should be reported as a deduction to shareholders funds in accordance with UITF Abstract 38. The 2002 and 2001 balance sheets have been restated to this effect.

4.17 Reconciliation of movements in shareholders' funds

	<i>2001</i> £	<i>2002</i> £	<i>2003</i> £
Profit/(loss) for the financial year	(486,912)	(193,545)	603,570
Proceeds from issue of shares	1,157,082	235,089	–
Employee Share Trust	<u>(657,074)</u>	–	–
Net addition to shareholders' funds	13,096	41,544	603,570
Opening shareholders' funds	<u>(146,089)</u>	<u>(132,993)</u>	<u>(91,449)</u>
Closing shareholders' funds	<u><u>(132,993)</u></u>	<u><u>(91,449)</u></u>	<u><u>512,121</u></u>

4.18 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	<i>2001</i> £	<i>2002</i> £	<i>2003</i> £
Operating profit/(loss)	(493,788)	(186,752)	467,068
Depreciation charge	18,228	103,268	24,373
Amortisation charge	–	–	183,175
Decrease in stock	20,369	–	–
Increase in debtors	(95,099)	(207,170)	(335,180)
Increase in creditors	<u>98,831</u>	<u>114,588</u>	<u>755,552</u>
Net cash inflow / (Outflow) from operating activities	<u><u>(451,459)</u></u>	<u><u>(176,066)</u></u>	<u><u>1,094,988</u></u>

4.19 Reconciliation of net cash flow to movement in net debt

	2001 £	2002 £	2003 £
Increase/(decrease) in cash in the period	(28,562)	44,273	337,780
Cash flow from decrease/(increase) in debt	41,223	(125,947)	(85,798)
Change in net debt resulting from cash flows	12,661	(81,674)	251,982
Net debt 1 September	(97,819)	(85,158)	(166,832)
Net debt 31 August	(85,158)	(166,832)	85,150

4.20 Analysis of cash flows for headings in the cash flow statement

	2001		2002		2003	
	£	£	£	£	£	£
Returns on investments and servicing of finance						
Interest paid	(947)		(5,376)		(13,040)	
Interest received	7,823		799		307	
		6,876		(4,577)		(12,733)
Capital expenditure						
Purchase of tangible fixed assets	(42,764)		(136,120)		(10,123)	
Purchase of intangible assets	–		–		(820,150)	
		(42,764)		(136,120)		(830,273)
Financing						
Shareholder loans	(41,223)		(24,053)		(14,202)	
Bank loans	–		150,000		100,000	
Share issues	500,008		235,089		–	
		458,785		361,036		85,798

4.21 Analysis of changes in net debt

	<i>At 1</i> <i>September</i> 2001			<i>At 31</i> <i>August</i> 2002			<i>At 31</i> <i>August</i> 2003		
	£	Cashflow movements £	Non cash movements £	£	Cashflow movements £	Non cash movements £	£	Cashflow movements £	Non cash movements £
Cash in hand and at bank	6,553	26,234	–	32,787	302,363	–	335,150		
Overdraft	(53,456)	18,039	–	(35,417)	35,417	–	–		
	(46,903)	44,273	–	(2,630)	337,780		335,150		
Bank loans due in over one year	–	(150,000)	–	(150,000)	(100,000)	–	(250,000)		
Shareholder loans	(38,255)	24,053	–	(14,202)	14,202	–	–		
	(85,158)	(81,674)	–	(166,832)	251,982	–	85,150		

4.22 Financial commitments

At 31 August 2003 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	£	£	£
Expiry date:			
Between two and five years	<u>25,614</u>	<u>22,640</u>	<u>22,673</u>

4.23 Related party transactions

During the year ended 31 August 2003 interest was received on loans made to Directors of £252. Amounts owed by Directors at 31 August 2003 were £nil (2002: £2,373).

IVR World Service Limited is a company under common ownership. During the year ended 31 August 2003 the company sold services in the aggregate of £142,404 to IVR World Service Limited. Management fees in the aggregate of £500 (2002:£Nil) were paid to IVR World Service Limited. Amounts owed by IVR World Service Limited at 31 August 2003 were £Nil (2002: £Nil).

During the year ended 31 August 2003 consultancy fees of £15,000 (2002: £12,000) were charged by another company for the service of Keith Seeley. These transactions were at arms length at normal commercial terms.

During the year ended 31 August 2003 the company purchased services to the value of £18,947 (2002: £14,686) from Wacks Caller, a firm in which Martin Caller is a partner. These transactions were at arms length at normal commercial terms.

4.24 Post balance sheet events

Since August 2003 the following director appointments have been made:

– Mr Damian Hanson and Mr David Traynor were appointed directors effective from 12 December 2003.

– Mrs Jill Collighan was appointed director and Company Secretary effective from 23 February 2004.

On 9 October 2003, a further 124,215 options were issued at an option price of £5.47 per share, exercisable between October 2003 and October 2013.

Mr T Bladon and Mr K Seeley acquired 45,721 and 22,805 ordinary shares respectively at an exercise price of £5.47 on 24 February 2004 by way of the exercise of options.

All outstanding options existing on 2 March 2004 were surrendered in exchange for options in 2 ergo Group plc on the same terms as the original grants.

On 9 January 2004 2 ergo Group plc (formerly Sharelease plc) was incorporated. On 2 March 2004 2 ergo Group plc acquired the entire issued share capital of 2 ergo Limited.

Yours faithfully

KPMG LLP

PART 5

PROFIT ESTIMATE

Profit Estimate

Having made due and careful enquiry, the Directors estimate that, on the bases and assumptions set out below and in the absence of unforeseen circumstances, the profit before taxation of the Group for the six months ended 29 February 2004 (the "Estimate") will be approximately £210,000.

