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If you have sold or otherwise transferred all your Ordinary Shares in Timeload plc (“Timeload” or the “Company”), please forward this document and the accompanying Form of Proxy and Tender Form to the purchaser or transferee or to the stockbroker, bank, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of Ordinary Shares you should retain this document and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document comprises a circular under the Listing Rules of the United Kingdom Listing Authority and an AIM admission document prepared in accordance with the rules of the Alternative Investment Market of London Stock Exchange plc (“AIM Rules”) and does not comprise a prospectus in accordance with the Public Offers of Securities Regulations 1995, as amended (the “POS Regulations”). This document has been drawn up in accordance with the POS Regulations and the AIM Rules.

The Directors and Proposed Directors of the Company, whose names appear in Part IX of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Deloitte & Touche Corporate Finance is acting for Timeload as sponsor in connection with the Acquisition and as nominated adviser in relation to the Admission and for no-one else and will not be responsible to anyone other than Timeload for providing the protections offered to clients of Deloitte & Touche Corporate Finance nor for providing advice in relation to the Acquisition or Admission. Deloitte & Touche Corporate Finance is a division of Deloitte & Touche which is authorised and regulated by the Financial Services Authority in respect of regulated activities.

Durlacher Limited is authorised by the Financial Services Authority in respect of regulated activities. Durlacher Limited is acting for Timeload as independent financial adviser in relation to the Acquisition and as broker in relation to the Tender Offer and the Admission and for no-one else in connection with the Acquisition, the Tender Offer and the Admission and will not be responsible to anyone other than the Company for providing the protections offered to clients of Durlacher Limited nor for providing advice in relation to the Acquisition, the Tender Offer and the Admission.

Timeload plc

(incorporated and registered in England and Wales under the Companies (Consolidation) Act 1908 with registered number 128467)

Capital Reduction and Capital Reorganisation

Tender Offer to buy back up to 40 per cent. of the Ordinary Shares of Timeload at 0.75 pence per Ordinary Share

Acquisition of COE Limited

Change of name to COE Group PLC

Admission to the Alternative Investment Market

Sponsor and Nominated Adviser: Deloitte & Touche Corporate Finance

Independent Adviser to Timeload and Broker: Durlacher Limited

The Ordinary Shares and the New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the securities laws of any jurisdiction of the United States or of any province or territory of Canada, Australia, Japan or the Republic of Ireland. Subject to certain exceptions, the Ordinary Shares and the New Ordinary Shares may not, directly or indirectly, be offered, sold or delivered within the United States, Canada, Australia, Japan or the Republic of Ireland.

Application will be made to the London Stock Exchange for all of the issued New Ordinary Shares, including the Initial Consideration Shares, to be admitted to trading on the Alternative Investment Market of the London Stock Exchange (“AIM”). Until such admission, the Ordinary Shares will continue to be listed on the Official List. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom 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. London Stock Exchange plc has not itself examined or approved the contents of this document to the extent it comprises an AIM admission document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Initial Consideration Shares to the Official List. Your attention is drawn to the section entitled “Risk Factors” in Part II of this document.

Notice of an Extraordinary General Meeting of Timeload to be held at **10.30 a.m. on 22 April 2003** at the offices of Charles Russell, 8-10 New Fetter Lane, London EC4A 1RS is set out at the end of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed which, in order to be valid, must be completed and returned to the Company’s registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3ZZ so as to be received **no later than 10.30 a.m. on 20 April 2003**. Completion and return of the Form of Proxy does not preclude a member from attending and voting at the meeting in person.

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EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 20 April 2003
Extraordinary General Meeting	10.30 a.m. on 22 April 2003
Record date for the Tender Offer	5.00 p.m. on 23 April 2003
Latest time and date for receipt of Tender Forms by the Receiving Agents (by hand or by post)	5.00 p.m. on 23 April 2003
Expected announcement of take-up level under the Tender Offer and related details	25 April 2003
Expected date of Court Order approving the Capital Reduction	21 May 2003
Expected date of receipt of certificate of registration of Court Order	27 May 2003
Record date for the Capital Reorganisation	5.00 p.m. on 27 May 2003
Purchase of Ordinary Shares under the Tender Offer	28 May 2003
Cancellation of listing of the Existing Ordinary Shares on the Official List	28 May 2003
Admission of the New Ordinary Shares, including the Initial Consideration Shares, to trading on AIM	28 May 2003
Completion date of the Acquisition	28 May 2003
Despatch of monies for the Tender Offer proceeds on or about	30 May 2003
Latest date for Completion	30 June 2003

DEFINITIONS

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

“2004 Consideration Shares”	the ordinary shares of the same class as the New Ordinary Shares, which may become issuable to the Vendors in late 2004, the number of New Ordinary Shares (if any) being dependent upon the financial performance of the Enlarged Group in the financial year ending 30 June 2004 pursuant to the Acquisition Agreement;
“2005 Consideration Shares”	the ordinary shares of the same class as the New Ordinary Shares, which may become issuable to the Vendors in late 2005, the number of New Ordinary Shares (if any) being dependent upon the financial performance of the Enlarged Group in the financial years ending 30 June 2004 and 2005 pursuant to the Acquisition Agreement;
“Acquisition”	the acquisition of the entire issued and to be issued share capital of COE pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the conditional agreement dated 28 March 2003 pursuant to which Timeload has conditionally agreed to acquire the entire issued share capital of COE. Details of the agreement are set out in Part VIII of this document;
“Act”	the Companies Act 1985 (as amended);
“Admission”	admission of the New Ordinary Shares, including the Initial Consideration Shares, to AIM becoming effective in accordance with the AIM Rules;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“AIM Rules”	the rules of the London Stock Exchange and those other of its rules which govern the admission to trading on, and the operation of companies on, AIM;
“Board” or “Directors”	the directors of Timeload as at the date of this document;
“Broadview”	Broadview International Limited;
“BT”	British Telecommunications plc;
“Capital Reduction”	the proposed reduction of the share capital of the Company, cancellation of the Deferred Shares, cancellation of the share premium account of the Company as described in this document which is conditional on Shareholder approval and High Court Approval;
“Capital Reorganisation”	the consolidation of every 50 Ordinary Shares of 0.1 pence each in the capital of the Company into one New Ordinary Share, as described in this document;
“CCTV”	closed circuit television;
“certificated” or “certificated form”	a share or other security which is not in uncertificated form;
“change of name”	the proposed change of name of the company to COE Group plc which is conditional on Admission;
“City Code”	the City Code on Takeovers and Mergers;
“codec”	a device for encoding or decoding an electronic signal for transmission across a network;
“Closing Date”	5.00 p.m. on 23 April 2003;
“COE”	COE Limited;

“Combined Code”	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance, chaired by Sir Ronald Hampel, published in June 1998 and appended to, but not forming part of, the Listing Rules;
“Company” or “Timeload”	Timeload plc;
“Completion”	completion of the Acquisition;
“Completion Date”	the date on which Completion occurs, which is expected to be on or about 28 May 2003;
“Concert Party”	the Vendors;
“Consideration Shares”	together the Initial Consideration Shares and the Deferred Consideration Shares;
“CREST”	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo;
“CREST member”	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations);
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the Regulations);
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“CRESTCo”	CRESTCo Limited;
“Debentures”	the convertible debentures issued by the Company on 27 August 1999 and 6 March 2000 and redeemed on 1 October 2001;
“Deferred Consideration Shares”	the 2004 Consideration Shares and the 2005 Consideration Shares;
“Deferred Shares”	the deferred shares of £1 each in the Company;
“Deloitte & Touche Corporate Finance”	Deloitte & Touche Corporate Finance, a division of Deloitte & Touche, of Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR;
“Diva”	Diva Solutions Limited;
“DMGT”	Daily Mail and General Trust plc;
“Durlacher”	Durlacher Limited of 4 Chiswell Street, London EC1Y 4UP;
“EBITDA”	earnings before interest, tax, depreciation and amortisation, as adjusted pursuant to the Acquisition Agreement;
“Equity Line Agreement”	the subscription agreement made between the Company and two investors dated 23 March 2001, and cancelled on 1 October 2001;
“Enlarged Group”	the Group as comprised following the Acquisition;
“Enlarged Share Capital”	the total issued share capital of Timeload upon Admission as enlarged by the issue of the Initial Consideration Shares;
“Existing Share Options”	options issued under the Existing Share Option Schemes;
“Existing Share Option Schemes”	the Scoot 1999 Unapproved and Approved Share Option Schemes adopted on 22 February 1999 and references to the Unapproved Plan or the Approved Plan shall be construed accordingly;
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the offices of Charles Russell, 8-10 New Fetter Lane, London EC4A 1RS at 10.30 a.m. on 22 April 2003, notice of which is set out at the end of this document;