Bases and Assumptions

The Estimate has been prepared on a basis consistent with the accounting policies normally adopted by the Group. The Estimate has been based on the unaudited management accounts of the Group for the five months ended 31 January 2004 and the Directors' estimates for the month ended 29 February 2004.

In preparing the Estimate, the Directors have made the following principal assumptions, which are outside their control:

- (a) there will be no significant industrial, commercial, economic or political disputes or other interruptions to business adversely affecting the Group, its operations or its customers;
- (b) there will be no material change in the rates of taxation in the United Kingdom or other countries in which the Group operates;
- (c) there will be no material change to interest rates or exchange rates; and
- (d) there will be no material change in regulations or legislation in any country in which the group operates affecting the Group.

Confirmation from Nominated Adviser

Numis Securities Limited has satisfied itself that the Estimate has been made after due and careful enquiry by the Directors of the Company.

PART 6

PRO FORMA STATEMENT OF NET ASSETS

The following unaudited *pro forma* statement of net assets, (the “*pro forma* statement of net assets”) of the Group has been prepared on the basis set out in the notes below and has been produced to illustrate the possible impact on the net assets of the Group as at 31 January 2004, as if Admission had occurred on that date. This statement has been produced for illustrative purposes only and, because of its nature, may not give a true picture of the net assets or financial position of the Group.

No adjustments have been made to take account of the trading or changes in the financial position of the Group after 31 January 2004.

	<i>2 ergo Group plc Net assets at 31 January 2004 (Note 1) £000</i>	<i>2 ergo Limited Net assets at 31 August 2003 (Note 2) £000</i>	<i>Net proceeds of the placing (Note 3) £000</i>	<i>Proceeds of the exercise of options (Note 4) £000</i>	<i>Pro forma net assets £000</i>
Fixed Assets					
Intangible assets	–	647	–	–	647
Tangible assets	–	63	–	–	63
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	–	710	–	–	710
Current assets					
Debtors	–	807	–	–	807
Cash at bank and in hand	–	335	2,039	375	2,749
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	–	1,142	2,039	375	3,556
Creditors: amounts falling due within one year	–	(1,075)	–	–	(1,075)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net current assets	–	67	2,039	375	2,481
Total assets less current liabilities	–	777	2,039	375	3,191
Creditors: amounts falling due after more than one year	–	(250)	250	–	–
Provisions for liabilities and charges	–	(15)	–	–	(15)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	–	512	2,289	375	3,176
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. The financial information of 2 ergo Group plc is extracted, without adjustment, from the Accountants' Report in Part 3 of this document.
2. The financial information of 2 ergo Limited is extracted, without adjustment, from the Accountants' Report in Part 4 of this document.
3. This adjustment reflects the Placing of the New Ordinary Shares at 120p per share of 2 ergo Group plc raising £3,000,000, net of expenses of approximately £711,000. A further deduction of £250,000 has been recognised representing management's intention to settle existing borrowings with National Westminster Bank plc immediately following admission.
4. Prior to Admission, subscription options were exercised putting the Company in receipt of £375,000.

PART 7

ADDITIONAL INFORMATION

1. Responsibility

The Directors whose names appear in paragraph 4 below, 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 and the Group

- 2.1 The Company was incorporated under the Act and registered in England and Wales on 9 January 2004 with registered number 5010663 as a public limited company with the name Sharelease PLC. The liability of the members of the Company is limited.
- 2.2 The registered office and principal place of business of the Company is St Mary's Chambers, Haslingden Road, Rawtenstall, Lancashire BB4 6QX.
- 2.3 On 2 February 2004 the Company changed its name to 2 ergo Group PLC.
- 2.4 The Company's principal objects and activities are to carry on business as a general commercial company. The objects of the Company are set out in full in clause 4 of its Memorandum of Association.
- 2.5 The Company is the holding company of the following subsidiaries (directly or indirectly):
 - 2.5.1 2 ergo Limited (Company Number 3816463). Its issued share capital is £9,902.78 made up of 990,278 ordinary shares of 1p each which are registered in the name of and beneficially owned by the Group;
 - 2.5.2 Lammtara Industries EBT Trustees Limited (Company Number 4079041). Its issued share capital is £1 made up of 1 ordinary share of £1 which is registered in the name of and beneficially owned by 2 ergo Limited;
 - 2.5.3 Georgia Holding Company, Inc. (incorporated in Delaware, USA). Its issued share capital is \$1,000 made up of 10 ordinary shares of \$100 each which are registered in the name of 2 ergo Limited;
 - 2.5.4 2 ergo, Inc. (incorporated in Delaware, USA). Its issued share capital is \$1,000 made up of 10 ordinary shares of \$100 each which are registered in the name of Georgia Holding Company, Inc; and
 - 2.5.5 M-Invent, Inc. (incorporated in Delaware, USA). Its issued share capital is \$1,000 made up of 1,000 ordinary shares of \$1 each which are registered in the name of Georgia Holding Company, Inc.
- 2.6 On 3 March 2004 the Company obtained its trading certificate pursuant to section 117 of the Act.

3. Share Capital

- 3.1 At the date of its incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each of which two subscriber shares were in issue, fully paid.
- 3.2 On 23 January 2004 each of the subscriber shares was transferred to Barry Anthony Sharples and Neale Spear Graham respectively.
- 3.3 By way of resolutions dated 2 March 2004 it was resolved that:
 - 3.3.1 the authorised share capital of the Company be increased from £50,000 to £5,000,000 by the creation of 4,950,000 ordinary shares of £1 each in the capital of the Company each having the rights and being subject to the restrictions set out in the Articles of Association as adopted by the resolutions;
 - 3.3.2 each of the existing issued ordinary shares and each of the existing un-issued ordinary shares of £1 each in the capital of the Company be and they are hereby sub-divided into 100 ordinary shares of 1p each;
 - 3.3.3 the Directors were generally and unconditionally authorised (in substitution for the authority conferred on them by the existing Articles of Association of the Company) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 Companies Act 1985 (the "Act")) up to (i) an aggregate nominal amount of £289,701 in respect of the allotment of the New Ordinary Shares and the Ordinary Shares allotted as referred to in paragraph 3.4 below and (ii) an aggregate nominal amount of £14,485.05 provided that this authority shall expire (unless previously

renewed, varied or revoked by the Company in general meeting) on the date which is five years after the date of passing this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired;

3.3.4 the Directors were empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash up to (i) an aggregate nominal amount of £289,701 in respect of the allotment of the New Ordinary Shares and the Ordinary Shares allotted as referred to in paragraph 3.4 below and (ii) an aggregate nominal amount of £14,485.05 pursuant to the authority conferred by the resolution referred to at paragraph 3.3.3 of Part 7 above as if Section 89(1) of the Act did not apply to any such allotment; and

3.3.5 new articles of association be adopted.

3.4 On 2 March 2004, the Company issued 26,470,100 Ordinary Shares, credited as fully paid, (which includes the paying up of 200 Ordinary Shares being subscriber shares already being in issue but not yet paid up) to the shareholders of 2 ergo Limited by way of consideration for the acquisition of the entire issued share capital of 2 ergo Limited.

3.5 The Placing will entail the Company allotting a further 2,500,000 new Ordinary Shares (assuming the Placing is subscribed in full).

3.6 Save as referred to in paragraphs 5 and 7 of this Part 7, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

4. Directors

4.1 Other than their directorships of the Company, the current directorships and partnerships of the Directors and directorships and partnerships held by them over the previous five years are as follows:

<i>Directorships and Partnerships</i>			
<i>Name</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
Directors			
Barry Anthony Sharples	42	2 ergo Limited Magicard Limited IVR World Service Limited Boxclever Investments Limited Lammtara Industries EBT Trustees Limited Georgia Holding Company, Inc. 2 ergo, Inc. M-Invent, Inc.	
Neale Spear Graham	41	2 ergo Limited Magicard Limited IVR World Service Limited Boxclever Investments Limited Lammtara Industries EBT Trustees Limited Neales Companys Limited Brook Farm Limited Georgia Holding Company, Inc. 2 ergo, Inc. M-Invent, Inc.	
Keith Seeley	52	Target Consulting Group Limited Target Consulting Limited Target Financial Management Limited Target Trustees Limited 2 ergo Limited	Darth Limited Degobar 2001 Limited Latham Financial Services Limited Non-audit 1497 Limited Latham Crossley Davies (a firm)
Jill Collighan (formerly Jill Barker, née Jill Clarke)	34	2 ergo Limited	

<i>Name</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
Michael Frayne	44	Intec Telecom Systems plc Adaptive Systems Nordic Holdings AB iOcore Consulting AB iOcore Business Consulting AB iOcore AB iOcore Trondheim AS Adaptive Systems AS iOcore AS 7n Consulting AS	Sentera OY
Martin Stuart Caller	54	The Fast Picture Show Limited Powersale Limited Checktax Limited Classic House International Limited Whitefield Golf Club Limited East Lancashire Masonic Hall Company Limited Wacks Caller (a firm)	BAS International Holdings PLC Bridgeway Products Limited

- 4.2 The business address of each of the Directors is St Mary's Chambers, Haslingden Road, Rawtenstall, Lancashire, BB4 6QX.
- 4.3 Save as disclosed below, as at the date of this document none of the Directors has:
- 4.3.1 any unspent convictions in relation to indictable offences; or
 - 4.3.2 been declared bankrupt or made any individual voluntary arrangement; or
 - 4.3.3 been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or
 - 4.3.4 been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
 - 4.3.5 had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or
 - 4.3.6 been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 4.4 Neale Graham and Barry Sharples were directors of Communications Equipment and Finance Limited which was placed into creditors voluntary liquidation on 31 January 1991 and dissolved on 24 July 1992 pursuant to a winding up order of 14 October 1991. No information as to its unsatisfied liabilities on dissolution is available.
- 4.5 Neale Graham and Barry Sharples were directors of Briarton Finance Limited, which was placed into creditors voluntary liquidation on 24 May 1994 and dissolved on 9 July 1998. Estimated unsatisfied creditors of the company (excluding share capital) amounted to £131,726.
- 4.6 Neale Graham and Barry Sharples were directors of Money Offers Limited which was placed into creditors voluntary liquidation on 18 March 1995 and dissolved on 27 February 2001 pursuant to a creditors voluntary winding up. Estimated unsatisfied creditors of the company (excluding share capital) amounted to £152,891.
- 4.7 Martin Caller resigned as a non-executive director of Bridgeway Products Limited upon the disposal of its entire issued share capital on 10 September 1999. The company was placed into creditors voluntary liquidation on 2 March 2000 and dissolved on 12 October 2002. Estimated unsatisfied liabilities of this company were £3,251,209.
- 4.8 Latham Crossley Davies, a firm in which Keith Seeley was a partner, was the subject of a complaint by the Investigation Committee of the Institute of Chartered Accountants of England and Wales in April 2001 that it failed to report that the trustees of five pension schemes of which they were auditors had not obtained audited accounts (pursuant to the Pensions Act 1995) within seven months of the relevant year end. Latham Crossley Davies were fined £1,000 and ordered to pay costs of £250.