“Form of Proxy”	the form of proxy for use at the Extraordinary General Meeting which accompanies this document;
“Group”	Timeload and its subsidiary undertakings at the date of this document;
“High Court”	the Companies Court, Chancery Division, High Court of Justice;
“High Court Approval”	an order made by the High Court confirming the Capital Reduction becoming effective upon its registration at Companies House;
“Initial Consideration Shares”	the New Ordinary Shares to be issued to the Vendors on Admission, pursuant to the Acquisition Agreement;
“Listing Rules”	the rules and regulations made by the UK Listing Authority under the Financial Services and Markets Act 2000 and contained in the UK Listing Authority’s publication of the same name;
“London Stock Exchange”	London Stock Exchange plc;
“Loot”	Timeload Holdings Limited (Company Number 3914735) formerly called Loot Limited;
“Loot Business”	the business, assets and certain liabilities of the Loot print and online businesses in the UK and certain related overseas assets;
“Member Account ID”	the identification code or number attached to any member account in CREST;
“New Ordinary Shares”	the proposed ordinary shares of 5 pence each in the capital of the Company comprising the Ordinary Shares following the Capital Reduction and the Capital Reorganisation;
“Notice of EGM”	the Notice of Extraordinary General Meeting set out at the end of this document;
“Official List”	the official list maintained by the UK Listing Authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
“Ongoing Directors”	Dick Eykel and the Proposed Directors;
“Ordinary Shares”	the ordinary shares currently in existence of 2 pence each in the capital of the Company which, following the Capital Reduction, will have a nominal value of 0.1 pence each and will be the subject of the Tender Offer;
“Overseas Shareholders”	shareholders who are resident in, or citizens of, countries outside the UK;
“Panel”	The Panel on Takeovers and Mergers;
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Proposals”	the proposed Capital Reduction, Tender Offer, Capital Reorganisation, Acquisition, change of name, amendments to the Existing Share Option Schemes and Admission as described in this document;
“Proposed Directors”	the proposed directors of Timeload listed in paragraph 6 of Part I of this document;
“Proposed Share Options”	options issued or proposed to be issuable under the Proposed Share Option Schemes;
“Proposed Share Option Schemes”	the enterprise management incentive scheme which the Company may establish and the Existing Share Option Schemes (as amended following Admission);

“Record Date”	5.00 p.m. on 23 April 2003, being the record date for the Tender Offer;
“Register”	the register of members of the Company;
“Registrars” or “Receiving Agents”	Computershare Investor Services PLC;
“Regulations”	the Uncertificated Securities Regulations 2001;
“Resolutions”	the resolutions set out in the Notice of EGM at the end of this document and references to a “Resolution” shall be the relevant resolution set out in the Notice of EGM;
“Scoot Business”	the business of providing a range of directory services to users and subscribing merchants in the UK through multiple access channels, together with certain relevant assets;
“Shareholders”	holders of Ordinary Shares;
“Suspension Date”	18 February 2003, being the day on which the listing of the existing Ordinary Shares on the Official List was suspended;
“Tender Form”	the tender form accompanying this document for use by Shareholders (other than certain Overseas Shareholders) in connection with the Tender Offer;
“Tender Offer”	the invitation by Durlacher Limited on behalf of the Company to Shareholders (other than to certain Overseas Shareholders) to tender, conditional on Admission, up to 289,455,398 Ordinary Shares for purchase by the Company through its agent Durlacher on the terms and subject to the conditions set out in this document and the Tender Form;
“Tender Price”	0.75 pence per Ordinary Share;
“TFE instruction”	a transfer from escrow instruction (as defined by the CREST manual issued by CRESTCo);
“TTE instruction”	a transfer to escrow instruction (as defined by the CREST manual issued by CRESTCo);
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“UK” or “United Kingdom”	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 the purposes of Part VI of the Financial Services and Markets Act 2000;
“VAR”	value added reseller;
“Vendors”	the shareholders of COE prior to completion of the Acquisition being Yorkshire Enterprise Limited, Grant Thornton Stonehage Limited (as trustee of the Peter Krovina Settlement Trust), Fibrehub Europe Limited, C. Glass, M. F. Marriage, M. Waddington, B. Wadsworth, M. Bird, J. B. Cook and N. Pocard of whom further details are contained in paragraph 12 of Part IX of this document;
“Vivendi”	Vivendi Universal S.A.;
“Waiver”	the waiver of the obligations that would otherwise arise under Rule 9 of the City Code for the Concert Party to make a general cash offer for the whole of the Company’s issued share capital.

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Dick Eykel Jon Molyneux	<i>Executive Chairman</i> <i>Non-executive Director</i>
Secretary:	Suzanna Temple-Morris	
Proposed Directors:	Brian Wadsworth Mark Marriage John Cook Colin Glass	<i>Chief Executive Officer</i> <i>Technical Director</i> <i>Non-executive Director</i> <i>Non-executive Director</i>
Registered and Head Office:	Bakers House Bakers Road Uxbridge Middlesex UB8 1RG	
Proposed new Registered Office:	Convention House St Mary's Street Leeds LS9 7DP	
Proposed new Head Office:	Photon House Percy Street Leeds LS12 1EG	
Financial Adviser and Sponsor to Timeload and Nominated Adviser to the Enlarged Group:	Deloitte & Touche Corporate Finance Stonecutter Court 1 Stonecutter Street London EC4A 4TR	
Independent Financial Adviser to Timeload and Broker to the Enlarged Group:	Durlacher Limited 4 Chiswell Street London EC1Y 4UP	
Reporting Accountants to the Enlarged Group:	BDO Stoy Hayward Emerald House East Street Epsom Surrey KT17 1HS	
Auditors to Timeload:	Deloitte & Touche 180 Strand London WC2R 1BL	
Solicitors to Timeload:	Charles Russell 8-10 New Fetter Lane London EC4A 1RS	
Solicitors to COE:	DLA Princes Exchange Princes Square Leeds LS1 4BY	
Receiving Agents:	Computershare Investor Services PLC PO Box 859 The Pavilions Bridgwater Road Bristol BS99 1XZ	
Registrars:	Computershare Investor Services PLC PO Box 435 Owen House 8 Bankhead Crossway North Edinburgh EH11 4BR	

PART I

LETTER FROM THE CHAIRMAN OF TIMELOAD

Timeload plc

(Incorporated and registered in England number 128467)

Directors

Dick Eykel (*Executive Chairman*)

Jon Molyneux (*Non-executive Director*)

Registered Office

Bakers House

Bakers Road

Uxbridge

Middlesex UB8 1RG

28 March 2003

To Shareholders and, for information only, to holders of options under the Existing Share Option Schemes

Dear Shareholder

**Capital Reduction and Capital Reorganisation,
Tender Offer to buy back up to 40 per cent. of the Ordinary Shares,
Acquisition of COE, change of name to COE Group plc,
changes to the Existing Share Options Schemes
and Admission to AIM**

1. Introduction

Acquisition

Your Board announced on 18 February 2003 that it had entered into a letter of intent in relation to the potential acquisition of a premium provider of technology for managed video networks, being COE Limited. Timeload has today announced that it has entered into a conditional agreement to acquire the whole of the share capital of COE.

The initial consideration will comprise that number of shares that will give the Vendors 30 per cent. of the issued share capital of the Enlarged Group as at Completion after Timeload has returned approximately £2.2 million of its existing cash resources to Shareholders through the Tender Offer. This will leave an expected £3.2 million in the Group (before the expenses of the Proposals which are estimated to be £1.3 million). The initial consideration, being the Initial Consideration Shares, has an implied valuation of approximately £1.4 million based on the Tender Price.