5. Directors and Other Interests

- 5.1 The interests of the Directors in the share capital of the Company, all of which are beneficial, as notified to the Company pursuant to section 324 or 328 of the Act, as they appear or will appear in the register of directors' interests required pursuant to section 325 of the Act, or which are interests of persons connected with the Directors (within the meaning of section 346 of the Act) as at the date of this document and immediately following Admission (assuming full take-up of the Placing) are and will be as follows:

	<i>As at the date of this document</i>		<i>As at Admission*</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Barry Sharples	9,270,000	35.02%	7,603,333	26.25%
Neale Graham	9,250,000	34.95%	7,583,333	26.18%
Keith Seeley	798,725	3.02%	798,725	2.76%
Martin Caller	250,000	0.94%	250,000	0.86%
Jill Collighan	–	–	8,333	0.03%
Michael Frayne	–	–	–	–

*These numbers and percentages are calculated assuming that the Placing is fully taken-up.

Jill Collighan is also interested in an aggregate of 495,150 Ordinary Shares being the subject of options granted to her by the Company at an exercise price of £12.00 per 25 Ordinary Shares. Further details of the options are set out in paragraph 7 of Part 7 of this document.

- 5.2 Save as disclosed above, the Directors are not aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to the Company pursuant to section 324 or section 328 of the Act and would be required to be entered in the register of directors' interests pursuant to section 325 of the Act.
- 5.3 Save as set out below, the Company is not aware of any person other than the Directors and their immediate families as disclosed in paragraph 5.1 above who is interested (within the meaning given to that expression in Part VII of the Act), directly or indirectly, in 3 per cent. or more of the share capital (as defined in Section 198(2) of the Act) of the Company, or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

	<i>As at the date of this document</i>		<i>As at Admission*</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Michael Kilgannon	2,500,000	9.44%	2,500,000	8.63%
Trevor Bladon	2,049,125	7.74%	2,049,125	7.07%
Lammtara Industries EBT Trustees Limited	1,370,000	5.18%	1,370,000	4.73%

*These numbers and percentages are calculated assuming that the Placing is fully taken-up.

- 5.4 Save as disclosed above, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 5.5 Save as disclosed in this document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of the Group.
- 5.6 There are no outstanding loans granted by the Group to any of the Directors, nor are there any guarantees provided by the Group for their benefit.

6. Directors' Service Contracts and terms of appointment

- 6.1 The Company has entered into service agreements with each of its three executive directors.

6.2 Details of these service agreements are set out below:

<i>Director</i>	<i>Date of Agreement</i>	<i>Position</i>	<i>Notice</i>	<i>Annual salary and other benefits</i>
Barry Sharples	5 March 2004	Joint Managing Director	12 months	£150,000; bonus equal to 1.5 per cent. of net profits of the Company; pension contributions of 10 per cent. of salary; private medical expenses insurance
Neale Graham	5 March 2004	Joint Managing Director	12 months	£150,000; bonus equal to 1.5 per cent. of net profits of the Company; pension contributions of 10 per cent. of salary; private medical expenses insurance
Jill Collighan	5 March 2004	Finance Director	3 months	£57,000 based on a four day working week; bonus equal to 0.5 per cent. of the Company's net profits, net pension contributions of 3 per cent. of salary; private medical expenses insurance

6.3 On 5 March 2004 each of the non-executive directors entered into letters of appointment relating to their office holdings as follows:

<i>Name</i>	<i>Annual Fee</i>	<i>Notice required to terminate</i>
Keith Seeley	£20,000	three months
Michael Frayne	£25,000	three months
Martin Caller	£15,000	three months

6.4 The aggregate remuneration payable (and benefits in kind to be granted) to the Directors in (i) the financial year to 31 August 2003 was £200,204; and (ii) the current financial year ending 31 August 2004 under the arrangements in force at the date of this document is estimated to be £382,935.

7 Share Options

7.1 On 2 March 2004 the Company entered into a number of individual option arrangements with certain employees over an aggregate of 3,713,625 Ordinary Shares. Other than in the case of Jill Collighan, these were replacement options for options granted in 2002 and 2003 by 2 ergo Limited. Some of the arrangements were made under the terms of the enterprise management incentive legislation and some as unapproved options. The price payable per Ordinary Share on exercise of these options is £5.47 per 25 Ordinary Shares, save in respect of 113,100 Ordinary Shares (in which case the price is £5.46 per 25 Ordinary Shares) and a further 495,150 Ordinary Shares (in which case the price is £12.00 per 25 Ordinary Shares).

Of these options, 1,656,775 being EMI options and 323,825 being unapproved options vest immediately.

The remaining options (save in the case of one employee who holds options over a balance of 742,725 Ordinary Shares) only vest if the Company's gross profits for the year ending 31 August 2004 exceed £3.7 million.

In the case of that one employee the balance of his unapproved options vest as follows:

- (i) if gross profits for the year ending 31 August 2004 exceed £3.7 million – 247,575 options; or
- (ii) if gross profits for the year ending 31 August 2004 exceed £5 million – 495,150 options; or
- (iii) if gross profits for the year ending 31 August 2004 exceed £6 million – 742,725 options.

Irrespective of when these options vest, some can be exercised until the second anniversary of Admission. In the following year an individual may exercise up to one third of his original number of options. An additional third (and any unexercised balance from the previous year) can be exercised in the fourth year after Admission. After the fourth anniversary of Admission all unexercised (but vested) options can be exercised.

In each case exercise is conditional on the individual remaining in the Group's employment, unless the Company determines otherwise in any particular case. Unexercised options will lapse ten years after the date of grant and in certain other defined circumstances. The Options are non-transferable. Provisions are made for an adjustment of the options in the event of any variation of the Company's share capital. Each optionholder is required to indemnify the Group against any tax liabilities in relation to their options and/or their exercise.

- 7.2 The Company established the Share Option Schemes on 2 March 2004. No grants of subscription options have yet been made by the Company. However grants of options to acquire existing Ordinary Shares have been made under the terms of the Share Option Schemes by the trustee of the Employment Benefit Trust established by 2 ergo Limited on 11 October 2000 ("the EBT"). Details are set out at paragraph 7.4, below.
- 7.3 The grant of options to any individual under the Share Option Schemes is at the absolute discretion of the Company.

In the case of the EMI Scheme, an individual will only be granted options if he is a bona fide employee (including an executive director, but excluding any person who has a 30 per cent. interest in the Company including the interest of his associates) who works at least 25 hours per week for the Company (or, if less, at least 75 per cent. of his working time).

In the case of the Unapproved Scheme, an individual will only be granted options if he is a bona fide employee (including an executive director) of the Company who is required to devote substantially the whole of his time to his duties under his contract of employment.

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

Options may be granted at any time in the ten year period beginning with the date of adoption of the Share Option Schemes provided that no grant may be made at any time when it would cause any person to be in breach of the AIM Rules relating to dealings in shares.

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

In the case of the Unapproved Scheme, the grant of options is limited so that an individual will not be granted subscription options if the total market value of the Ordinary Shares comprised in those options at the time of the proposed grant (when added to the total market value, at the date of grant, of Ordinary Shares under subscription options already granted to him) would exceed four times the value of his annual emoluments.

The maximum number of Ordinary Shares which may be issued on the exercise of subscription options in total under the Share Option Schemes may not exceed 10 per cent. of the issued Ordinary Share capital of the Company for the time being during the 10 years from the date of adoption of the scheme.

The price at which options may be exercised will be set by the Company at the date of grant but (in the case of subscription options) will not be less than the nominal value of the shares.

Objective conditions may be imposed by the Company that have to be complied with before options may be exercised.

Unless the Company specifies when granting any options an earlier exercise date (and other than in the case of a takeover or demerger or similar event) an option will be exercisable by the holder at any time between the second and tenth anniversaries of the date of the grant. If an optionholder leaves employment by reason of injury, disability, ill-health redundancy or retirement any option may be exercised within 6 months of such event happening or, if the optionholder has died, by his personal representatives within 12 months of his death. If an optionholder leaves employment for any other reason, exercise of any outstanding options is at the Company's discretion. Any options not so exercised will lapse.

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

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

The Share Option Schemes may be amended by the Company but to the extent that any amendment would be advantageous in relation to certain rights of eligible employees or option holders the consent of the Company in general meeting is required.

The Share Option Schemes requires optionholders to be responsible for any employer's national insurance contributions otherwise payable by the Company on the grant and/or exercise and/or disposal of any options and to indemnify the Company against any income tax due in such circumstances.

The rules of the Share Option Schemes make detailed provision for the exercise and/or exchange of options in the event of a takeover or reverse takeover of the Company.

- 7.4 The grants referred to at paragraph 7.2 above were made by the trustee of the EBT on 2 March 2004 over a total of up to 822,000 existing issued Ordinary Shares to current employees of the Company. Individual entitlements are based upon a combination of salary and length of service. No options are capable of exercise until two years have elapsed from the date of Admission. Individuals may then exercise up to a total of one half of their original number of options after the second anniversary of Admission and the balance at any time after the third anniversary of Admission.

Exercise is, however, conditional on the individual remaining in the employment of the Group at the time of exercise (unless the Company waives this requirement in any particular instance).

- 7.5 It is intended that the balance of the existing issued Ordinary Shares held by the trustee of the EBT will be made the subject of grants of options to employees of the Group under the Share Option Schemes in the future to provide a rolling programme of incentivisation and reward for staff.

8. Accounting

The Company's accounting reference date is 31 August each year. The Company's first accounting reference period will end on 31 August 2004.

9. Registered Office and Premises

The registered office and principal place of business of the Company is St Mary's Chambers, Haslingden Road, Rawtenstall, Lancashire, BB4 6QX.

10. Taxation

10.1 Introduction

The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM) and assuming that the Company remains a trading company or the holding company of a trading group for UK tax purposes, the Ordinary Shares should continue to be treated as unquoted securities qualifying for certain reliefs from UK taxation.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

10.2 Capital Gains Tax ("CGT")

10.2.1 Disposals

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Generally, any disposal of

shares is treated on a last in, first out basis for the purposes of calculating gains which are chargeable to tax.

10.2.2 *Taper Relief*

On 5 April 1998, “taper relief” was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a “business” or “non-business” asset. The scale of relief is enhanced for those assets which qualify as “business” assets.

Business assets include shares in qualifying unquoted trading companies or holding companies of trading groups. For these purposes, prospective Investors should note that companies admitted to trading on AIM are regarded as unquoted.

10.3 *Inheritance Tax (“IHT”)*

Shares in qualifying companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes. An AIM company is a qualifying company for these purposes.

10.4 *Income Tax*

10.4.1 *Taxation of Dividends*

10.4.1.1 The statements that follow assume that no dividends paid by the Company will be treated as foreign income dividends pursuant to the provisions of the Finance Act 1997. Since 1999 the Company cannot elect to pay any foreign income dividends under the provisions contained in the Finance Act 1994.

10.4.1.2 Under current UK tax legislation, no tax is now withheld from dividends paid by the Company. Advance Corporation Tax has been abolished since 6 April 1999.

10.4.1.3 UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder’s lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent., that is, an effective rate of 25 per cent. on the amount of the dividend. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

10.4.1.4 Tax credits on dividends paid on or before 5 April 2004 in respect of Ordinary Shares held in personal equity plans or individual savings accounts should be repayable.