The Directors and Proposed Directors believe that COE has yet to exploit its full potential and has the prospect of achieving substantial growth following Completion. In recognition of this potential, further shares, being the Deferred Consideration Shares, will be issuable to the Vendors based on the results of the Enlarged Group for the financial years ending 30 June 2004 and 30 June 2005. The total implied valuation of COE, on the assumption that the maximum number of Consideration Shares is issued to the Vendors, is approximately £7.5 million based on the Tender Price.

Due to the size of COE relative to Timeload, the Company is required, under the Listing Rules, to obtain the approval of Shareholders for the Acquisition. Notice of the Extraordinary General Meeting to be held on 22 April 2003, at which the Resolutions will be proposed, is set out at the end of this document.

As Timeload has no trading business, the Acquisition will be a reverse takeover and accordingly, under the Listing Rules, the listing of the Company's existing Ordinary Shares was suspended on 18 February 2003, pending publication of the full terms of the Acquisition. The suspension of the Company's existing Ordinary Shares will be lifted on 31 March 2003, being the next business day after the publication of this document.

Further terms of the Acquisition are set out in paragraph 4 of this Part I and in Part VIII of this document.

Tender Offer

Immediately prior to the Acquisition, it is the Board's intention, subject to High Court Approval, to return up to approximately £2.2 million of Timeload's existing cash resources to Shareholders by means of the Tender Offer. The Capital Reduction is required because Timeload has an accumulated deficit on its profit and loss account. The deficit precludes the Company from repurchasing its own shares and so must be cleared and sufficient positive distributable reserves created before Timeload can return cash to Shareholders.

Subject to the Tender Offer becoming unconditional, each Shareholder is guaranteed the opportunity to sell at least 40 per cent. of their Ordinary Shares back to the Company at a price of 0.75 pence per Ordinary Share. The price per Ordinary Share reflects the estimated £5.4 million of net cash in Timeload at Completion and represents a premium of 114 per cent. to the price of 0.35 pence per Ordinary Share immediately before the announcement of the potential acquisition on 18 February 2003. Shareholders will be able to sell a greater proportion of their Ordinary Shares, should they so wish, to the extent that other Shareholders elect to sell less than 40 per cent. of their Ordinary Shares.

Further details of how Shareholders can tender their Ordinary Shares for purchase and cancellation by the Company are set out in Part VI of this document. The Tender Offer will not proceed if the Acquisition is not completed.

General

On completion of the Acquisition, Timeload will apply to have its New Ordinary Shares, including the Initial Consideration Shares, admitted to AIM.

The purpose of this document is to provide you with details of the Acquisition and to set out why your Board is recommending that Shareholders vote in favour of the Resolutions.

If Shareholders do not approve the Proposals, the Directors will promptly seek to commence a voluntary winding-up of the Company, in order to distribute its remaining assets to Shareholders. In that event, a further short circular will need to be sent to Shareholders to seek their approval.

2. Background to and reasons for the Proposals

On 1 August 2002, Timeload completed the disposal of the Scoot Business to BT for a consideration of £5.3 million in cash and the assumption of certain liabilities of up to £3.2 million. The Scoot Business represented Timeload's only business activity and had been trading at a significant loss. Following the sale, the main asset of the Group comprises its cash reserves, including money market investments and deposits. As at 27 March 2003, the net cash in the Group totalled £5.3 million, and net cash is estimated to be £5.4 million at Completion.

The Group's main liability comprises the loan notes outstanding from the original acquisition of Loot in the sum of £30.9 million as at 31 December 2002. The loan notes are fully backed by £30.9 million of additional cash deposits.

Since the disposal of the Scoot Business, the Directors have considered how best to protect and deliver value to Shareholders, either through the injection of a separate trading business into Timeload, a return of capital to Shareholders or a combination of the two. The Directors have looked at a number of potential acquisition candidates and consider that the acquisition of COE, coupled with the return of up to £2.2 million of cash, is in the best interests of Shareholders as a whole.

The transaction will involve:

- a reorganisation of the capital structure of Timeload;
- a return of cash to Shareholders of up to £2.2 million by way of the Tender Offer. On this basis, each Shareholder can choose whether or not to receive a cash payment and each is guaranteed subject to conditions to be able to sell at least 40 per cent. of their Ordinary Shares at 0.75 pence per Ordinary Share. This will leave an estimated £3.2 million in the Group (before the expenses of the Proposals);

- the acquisition of COE in exchange for the Consideration Shares, comprising New Ordinary Shares in Timeload. On completion of the Tender Offer and following the issue of the Initial Consideration Shares, the Vendors will hold in aggregate 30 per cent. of the issued share capital of the Company at Completion. This may increase, following the issue of the Deferred Consideration Shares, to a maximum of 70 per cent. of the enlarged issued share capital at Completion. The number of Deferred Consideration Shares issued to the Vendors will be dependent upon the results of the Enlarged Group in the financial years ending 30 June 2004 and 2005; and
- the application by Timeload to have the New Ordinary Shares, including the Initial Consideration Shares, admitted to AIM upon Completion.

3. Information on COE

COE is a leading designer and manufacturer of networked analogue and digital video solutions for surveillance applications, focused on transport infrastructure, security and industrial applications. The Directors and Proposed Directors believe that a key market differentiator for COE is its expertise and know-how in the transmission of data (e.g. video images) and its control or manipulation, enabling COE to provide clients with an integrated solution from a single provider.

Network transmission products transmit video, audio or data information from multiple surveillance cameras to single or multiple surveillance control rooms. The command and control products enable the operator to access and remotely manipulate specific cameras and also support the automatic intelligent analysis of the information supplied by the camera network. COE software tools provide the operator with a graphical representation of the surveillance network to enable easy access and management of the surveillance system.

COE's products and technology are best applied to large, complex infrastructure projects where multiple operator access to multiple camera networks is required. In addition, increasing client specifications, in terms of integration of disparate communication systems and the shift towards more intelligent systems, have led to an increase in demand for networking technology in mid-range security projects. The Directors and Proposed Directors believe that this represents an attractive growth opportunity for COE.

COE targets the transport infrastructure, security and industrial sectors. These sectors are currently experiencing strong growth, which the Directors and Proposed Directors believe is attributable, *inter alia*, to (i) heightened terrorist security concerns in urban areas, public transport networks and utility and petrochemical facilities, and (ii) an increase in infrastructure investment for improved, safer public transport networks and urban congestion management. The Directors and Proposed Directors believe that future growth will also be stimulated by technological developments and increasing demand for integrated solutions of the kind COE provides.

COE's products are generally categorised within the wider CCTV market. The European CCTV market in 2001 was estimated to be worth A1.6 billion and is expected to grow at an average annual compound growth rate of approximately 10 per cent. per annum to A2.5 billion in 2006 (source: Proplan Report 2002). The Proposed Directors believe the global CCTV market to be currently more than triple the size of the European market. Whilst COE's addressable market represents a niche element of the total global CCTV market, the Directors and Proposed Directors believe that the products of the type manufactured by COE are at the forefront of the positive market trends noted above and that COE is well positioned to benefit from this market growth.

COE principally undertakes two types of project, being (i) large capital projects with extended gestation periods and long lead times to delivery, and (ii) mid-range security projects with shorter gestation periods and shorter lead times to delivery.

Examples of recent projects and customers include:

- Transport for London Congestion Charging Scheme – working with COLT Telecom Group PLC to provide a comprehensive network management system to control the transmission of vehicle number plate images captured by the extensive network of approximately 1,300 surveillance cameras;

- Kowloon Canton Railway Corporation West Rail Project – working as the primary CCTV subcontractor to Siemens Hong Kong Limited to implement systems to control a network of over 700 cameras covering 30 kilometres of railway line;
- JFK Airport to New York Light Rail System – working through one of COE’s VARs which was contracted to Bombardier Inc. to provide an analogue video solution to control the output from a network of over 300 cameras;
- UK Highways Agency Traffic Information System – working with The Highways Agency to allow the Traffic Police access to motorway cameras for traffic flow monitoring from a single central location;
- Singapore Mass Rapid Transit North East Line – contracted by NEC System Integration Construction Limited in the rail line project linking the new towns of Sengkang, Punggol and Hougang with the Central Harbour area of downtown Singapore; and
- Bradford Metropolitan District Council Security Scheme – assisting in the design and development of a complex scheme utilising over 250 cameras for both city centre security and urban traffic control.

COE has an established market position which it has developed by supplying equipment to a number of high profile transport infrastructure and city centre surveillance projects world-wide and also through a global network comprising a direct sales team and third party VARs. COE principally operates in the European, Middle Eastern and Asia Pacific markets.

The Directors and Proposed Directors consider that it is the combination of this market position together with the global sales network that has started to generate considerable new business opportunities over the last eighteen months. This is evident from COE’s major project new business pipeline, which has grown substantially over the last three years.

There are a considerable number of potential opportunities that fall outside this classification that are also available to COE. In addition, this pipeline does not include the mid-range security projects, which are likely to represent a significant element of total future revenues.

Financial results of COE

The summary financial record of COE set out below has been extracted, without material adjustment, from the Accountants’ Report contained in Part III of this document. Recipients of this document should read the whole of this document and not rely solely on this summarised information.

	<i>Financial years ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£’000</i>	<i>£’000</i>	<i>£’000</i>
Turnover	5,153	4,276	9,357
Operating profit/(loss)	499	(303)	628
Profit/(loss) before tax	378	(429)	511

Turnover in the year ended 30 June 2002 included approximately £1.8 million of sales being a supply of commodities which was outside normal operations, with only a small handling margin accruing to COE.

The loss made in the year ended 30 June 2001 was in part due to an unexpected shortage of key components from suppliers. COE was forced to source a range of key components from alternative suppliers which in itself required the internal engineering team to redesign several products. This delayed the shipment of product to customers. The cumulative result was a loss for the year and some customers were forced to source products elsewhere, thereby reducing turnover.

COE's turnover (which has been extracted without material adjustment from the Accountants Report in Part III of this document) for the relevant periods may be split between project type as below:

	<i>Financial years ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover			
Mid-range security projects/product sales	4,583	3,656	4,259
Large capital projects	570	620	3,300
	<u>5,153</u>	<u>4,276</u>	<u>7,559</u>
Sub-contracted sales	–	–	1,798
	<u>5,153</u>	<u>4,276</u>	<u>9,357</u>

In addition to the sales to the COE VAR in China, turnover in the year ended 30 June 2002 increased substantially due to the two major projects completed during the year for Transport for London and for Kowloon Canton Railway Corporation.

In the current year to 30 June 2003, COE has attempted to reduce its reliance on a small number of major projects and has, in the year to date, realised turnover on six major projects. However, while attempting to diversify its risk in this way, it has experienced a number of project delays and is unlikely to exceed the previous year's turnover from major projects. Despite an improvement in mid-range security projects/product sales, COE's trading in the year to date has been disappointing and it is expected that sales in the current year will fall short of the underlying turnover achieved in the year ended 30 June 2002.

As a result of these major project slippages and an additional investment to increase mid-range security projects/product sales, COE's financial resources have been stretched, further limiting its ability to fund major project work. As at 28 February 2003, COE's overdraft had increased to approximately £1.3 million.

The Directors and Proposed Directors believe that the cash that will be made available to COE from Timeload (an estimated £3.2 million before the costs of the Proposals which are estimated to be £1.3 million) will allow COE to drive forward more quickly and effectively with its ongoing major projects and to resume growth during the year ending 30 June 2004.

Further details on COE are set out in Part II of this document.

4. Terms and funding of the Acquisition

In accordance with the Acquisition Agreement, the Company has conditionally agreed to acquire the entire issued share capital of COE.

The initial consideration for the Acquisition is the allotment to the Vendors of such number of New Ordinary Shares in the capital of the Company (the "Initial Consideration Shares") that, immediately following Completion, represents 30 per cent. of the New Ordinary Shares then in issue. On the assumption that the Group has net cash resources of £3.2 million following the Tender Offer (but before the expenses of the Proposals), the Initial Consideration Shares are valued at approximately £1.4 million based on the Tender Price. The Initial Consideration Shares are to be credited as fully paid and will rank *pari passu* with the New Ordinary Shares existing as at Completion.

As the Directors and Proposed Directors believe that the financial constraints faced by COE in the current year (as discussed in paragraph 3 above) are only short-term, there is a provision in the Acquisition Agreement for substantial further consideration in the form of Deferred Consideration Shares to be issuable to the Vendors depending on the EBITDA achieved by the Enlarged Group in the years ending 30 June 2004 and 2005, on the following basis:

Enlarged Group EBITDA to 30 June 2004

- Less than £1.5 million
- £1.5 million to £2.0 million
- Greater than £2.0 million

Vendors shareholding in the Enlarged Group

30% (i.e. no further issue of shares)
Between 30% and 50% (on a *pro rata* basis)
Capped at 50%

Enlarged Group EBITDA to 30 June 2005

On the assumption that the Vendors reached 50% in the prior year:

- Less than £3.0 million
- £3.0 million to £4.0 million
- Greater than £4.0 million

Vendors shareholding in the Enlarged Group

50% (i.e. no further issue of shares)
Between 50% and 70% (on a *pro rata* basis)
Capped at 70%

On this basis, if the Enlarged Group achieves an EBITDA of more than £2 million in the year ending 30 June 2004 and more than £4 million in the year ending 30 June 2005, the Vendors will receive that number of Deferred Consideration Shares that would have taken their stake to 70 per cent. of the Enlarged Group's share capital at Completion (had the Deferred Consideration Shares been issued at Completion).

If the EBITDA achieved by the Enlarged Group in the year ending 30 June 2004 is less than £2 million, and hence the number of 2004 Consideration Shares issued is less than the maximum available, the Acquisition Agreement allows for the shortfall to be issued to the Vendors if the EBITDA achieved in the year ending 30 June 2005 exceeds the above targets. The number of shares to be issued increases as the EBITDA to 30 June 2005 increases subject always to the Vendors' holding being a maximum of 70 per cent. of the Enlarged Group share capital as at Completion (had the Deferred Consideration Shares been issued at Completion).

If the maximum number of Deferred Consideration Shares is issued, the total consideration payable (including the value of the Initial Consideration Shares) would equate to approximately £7.5 million based on the Tender Price.

The Acquisition is conditional, *inter alia*, on the approval of Shareholders and Admission as well as the approval by the High Court to the Capital Reduction, as set out below.

A more detailed summary of the principal terms of the Acquisition Agreement is set out in Part VIII of this document.

5. Current trading and prospects of the Enlarged Group

As outlined in paragraph 2 above, the Group's main asset comprises cash reserves and since the disposal of the Scoot Business, the Directors have been looking at how best to protect and deliver value to Shareholders. Immediately following Completion, the only operating activity of the Enlarged Group will comprise the business of COE.

The trading performance of COE in the year ending 30 June 2003 has been materially affected by slippage on major projects and a consequential lack of financial resources. This in turn has led to further project delays. As a result, COE's trading in the year to date has been disappointing and it is expected that sales in the current year will fall short of the underlying turnover achieved in the year ended 30 June 2002.

Despite these constraints, the Proposed Directors believe COE has not lost any major projects due to the delays noted above. It continues to work with customers to ensure the most important project milestones are met and also has significant new business opportunities ahead of it as evidenced by the major project new business opportunities pipeline. The Directors and the Proposed Directors believe that Timeload's cash resources will relieve these constraints and allow COE quickly to complete projects where delivery has been delayed and to make considerable progress with respect to other pipeline projects.

The Directors and Proposed Directors accordingly believe that the additional cash resources should lead to substantial turnover growth during the year ending 30 June 2004, though currently anticipated project sales are weighted towards the second half and any further slippage would adversely impact profit and cash for 2004. Nevertheless, the Directors and Proposed Directors are optimistic about the future prospects of the Enlarged Group.

The Directors and Proposed Directors have identified several risks which should be taken into account when considering the COE business. These include the retention of high calibre employees, technological changes, competition, shipment timings, the project pipeline and macro environment factors. These risk factors are discussed further in paragraph 12 of Part II of this document.

6. Directors and Proposed Directors

On Completion, Jon Molyneux will resign from the Board, Dick Eykel (aged 63) will change from executive to non-executive Chairman and the Proposed Directors will be appointed to the Board. Biographical details of the Proposed Directors are as follows:

Brian Wadsworth (Age 52) – Chief Executive Officer

Brian Wadsworth joined COE in August 1993 as Sales and Marketing Director. After starting his career as an electronics engineer in the semiconductor sector for Siliconix Inc., Brian moved through applications engineering into sales and marketing, eventually running the European distribution network with responsibility for turnover of approximately £20 million per annum. Prior to joining COE, his final task was to develop a strategic business plan to integrate a distribution network of over 70 distributors for three group companies with a combined turnover of approximately £100 million. After 20 years of experience in sales and marketing within the electronics sector, Brian was appointed Chief Executive Officer of COE in June 1998.