10.4.1.5 Prior to 6 April 1999, in appropriate cases, individuals and charities were able to reclaim all or part of the tax credit attaching to a dividend in cash from the Inland Revenue. From 6 April 1999 they are no longer able to do so. Over a transitional period to 5 April 2004, charities (but not individuals) may be able to claim a compensatory payment calculated as a percentage payment of their dividend income.

10.4.1.6 A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

10.4.1.7 A UK pension fund is not entitled to claim a repayment of the tax credit.

10.4.1.8 Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them. By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim payment of all or part of the tax credits carried by the dividends they receive from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

10.4.2 *Loss Relief:*

If a loss arises on the arms length disposal of shares in a qualifying trading company or a holding company of a trading group, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year (with priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years. The Company does not currently qualify for the purpose of this relief.

10.5 *Stamp duty and stamp duty reserve tax (“SDRT”)*

Transfers or sales of Ordinary Shares will be subject to ad valorem stamp duty on the amount or value of the consideration (payable by the purchaser and generally at the rate of 50p per £100 or part thereof rounded up to the nearest £5) and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at that rate). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

11. Memorandum of Association

The principal objects of the Company are set out in clause 4 of the Company’s memorandum of association and are to carry on the business of a general commercial company.

12. Articles of Association

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

12.1 *Rights attaching to the Ordinary Shares*

12.1.1 *Voting*

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held, every member present in person or by proxy at any general meeting shall, upon a show of hands, have one vote and every member present in person or by proxy shall, upon a poll, have one vote for each share held by him. Unless the Board otherwise determines, voting rights may not be exercised by a member who has not paid to the Company all calls and other sums then payable by him in respect of shares in the Company, or by a member who has been served with a disenfranchisement notice after failure to provide the Company with information which he is required to provide to it under any relevant legislation.

Where there are joint holders of a share, any one of them may vote at any meeting either personally or by proxy in respect of the share as if he were solely entitled to it, but if more than one joint holder is present at a meeting either personally or by proxy, that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote in respect of it.

12.1.2 *Dividends*

Subject to the Act and any special rights attaching to shares (of which there are none at present), the holders of the Ordinary Shares are entitled, proportionately amongst themselves, to the profits of the Company available for distribution and resolved by ordinary resolution to be distributed (up to the amount recommended by the Directors) according to the amounts paid up on the Ordinary Shares held by them. The Directors may pay such interim dividends from time to time as appear to be justified by the distributable profits of the Company and the position of the Company. No dividends payable in respect of an Ordinary Share shall bear interest. The Directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid (or other specific assets) instead of cash in respect of all or part of a dividend (“a scrip dividend”). The Directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares (or other specific assets) instead of that dividend.

The Company or its Directors may fix any date as the record date for a dividend. A dividend unclaimed after a period of 12 years from the date when it became due for payment shall, unless the Directors otherwise resolve, be forfeited and shall revert to the Company.

12.1.3 *Return of Capital*

On a winding-up, subject to any special rights attaching to shares (of which there are none at present), the assets available for distribution shall be divided among the members in proportion to the amounts of capital paid up on the shares held by them respectively. If the Company is wound up the liquidator may, with the authority of an extraordinary resolution and any other sanction required by the Act, divide among the members in specie or kind the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the same authority, vest any part of the assets in trustees on trusts for the benefit of the members as he with the same authority thinks fit, but no member shall be compelled to accept any shares or other securities on which there is a liability.

12.1.4 *Allotment, Redemption and Pre-emption*

Subject to the provisions of the Act, the power of the Company to allot any new shares shall be exercised by the Board. The current unissued share capital of the Company may be issued in accordance with the resolutions summarised at paragraph 3.3 of this Part 7.

The Company may create and sanction the issue of shares which are, or at the option of the Company or the holder are to be liable, to be redeemed, subject to and in accordance with the provisions of any relevant legislation. There are no pre-emption rights on transfer attaching to the shares in the capital of the Company.

12.1.5 *Alteration of share capital*

The Company may by ordinary resolution increase, consolidate or sub-divide its share capital or cancel any shares which have not, at the date of the ordinary resolution, been taken or agreed to be taken by any person and, subject to the Act, diminish the amount of its capital by the nominal amount of shares so cancelled. The Company may (subject to any conditions and consents required by law) by special resolution reduce its share capital or any capital redemption reserve fund or share premium account in any manner.

12.1.6 *Purchase of Own Shares*

The Company may purchase its own shares (including any redeemable shares) in accordance with the Articles and the Act.

12.2 **Directors**

12.2.1 *Directors' Remuneration*

The remuneration of the Directors for their services as Directors shall be determined by the Board. In addition, the Directors are entitled to be reimbursed for all expenses incurred in connection with their duties as Directors, including attendance at board meetings and general meetings of the Company. A Director may be appointed by the board to any employment or executive office with the Company for such period (subject to the provisions of any relevant legislation) on such terms and at such remuneration as the Board may determine.

12.2.2 *Retirement of Directors by Rotation*

At every annual general meeting of the Company, one-third of the Directors (or, if their number is not three or a multiple of three, the number nearest to but not more than one third) shall retire from office by rotation. The Directors to retire (other than those that wish to retire) shall be those of the other Directors who have been longest in office since their appointment or last re-appointment but, as between persons who became or were re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors to retire shall be determined (both as to number and identity) by the composition of the board at the date of the notice convening the annual general meeting. A Director shall not be required, or be relieved from the obligation, to retire by reason of a change in the Board after that time but before the close of the meeting.