Mark Marriage IEng MIIE (Age 41) – Technical Director

Mark Marriage was a founding shareholder of COE in 1989 and originally acted as Production Manager. Mark began his career at STC Defence Systems plc where he gained significant experience in the design and production of fibre based transmission systems. He now heads the COE Technical Services Group providing customers with pre and post sales support.

John Cook MA C Eng (Age 61) – Non-executive Director

John Cook is a qualified engineer and is currently a director of Yorkshire Fund Managers Ltd which manages the institutional investment of Yorkshire Enterprise Limited in COE. He has been working in venture capital for sixteen years and has served on the board of COE since 1990.

Colin Glass BSC(Econ) FCA (Age 59) – Non-executive Finance Director

Colin Glass was a founding shareholder of COE and has acted in a non-executive capacity since the inception of the business. He supports the finance team led by Vincent Hallam (whose biographical details are set out in Part II of this document) and takes a lead role in the strategic financial management and control of COE. Colin has been involved in the launch of several technology start-up companies, including Surgical Innovations Group plc, a company listed on AIM, where he is a non-executive director. He still retains his involvement in Winburn Glass Norfolk, the accountancy practice which he founded with two partners in 1974.

A full-time finance director and a further non-executive director are being sought and will be appointed to the Board as soon as is practicable following Admission.

Biographical details of the remaining senior management of COE are set out in Part II of this document.

7. Change of name

In order to reflect the main business of the Enlarged Group, the name of the Company will be changed to COE Group plc, conditional upon the approval of the Proposals by the Shareholders and completion of the Acquisition.

8. Capital Reduction

In order to return a proportion of Timeload's cash to its Shareholders, the Company will have to effect the Capital Reduction.

As at 27 March 2003 (being the latest date practicable prior to the posting of this document), the Company had a significant net deficit on its profit and loss account. In order to purchase Ordinary Shares pursuant to the Tender Offer, the Company must eliminate this deficit and create positive distributable reserves of not less than £2.2 million. Its net assets must not be less than its share capital and undistributable reserves. Under the Act, the Company can reduce or cancel its share capital and apply the reserve arising on the reduction or cancellation to write off the accumulated deficit on the profit and loss account and create positive distributable reserves, provided that it obtains the approval of shareholders in general meeting and the confirmation of the High Court.

It is therefore proposed that all of the existing issued Deferred Shares in the capital of the Company should be cancelled, that the nominal value of each existing Ordinary Share be reduced to 0.1 pence and that the share premium account be cancelled. This will not alter the number of Ordinary Shares in issue at this stage and hence the number of Ordinary Shares to which the Tender Offer applies.

The reserve created by the cancellation of the Deferred Shares, amounting to £0.2 million, the reduction of the nominal value of each existing Ordinary Share to 0.1 pence, amounting to approximately £13.7 million and the cancellation of the share premium account, amounting to approximately £320.8 million, will ensure that the accumulated deficit on the Company's profit and loss account as at 31 December 2002 will be eliminated and that positive distributable reserves of at least £2.2 million are created.

The Directors expect that a High Court hearing confirming the Capital Reduction will take place on 21 May 2003. In order to satisfy the High Court that the proposed Capital Reduction does not adversely affect the interests of the Company's creditors, the Company may have to provide such form of creditor protection (if any) as it may be advised is appropriate.

9. Tender Offer

It is proposed to use about 40 per cent. of the cash available in Timeload to buy back a proportion of the Company's Ordinary Shares. The share buy back will be effected by means of a Tender Offer to allow all Shareholders (other than certain Overseas Shareholders) the opportunity to sell a proportion of their Ordinary Shares.

The Company proposes to buy back and cancel up to 289,455,398 of its Ordinary Shares (40 per cent.) through the Tender Offer at a price of 0.75 pence per share. If the maximum number of Ordinary Shares is bought back, a total of approximately £2.2 million will be returned to Shareholders.

The Tender Offer is conditional, *inter alia*, on:

- (a) the passing of Resolution 7 set out in the Notice of EGM by no later than 30 May 2003;
- (b) the approval of the High Court of the Capital Reduction, and the Capital Reduction becoming effective;
- (c) receipt of valid tenders in respect of at least 1 per cent. of the Company's existing issued ordinary share capital by the Closing Date;
- (d) Durlacher being satisfied (following the Capital Reduction becoming effective) that the Company is in a position to purchase all the Ordinary Shares tendered under the Tender Offer out of distributable profits (as defined in section 263 of the Act) and that the Company has sufficient funds available to satisfy the maximum consideration payable under the Tender Offer; and
- (e) Admission.

All the conditions must be satisfied on or by 30 June 2003. If the Conditions are not satisfied prior to the close of business on 30 June 2003 the Company may postpone the completion of the Tender Offer for up to ten business days, after which time the Tender Offer, if not then completed, will lapse.

The Tender Offer is only available to Shareholders (other than to certain Overseas Shareholders) on the register of members of Timeload on the Record Date and in respect of their Ordinary Shares held on the Record Date.

Shareholders (other than certain Overseas Shareholders) are being invited, but are not obliged, to tender some or all of their Ordinary Shares to Durlacher who will, as agent for the Company, purchase the Ordinary Shares tendered up to the maximum aggregate amount of approximately £2.2 million.

The consideration for the Ordinary Shares to be purchased pursuant to the Tender Offer will be funded from Timeload's distributable reserves, following the Capital Reduction (but prior to the Capital Reorganisation) and paid from its existing cash resources.

The Tender Offer is subject to the conditions set out in Part VI of this document and the instructions on the Tender Form accompanying this document.

The Tender Offer involves the following:

- The Company (through its agent Durlacher), is offering to acquire by way of tender up to 289,455,398 of Timeload's Ordinary Shares, representing 40 per cent. of Timeload's issued ordinary share capital on the Record Date.
- The Tender Price is 0.75 pence in cash per Ordinary Share.
- Should the Tender Offer proceed, Shareholders (other than certain Overseas Shareholders) are guaranteed that they will be able to tender, and the Company (through its agent Durlacher), will buy, at least 40 per cent. of the Ordinary Shares held by them on the Record Date (rounded down to the nearest whole number of shares) (the "Guaranteed Entitlement").
- Shareholders may tender some, all or none of their Ordinary Shares. In the event that some Shareholders tender less than their Guaranteed Entitlement, the balance of Ordinary Shares available for tender (referred to above) will be applied in satisfaction of the tenders of Shareholders in excess of their Guaranteed Entitlement.
- The Ordinary Shares will be purchased free of commissions and dealing charges.
- Successfully tendered Ordinary Shares will be cancelled and will not rank for any future dividends.

Full details of the Tender Offer, including the terms and conditions on which it is made, are set out in Part VI.

In the event that the Tender Offer is not taken up in full, the Directors intend to distribute, by way of dividend, such amount as equals the shortfall between the amount paid out by the Company on the buy-back of the Ordinary Shares pursuant to the Tender Offer and the amount of approximately £2.2 million, provided that such shortfall exceeds £100,000. The dividend will be paid in relation to Shareholders' shareholding on the Record Date (i.e. prior to the cancellation of any Ordinary Shares under the Tender Offer).

10. Capital Reorganisation

Following the Capital Reduction and completion of the Tender Offer, the Company proposes to reorganise its ordinary shares as follows:

every 50 Ordinary Shares of 0.1 pence each will be consolidated into 1 New Ordinary Share of 5 pence each.

Pursuant to the powers granted to them under Article 10 of the Company's Articles of Association, the Directors intend to ignore fractional entitlements to shares arising as a result of the Capital Reorganisation.

As a result and assuming the Tender Offer is taken up in full, the 434.2 million Ordinary Shares (723.6 million before the Tender Offer) will be replaced with approximately 8.7 million New Ordinary Shares. The consolidation of the Ordinary Shares of 0.1 pence each is proposed because the dealing spread for shares with low trading prices tends to be greater (as a proportion of the total trading price) than for shares with higher trading prices. Furthermore, movements in a low share price may represent disproportionately large percentage changes in value and would not be in the interests of Shareholders.