At the meeting at which a Director retires by rotation, the Company may fill the vacated office. A Director who retires at an annual general meeting may, if willing to act, be reappointed. If he is not re-appointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

12.2.3 *Executive Directors*

The Directors may appoint a Director to an executive office in the Company on such terms as the Directors determine. The appointment of a Director to an executive office terminates if he ceases to be a Director, but without prejudice to any claim he has for breach of his contract of employment or service.

12.2.4 *Directors' Interests*

A Director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the Board concerning any contract, arrangement or other proposal in which he is, to his knowledge, directly or indirectly, materially interested.

The prohibition will not apply to the following:

- 12.2.4.1 an arrangement for giving a guarantee, security or indemnity to him in respect of money lent or obligations undertaken by him for the benefit of the Company (or any of its subsidiaries) or in respect of a debt or obligation of the Company (or any of its subsidiaries) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- 12.2.4.2 a proposal concerning an offer of securities by the Company (or any of its subsidiary undertakings) in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- 12.2.4.3 a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent., or more either of any class of its equity share capital or of its voting rights;
- 12.2.4.4 certain arrangements for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award the Director a privilege or benefit not awarded to the employees to whom the arrangement relates; or
- 12.2.4.5 a proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

Subject to the statutes and provided he has disclosed to the Directors the nature and extent of his interest, a Director may contract with the Company and the contract shall not be avoided on the grounds of his interest or benefit and the Director is not liable to account to the Company for any profit realised as a result of the contract.

Where proposals are under consideration concerning the appointment, including the arrangement or variation of the terms or the termination of the appointment of two or more Directors, a separate resolution may be put in relation to each Director. In each case, each Director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

12.3 *Transfer of Shares*

Any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system. The following provisions apply to uncertificated shares as if the reference therein to the date on which the transfer was lodged with the Company was a reference to the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the facilities and requirements of the relevant system.

The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers shall be effected by instrument in writing in the usual common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The Directors may likewise refuse to register any transfer in favour of more than four persons jointly. The Directors may decline to recognise any instrument of transfer unless it is lodged, duly stamped, with the Company, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and unless the instrument is in respect of only one class of share. The Directors may, pursuant to the provisions of the Articles relating to disclosure of interests, refuse to register the transfer of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice. The Directors may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the relevant system or The Uncertificated Securities Regulations 2001.

12.4 *Variation of Rights*

The rights attaching to the shares in the Company may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

12.5 ***Borrowing Powers***

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge all or any part of its undertaking, property and assets (both present and future), including its uncalled capital and, subject to the statutes, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (or, as regards subsidiaries, so far as they can so secure) that the aggregate principal amount (after adjustments provided for in the Articles) at any one time owing by the Company and all its subsidiaries in respect of monies borrowed and owing to persons outside the Group shall not at any time without the previous sanction of the Company in general meeting exceed an amount equal to 3 times the amount paid up or credited as paid up on the issued share capital of the Company and the amount standing to the credit of the consolidated reserves of the Company and its subsidiaries and including (without limitation) share premium account, capital redemption reserve and credit balance on profit and loss account but after deducting any debit balance on profit and loss account and subject to such adjustments as are specified in the Articles.

12.6 ***Electronic communication***

Any requirement for the Company to send, circulate or despatch notices or documents to its members shall be deemed to have been complied with in relation to any member where the Company and the member have agreed to use electronic communication to send such notices or documents, where the notices or documents are notices or documents to which the agreement applies and copies of the notices or documents are sent by electronic communication to the address, number or other location notified by the member to the Company for that purpose, or where the Company and the member have agreed to the member having access to notices or documents on a website and the member is notified of the publication of the notices or documents on the website, the address of the website, the place on the website where the notices or documents can be accessed and how they can be accessed and the period of time for which the notices or documents will be available on the website.

The period of time for which the notices or documents must be available on a website must not be less than 21 days from the date of notification or, if later, until the conclusion of any general meeting to which the notices or documents relate. If the notices or documents are published on the website for a part only of this period of time, they will be treated as being published throughout the period if the failure to publish throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.

Where the Company sends notices or documents to shareholders by electronic communication, it must also make the notices or documents available to members in printed form and free of charge on request during normal business hours for a period of not less than 21 days from the date of communication or notification or, if later, until the conclusion of any general meeting to which the notices or documents relate. The printed copies must be made available in sufficient numbers to satisfy demand from its members and be made available at the Company's office and also at the offices of any of the Company's paying agents in the United Kingdom.

13. **Material Contracts**

Other than as set out below there are no contracts (not being in the ordinary course of business) entered into by the Company since its incorporation which are or may be material or which contain any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document save as disclosed in paragraph 6 of this Part 7.

- 13.1 A placing agreement dated 8 March 2004 has been entered into between (1) Numis Securities Limited (2) the Directors (3) Barry Anthony Sharples and Neale Spear Graham and (4) the Company pursuant to which (a) Numis has agreed as agent for the Company to seek to procure places for the Placing Shares at the Placing Price and (b) Numis has agreed to subscribe for any Placing Shares in respect of which they do not obtain subscribers.

The obligations of Numis are conditional upon, *inter alia*, Admission occurring by 8.00 a.m. on 11 March 2004 or such later time and/or date as the Company and Numis may agree (but in any event not later than 8.00 a.m. on 19 March 2004).

The Directors and the Company have given certain warranties and an indemnity to Numis. Liability under such warranties and the indemnity is limited in the case of each Director.

The agreement contains termination provisions for the period prior to Admission if, *inter alia*, there has been a material breach of the warranties given by the Directors and the Company to Numis which Numis reasonably considers to be material in the context of the placing or an event of *force majeure* occurs.