Timeload will send certificates in respect of New Ordinary Shares to those Shareholders who hold their existing Ordinary Shares in certificated form as soon as possible. Existing certificates should be destroyed on receipt of certificates for New Ordinary Shares.

11. Admission to trading on the Alternative Investment Market

The Directors and Proposed Directors consider that AIM is the most suitable market for the Enlarged Group. Accordingly, the Company will, conditional upon Completion, request the UK Listing Authority to cancel its listing on the Official List and apply to the London Stock Exchange for admission of the issued ordinary share capital to trading on AIM. The Directors and Proposed Directors are satisfied that the transfer to AIM will not adversely affect the position of Shareholders or their ability to buy or sell shares in the Company. The Directors and Proposed Directors note that the taxation treatment of capital gains for shareholdings in AIM traded companies may be more favourable than for shareholdings in companies on the Official List.

As noted in paragraph 1 above, the suspension of the Company's existing Ordinary Shares will be lifted on 31 March 2003, being the next business day after the publication of this document. The cancellation of the Company's listing on the Official List and the admission to trading on AIM are expected to become effective as at 8.00 a.m. on 28 May 2003. In the event that the Resolutions are not approved by Shareholders at the EGM, the Company's application for admission to AIM will lapse and it is expected that the listing of its Ordinary Shares on the Official List will continue.

12. Share incentive schemes

The Ongoing Directors believe in the use of properly targeted share incentive arrangements as a motivational tool and to align the interests of senior employees and shareholders. Accordingly, it is the intention of the Ongoing Directors to introduce, by board resolution after Admission (when feasible) an enterprise management incentive share option scheme which, together with the Existing Share Option Schemes (as amended following Admission) will deliver up to 10 per cent. of the issued share capital of Timeload to employees and Ongoing Directors. This 10 per cent. shall be in addition to the Existing Share Options.

Timeload currently operates the Existing Share Option Schemes. Resolutions 2 and 3 will be proposed at the extraordinary general meeting to be held on 22 April 2003 to amend the Existing Share Option Schemes so that the 10 per cent. limit which applies to restrict the maximum number of New Ordinary Shares which may be issued following Admission will exclude options already granted by Timeload prior to Admission and to remove the limits on individual participation which are historic limits. The Directors and Proposed Directors consider that these proposals are in the interests of Shareholders since they will increase the number of options available to motivate and help in the retention of employees of the Enlarged Group. In addition, the removal of limits will allow the Remuneration Committee greater flexibility in granting options to Ongoing Directors and key employees.

Pursuant to the Proposed Share Option Schemes, certain of the Vendors may be eligible to be granted options over New Ordinary Shares up to 10 per cent. of the issued ordinary share capital of the Company. If all such options were granted to the Vendors and exercised and in the event that all Deferred Consideration Shares are issued to the Vendors, the Vendors could hold up to approximately 72.7 per cent. of the issued ordinary share capital and voting rights of the Enlarged Group.

13. Dividend policy

The Enlarged Group is seeking primarily to achieve capital growth for its shareholders. It is not the present intention to pay a dividend.

14. Corporate governance

It is the intention of the Ongoing Directors that the Enlarged Group will continue to comply with the principal recommendations on corporate governance, being those contained in the Combined Code and the other authoritative guidelines and regulations insofar as is practicable and appropriate for a company of its size and resources.

The Audit and Remuneration Committees will be chaired in each case by Dick Eykel. Colin Glass and John Cook will be appointed to the Audit Committee and John Cook will also be appointed to the Remuneration Committee.

Following Admission, the Ongoing Directors will adopt the Model Code on directors' dealings and will resolve to take all proper and reasonable steps to ensure compliance with it by the Ongoing Directors and the senior employees of the Enlarged Group.

15. Directors' and Shareholders' intentions

Undertakings have been received from each of the Directors in respect of the 1.3 million Ordinary Shares held by them in aggregate, which at the date of this document, represents approximately 0.2 per cent. of the issued share capital of the Company, to vote in favour of the Resolutions in respect of the Ordinary Shares held by them.

An undertaking has been received from Vivendi in respect of approximately 153.8 million Ordinary Shares held by it, which at the date of this document represents approximately 21.2 per cent. of the issued share capital of the Company, to vote in favour of the Resolutions in respect of the Ordinary Shares held by it.

An undertaking has been received from Ronald Zimet in respect of 32.0 million Ordinary Shares held by him, which at the date of this document represents approximately 4.4 per cent. of the issued share capital of the Company, to vote in favour of the Resolutions in respect of the Ordinary Shares held by him.

16. Lock-in arrangements

The Vendors have each given an undertaking that they will not sell, transfer or otherwise dispose of any New Ordinary Shares or interests in New Ordinary Shares held on Admission at least until 31 December 2004 or any Deferred Consideration Shares issued until 31 December 2006 in relation to potential claims relating to tax except in certain limited circumstances, including if a takeover offer is made for the Company.

Mr Eykel has given an undertaking that he will not sell, transfer or otherwise dispose of any New Ordinary Shares or interests in New Ordinary Shares held on Admission for a period of 12 months from Completion without the prior written consent of Durlacher except in certain limited circumstances including if a takeover offer is made for the Company.

Vivendi has given an undertaking that it will not sell, transfer or otherwise dispose of any New Ordinary Shares or interests in New Ordinary Shares held on Admission for a period of 12 months from Completion without the prior written consent of the Company except in certain limited circumstances including if a takeover offer is made for the Company.

17. Tax

A guide to the general tax position of Shareholders under UK law and Inland Revenue practice is set out in Part VII of this document.

Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

18. Overseas shareholders

The attention of Shareholders who are not resident in the United Kingdom is drawn to the section headed "Overseas Shareholders" in Part VI of this document.

19. Employees

Timeload confirms that it will observe the existing contractual and employment rights of all management and employees of Timeload as required by the applicable law.

20. The City Code

Rule 9 of the City Code

Rule 9 of the City Code is designed to prevent the acquisition of control of a company to which the City Code applies without a general cash offer being made to all shareholders of that company. Rule 9 states that any person, or group of persons acting in concert, that acquires shares in a company, resulting in him or them holding 30 per cent. or more of the voting rights in a company to which the City Code applies, is normally required to make a general offer in cash to all shareholders at the earliest possible date for the balance of the issued share capital at the highest price paid by him or them or any person or group of persons acting in concert with him or them within the preceding 12 months.

Consequences of Rule 9

The Panel has determined that the Vendors (the “Concert Party”) are acting in concert for the purposes of Rule 9 of the City Code. The terms of the Acquisition Agreement provide for the issue to the Concert Party of the Consideration Shares in three tranches, being the Initial Consideration Shares, the 2004 Consideration Shares and the 2005 Consideration Shares. Following Completion and the issue of the Initial Consideration Shares, the Concert Party will hold 30 per cent. of the issued ordinary share capital and voting rights of the Enlarged Group (assuming no Existing Share Options are exercised). Pursuant to the Acquisition Agreement, the 2004 Consideration Shares (if any) will be issued to the Concert Party in late 2004. If the maximum 2004 Consideration Shares are issued, the Concert Party will hold 50 per cent. of the issued ordinary share capital and voting rights of the Enlarged Group (assuming no Existing Share Options are exercised or Proposed Share Options are granted and exercised and no further New Ordinary Shares are issued). Following the issue of the 2005 Consideration Shares (if any) in late 2005, the Concert Party may hold up to a maximum of 70 per cent. of the issued ordinary share capital and voting rights of the Enlarged Group (assuming no Existing Share Options are exercised or Proposed Share Options are granted and exercised and no further New Ordinary Shares are issued). The maximum holding of the Concert Party of 70 per cent. is on the basis of the issued share capital of the Company at Completion assuming all of the Initial Consideration Shares and Deferred Consideration Shares had been issued at Completion. Accordingly, the percentage holding of the Concert Party will be lower in the event that the Company issues any additional New Ordinary Shares to third parties.

Pursuant to the Proposed Share Option Schemes, certain of the Vendors may be eligible to be granted options over New Ordinary Shares up to 10 per cent. of the issued ordinary share capital of the Company. If all such options were granted to the Vendors and exercised and in the event that all Deferred Consideration Shares are issued to the Vendors, the Concert Party could hold up to approximately 72.7 per cent. of the issued ordinary share capital and voting rights of the Enlarged Group.

Under Rule 9, unless a specific waiver is obtained from the Panel and the terms of the Acquisition Agreement for the issue of New Ordinary Shares are approved by Shareholders on a poll, the Concert Party would be obliged to make a mandatory cash offer for the entire issued ordinary share capital of Timeload once the Concert Party held 30 per cent. or more of the voting rights in the Company. Your Board believes that this consequence is not in the best interests of Timeload or its Shareholders. Your Board has consulted the Panel which has agreed, in this instance, subject to the approval of Shareholders on a poll, to waive the obligations that would otherwise arise under Rule 9 for the Concert Party or any member thereof to make a general cash offer for the whole of the Company’s issued share capital as a result of the issue to them of the Initial Consideration Shares, the 2004 Consideration Shares, the 2005 Consideration Shares or any New Ordinary Shares issued pursuant to the Proposed Share Option Schemes.

Shareholders should note that, if the Resolutions are passed, the Concert Party may control in excess of 50 per cent. of the issued share capital of the Company. Once the Concert Party controls over 50 per cent., for so long as it remains in concert, it may be entitled to increase its interest in the voting rights of the Company without incurring any further obligation under Rule 9 of the City Code to make a general offer. The Concert Party members will individually be entitled to increase their holdings in the Company up to but not including 30 per cent. of the voting rights before they would individually incur an obligation under Rule 9 to make a general offer to shareholders.

The Concert Party is also likely to control between 30 per cent. and 50 per cent. of the issued share capital of the Company following the issue of the Initial Consideration Shares and/or the 2004 Consideration Shares. For as long as the Concert Party exists and it controls between 30 per cent. and 50 per cent. of the issued share capital of the Company, its members will not be able to increase their individual holdings in the Company (save as allowed pursuant to the Waiver).

Shareholders' approval for the Waiver is sought in Resolution 1 which will be taken on a poll.

Further details on the make-up of the Concert Party and related disclosures are given in paragraph 12 of Part IX of this document.

21. Extraordinary General Meeting

You will find set out at the end of this document a notice convening an extraordinary general meeting of the Company to be held at the offices of Charles Russell, 8-10 New Fetter Lane, London EC4A 1RS at 10.30 a.m. on 22 April 2003, at which the following resolutions will be proposed:

ORDINARY RESOLUTIONS

- 1 To approve the Acquisition and Waiver.
- 2 To amend the rules of the Timeload plc (formerly Scoot.com PLC) 1999 approved share option scheme.
- 3 To amend the rules of the Timeload plc (formerly Scoot.com PLC) 1999 unapproved share option scheme.

SPECIAL RESOLUTIONS

- 4 4.1 to cancel the share premium account of the Company;
4.2 to reduce the share capital of the Company;
4.2.1 by the cancellation of the Deferred Shares; and
4.2.2 by cancelling capital paid up to 1.9 pence on each issued ordinary share of 2 pence and by reducing the nominal value of each Ordinary Share, whether issued or unissued, from 2 pence to 0.1 pence.
- 5 To amend the authorised share capital of the Company as stated in the Company's articles of association.
- 6 To approve the change of the name of the Company to COE Group plc.
- 7 To authorise:
 - 7.1 the Company to make market purchases of the Company's Ordinary Shares pursuant to the Tender Offer; and
 - 7.2 the purchase of the Company's Ordinary Shares from the Directors pursuant to the Tender Offer.
- 8 8.1 to consolidate every 50 Ordinary Shares of 0.1 pence into one New Ordinary Share of 5 pence;
8.2 to increase the authorised share capital of the Company to £2,750,000;
8.3 to amend the authorised share capital of the Company as stated in the Company's articles of association.
- 9 9.1 to authorise the Directors for a period of three years to allot relevant securities up to an aggregate nominal amount of £1,671,605 pursuant to the Acquisition;
9.2 to authorise the Directors generally to allot relevant securities up to an aggregate nominal amount of £186,078;

- 9.3 to renew the general disapplication of the pre-emption provisions in respect of the issue of equity securities for cash up to an aggregate nominal amount of £31,013.

The Resolutions are interconditional and therefore if any of the Resolutions is not approved by Shareholders, the Acquisition will not be completed and the Directors will commence proceedings to wind up the Company.

Approve the Acquisition and Waiver

In accordance with the requirements of the Panel for granting a waiver of the requirement for the Concert Party to make a general offer under Rule 9 of the City Code, Resolution 1 will be taken on a poll.

Reduction of capital

The effects of the resolutions to reduce the Company's capital are set out in section 8 of this Part I above.

Alterations to the Articles of Association

The full text of the proposed amendments to the Articles of Association are as follows:

- “5. THAT, subject to and conditionally upon the reduction of capital set out in paragraph 4.2 of Resolution 4 in the notice of this meeting becoming effective, the Articles of Association of the Company be altered by the deletion of Article 3 and the substitution of the following:

“SHARE CAPITAL

The authorised share capital at the date of the adoption of this Article 3 is £1,312,550 divided into 1,312,550,000 ordinary shares of 0.1 pence each (“Ordinary Shares”).”

- 8.3 the Articles of Association of the Company (as altered by Resolution 3 in the notice of this meeting) be altered by the deletion of Article 3 and the substitution of the following:

“SHARE CAPITAL

The authorised share capital at the date of adoption of this Article 3 is £2,750,000 divided into 55,000,000 ordinary shares of 5 pence each (“Ordinary Shares”).”

These changes are to reflect first, the reduction of the nominal value of the Ordinary Shares pursuant to the Capital Reduction and second, the consolidation of the Ordinary Shares into New Ordinary Shares of 5 pence each pursuant to the Capital Reorganisation.

Authority to make market purchases of Ordinary Shares

The purpose of Resolution 7 is to authorise the Company to make purchases of up to 289,455,398 Ordinary Shares (being 40 per cent. of the Company's present issued share capital) on the Official List of the London Stock Exchange. The authority is being sought to enable the Company to buy back and cancel up to 289,455,398 of its Ordinary Shares pursuant to the Tender Offer. The authority sought by Resolution 7 will expire on 30 June 2003.

Increase in authorised capital

The increase in the authorised share capital is proposed, so as to create sufficient authorised but unissued and unreserved ordinary share capital to allow for the maximum number of Consideration Shares to be allotted to the Vendors and so as to maintain a reasonable margin of authorised but unissued and unreserved ordinary share capital following the issue of the Consideration Shares. This represents an increase of approximately 110 per cent. in the authorised share capital of the Company following and assuming the Capital Reduction is completed.

Authority to allot shares

Following the passing of Resolution 9.1, the Directors will have specific authority to allot relevant securities up to an aggregate nominal amount of £1,671,605, which represents approximately 12 per cent. of the current issued ordinary share capital at the date of this document and will represent approximately 231 per cent. of the issued ordinary share capital assuming the Capital Reduction is completed, for the purposes of allotting the Consideration Shares to the Vendors. This authority will lapse three years after the date of the adoption of Resolution 9.1. The Directors and Proposed Directors intend to allot such number of New Ordinary Shares as is equal to 30 per cent. of the issued share capital upon Admission as consideration to the Vendors under the Acquisition Agreement.

Following the passing of Resolution 9.2, and in addition to the authority pursuant to Resolution 9.1, the Directors will have general authority to allot relevant securities up to an aggregate nominal amount of £186,078 which represents approximately 1 per cent. of the current issued ordinary share capital at the date of this document. Following the allotment of the Initial Consideration Shares and Admission, the Directors will have authority to allot 3,721,560 New Ordinary Shares pursuant to this authority which will represent approximately 30 per cent. of the issued New Ordinary Share capital upon Admission. This general authority will expire on the date of the Annual General Meeting in 2004 or, if earlier, the period of fifteen months after the date of the passing of Resolution 9.2. The Directors and Proposed Directors intend to allot New Ordinary Shares pursuant to the Proposed Share Option Schemes.

Other than in respect of the Acquisition Agreement and the Proposed Share Option Schemes, the Directors and Proposed Directors have no current intention to allot New Ordinary Shares.