Subject to certain exceptions (including a disposal pursuant to a general offer to all the shareholders of the Company) the Directors have agreed not to dispose of any of their ordinary shares without the prior consent of Numis for a period of 12 months following Admission.

The Company has agreed to pay a fee to Numis of (a) £225,000 and (b) a commission of 3.5 per cent. on the aggregate value at the Placing Price of the New Ordinary Shares.

The Selling Shareholders have agreed to pay a commission to Numis of 3.5 per cent. on the aggregate value at the Placing Price of the Vendor Placing Shares.

The Company has granted Numis an option to subscribe for 289,701 Ordinary Shares at the Placing Price, such option to be exercised in whole or in part prior to 11 March 2009.

- 13.2 An agreement dated 8 March 2004 between the Company and Numis appointing Numis as nominated adviser and nominated broker to the Company, terminable on 90 days' notice in writing by either party. Numis will receive a fee of £25,000 per annum plus VAT for its services under this agreement. The agreement provides for certain warranties and an indemnity to be given to Numis and provides, *inter alia*, for the Company and the Directors to comply with the rules of AIM.
- 13.3 A lock in deed dated 8 March 2004 between Numis (1) Michael Kilgannon (2) and the Company (3) whereby Michael Kilgannon agreed, subject to certain exceptions, not to dispose of any interest in the shares held by him or to be held by him upon the exercise of any option, for a period of 12 months from Admission without the prior written consent of Numis and the Company.
- 13.4 A lock in deed dated 8 March 2004 between Numis (1) Trevor Bladon (2) and the Company (3) whereby Trevor Bladon agreed, subject to certain exceptions, not to dispose of any interest in the shares held by him or to be held by him upon the exercise of any option, for a period of 12 months from Admission without the prior written consent of Numis and the Company.
- 13.5 A sale and purchase agreement dated 2 March 2004 between the Company (1) and several persons named therein as the Vendors (2) pursuant to which the Company acquired the entire issued share capital of 2 ergo Limited. Under the agreement the Company acquired 1,058,354 ordinary shares of £0.01. The consideration for the acquisition of these shares was the allotment and issue, credited as fully paid, of 26,470,100 ordinary shares of £0.01 each in the share capital of the Company (which amount includes the crediting as fully paid up of 200 ordinary shares of £0.01 each which were already in issue).

14. Litigation

Neither the Company nor any subsidiary is engaged in any legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or any subsidiary which are having or may have a significant effect on the Company or any subsidiary's financial position.

15. Intellectual Property Rights

Other than as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.

16. Investments

Save as set out in this document there are no investments in progress which are significant.

17. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will, from the time the Ordinary Shares are admitted to AIM, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

18. Information Relating to the Placing

The minimum amount which, in the opinion of the Directors, must be raised by the Company pursuant to the Placing in order to provide the sums required pursuant to paragraph 21 of Schedule 1 of the POS Regulations is approximately £711,000.

19. General Information

- 19.1 The estimated amount of the expenses of the Placing and Admission which are payable by the Company, is approximately £711,000 (including VAT). The net proceeds of the Placing available to the Company will be approximately £2,289,000.

- 19.2 Numis Securities Limited, whose registered office is at Cheapside House, 138 Cheapside, London EC2V 6LH, 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 they appear.
- 19.3 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act.
- 19.4 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since the date to which the latest published financial statements were made up.
- 19.5 The Ordinary Shares will be, in registered form. It is expected that share certificates will be posted to Shareholders at their risk by 22 March 2004. No temporary documents of title will be issued.
- 19.6 No person directly or indirectly has in the last twelve months received or is contractually entitled to receive directly or indirectly, from the Company on or after Admission (excluding professional advisers otherwise disclosed in this document or trade suppliers), any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into any contractual arrangements to receive the same, directly or indirectly, from the Company on or after Admission.
- 19.7 KPMG LLP were auditors of 2 ergo Limited for the year to 31 August 2003. Cowgill Holloway were the auditors of 2 ergo Limited for the two years to 31 August 2002.
- 19.8 KPMG LLP have given and have not withdrawn their written consent to the issue of this document with the references herein to their report (for which they take responsibility accordingly) and name in the form and context in which they respectively appear.
- 19.9 Of the Placing Price 1p represents the nominal value and 119p represents the premium.
- 19.10 Martin Caller, the Managing Partner of Wacks Caller, the solicitors to the Company, is interested in 250,000 Ordinary Shares (representing 0.86 per cent. of the issued share capital of the Company immediately following Admission).
- 19.11 Numis Securities Limited, the Nominated Adviser to the Company, has been granted an option to subscribe for 289,701 Ordinary Shares (representing 1 per cent. of the issued share capital of the Company immediately following Admission). Further details of the option are set out in paragraph 13.1 of this Part 7.

20. Publication of this document

Copies of this document will be available free of charge to the public at the offices of Numis Securities Limited, Cheapside House, 138 Cheapside, London EC2V 6LH for a period of at least one month from Admission.

21. Documents Available for Inspection

- 21.1 Copies of the following documents may be inspected at the offices of Wacks Caller, Steam Packet House, 76 Cross Street, Manchester M2 4JU during the usual business hours on any week day (weekends and public holidays excepted) for the period of fourteen days following the date of this document:
- 21.2 (i) the Memorandum and Articles of Association of the Company;
- (ii) the accountants reports by KPMG LLP set out in Parts 3 and 4 of this document;
- (iii) the pro forma statement of consolidated net assets appearing in Part 5 of this document;
- (iv) the Directors' service agreements and letters of appointment, referred to in paragraph 6 above;
- (v) the material contracts referred to in paragraph 13 above; and
- (vi) the written consents referred to in paragraphs 19.2 and 19.8 above.

Dated 8 March 2004.