Disapplication of pre-emption rights

The provisions of Section 89 (1) of the Act, to the extent that they are not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up wholly in cash. Pursuant to Resolution 9.3, the provisions of section 89(1) of the Act will be generally disapplied in connection with a rights or other pre-emptive issue and any other issue of equity securities for cash which, when taken together with any other equity securities allotted for cash during the period of the disapplication, do not in aggregate exceed a nominal value of £31,013 (representing approximately 5 per cent. of the issued New Ordinary Share capital following the issue of the Consideration Shares and assuming the Tender Offer is taken up in full and approximately 0.2 per cent. of the current issued share capital at the date of this document). The authority and disapplication will expire on the date of the Annual General Meeting of the Company in 2004 or, if sooner, the period of fifteen months after the date of the passing of Resolution 9.3.

22. Action to be taken

(a) Form of Proxy

Shareholders will find enclosed a Form of Proxy for use at the EGM. Shareholders do not need to tender their Ordinary Shares in the Tender Offer in order to be able to vote at the EGM. Whether or not you intend to attend the EGM, you should complete and return the Form of Proxy by post or by hand (during normal business hours) to the Company's registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3ZZ, so as to arrive **by no later than 10.30 a.m. on 20 April 2003**. Completion and return of a Form of Proxy will not affect a Shareholder's right to attend and vote at the Extraordinary General Meeting to be held at **10.30 a.m. on 22 April 2003** at the offices of Charles Russell, 8-10 New Fetter Lane, London EC4 1RS.

(b) Tender Form

Shareholders who wish to participate in the Tender Offer should complete the Tender Form in accordance with the instructions set out therein and return the completed Tender Form by post or by hand (during normal business hours) to the Company's registrars, Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ or by hand only (during normal business hours) to Computershare Investor Services PLC, 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR **by no later than 5.00 p.m. on 23 April 2003**. A reply paid envelope is enclosed for your convenience.

Shareholders who hold their Ordinary Shares in certificated form should also return the share certificate(s) and/or other documents of title in respect of the Ordinary Shares tendered with their Tender Form. Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) should return the Tender Form as described above and arrange for the relevant Ordinary Shares to be transferred to escrow as described in paragraph 3.2 of Part VI of this document and in the Tender Form.

23. Further information

Your attention is drawn to Parts II to IX of this document.

24. Recommendation

The Directors, who have been so advised by Durlacher, consider the terms of the Acquisition, including the waiver of the obligation to make a general offer to shareholders of Timeload under Rule 9 of the City Code, to be fair and reasonable. The Directors consider the Proposals described in this document to be in the best interests of the Company and its shareholders as a whole. In providing its advice to the Directors, Durlacher has taken into account the Directors' commercial assessments.

The Directors unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings, which currently amount to approximately 1.3 million Ordinary Shares, representing approximately 0.2 per cent. of the issued share capital of Timeload.

The Directors make no recommendation to Shareholders in relation to participation in the Tender Offer itself. Whether or not Shareholders decide to tender their Ordinary Shares will depend, *inter alia*, on their view of the Enlarged Group's prospects and their own individual circumstances, including their tax position.

Yours sincerely



Dick Eykel
Chairman

PART II

INFORMATION ON COE

1. Introduction

COE designs, manufactures and markets a range of networked analogue and digital video solutions for commercial surveillance applications. Focused on the transport infrastructure, security and industrial sectors, COE principally operates in the European, Middle Eastern and Asia Pacific markets.

COE principally undertakes two types of project being (i) large capital projects with extended gestation periods and long lead times for delivery, and (ii) mid-range general security projects with shorter gestation periods and shorter delivery lead times.

COE has an established market position which it has developed by supplying equipment to a number of leading transport infrastructure and city centre surveillance projects world-wide and also through a global network comprising a direct sales team and third party VARs.

COE has in excess of 100 staff, of which 10 are located overseas in business development roles within Europe, India, Singapore and Hong Kong.

Following the Acquisition, the Ongoing Directors intend to use the cash resources of the Enlarged Group to increase investment in product related development and demonstrations, working capital associated with the major project new business opportunities pipeline, new business development and the IT support infrastructure.

2. History and background

COE was founded in 1989 following a venture capital fund investment by Yorkshire Enterprise Limited. The business initially offered a range of analogue fibre optic transmission products for the UK transport infrastructure market. In the early 1990s, COE recognised the drive by Local Authorities in the UK for CCTV deployment in city centres and formed an alliance with BT in targeting this new market.

The experience developed in the transmission field led to the development by COE of a command and control product range. This range (named Telecommand) together with COE's transmission products formed an integrated network solution for video communications. The technical know-how was refined further in the development of an integrated video communication package targeted at complex multiple camera transportation and industrial projects (named COE-net Suite™), allowing the simultaneous transmission of video, audio and data information.

The Directors and Proposed Directors believe that a majority of CCTV installations in city centres in the UK currently operate using transmission and command and control equipment supplied by COE.

3. Products

COE has developed and manufactures a broad range of products for the transmission and control of video signals in CCTV applications. The product range consists of both analogue and digital products and systems.

Analogue video transmission product group

A transmission system consists of a video transmitter and video receiver unit placed at each end of the fibre optic cable. The video signal is converted to a modulated light signal by the optical transmitter and when received by the optical receiver converted back to the original video signal. Fibre type and optical budget requirements dictate the type of photonics device used, typically being lasers operating at 1300nm or 1550nm.

The products within this group serve the multiple mode fibre-optic market (typically small to medium surveillance systems) and the single mode fibre-optic market (typically transportation and trunk systems).

Application solutions include video, audio and data transmission. COE's analogue transmission product range includes COE Series 170, 200, 300, 400, 1200 and the V-class.

The integration of advanced laser technology into the analogue product group has enabled COE to design and deliver high capacity video transmission solutions, typified by the Transport for London Congestion Charging Scheme of some 1,300 cameras.

Digital video product transmission group

This group of products, based on the E-class codec, is diverse as it encompasses both individual video codecs and integrated systems where several codecs are packaged as a system node within larger networks. The systems incorporate a variety of interfaces, network technologies and software systems.

The video codec is the device that converts an analogue video signal into a digital bit stream for transmission over a digital network. Typically there is both an encoder and decoder pair. The encoder converts from analogue to digital and the decoder vice versa. For modern digital networks, bandwidth is a prime commodity and so codecs employ 'compression' techniques to reduce the resultant bit stream sent to the network. Compression engines may be hardware or software based and COE employs both techniques within its products and systems.

Telecommand CCTV control system

COE's CCTV control system solution, branded Telecommand, provides command and control for medium to large scale CCTV systems. Its capabilities extend beyond the typical single control room scenario allowing operator access and management of the video output on a multiple site basis. The system is fully compatible with the transmission product range and is designed to allow for easy integration with third party peripherals and client legacy systems.

The product range includes the central control unit, video signal switching units, system diagnostic products and various peripheral devices such as joysticks and keyboards. COE does not produce peripherals such as cameras and video recorders or the fibre-optic cabling.

COE-net Suite™ product group

The COE-net Suite™ is a collection of products and technology developed by COE over recent years. It can comprise the latest analogue and digital technologies available to system designers incorporating high channel count, high quality analogue video transmission; high channel count, flexible digital codec technology; video control and management system; and comprehensive graphical user interface and diagnostics and management software. COE-net Suite™ therefore offers the systems integrator the complete video management package. The flexibility of the technology employed enables COE to integrate with third party legacy technology.

4. Recent reference projects

Examples of recent reference projects include the following:

Transport for London Congestion Charging Scheme

The Transport for London Congestion Charging Scheme was launched on 17 February 2003 and is designed to gather tolls from all vehicles entering a designated area within central London, encompassing the City, West End and areas north and south of the River Thames. The system is managed through a comprehensive network of some 1,300 cameras with clusters of cameras at each road junction that intersects the ring and the video information is analysed for number plate recognition. COE was subcontracted by COLT Telecom Group PLC to provide a comprehensive network management system to control the transmission of vehicle number plate images captured by the camera network and to allow remote monitoring from a central control room. The solution incorporates sophisticated optical multiplexing and laser technology. The Proposed Directors believe that this solution will be a model for future large metropolitan networks where high quality, real time video transmission is required.

Kowloon Canton Rail Corporation West Rail

COE was the primary CCTV subcontractor to Siemens Hong Kong Limited for the Kowloon Canton Rail Corporation West Rail project. The rail link runs from the Southern tip of Hong Kong mainland up to the North West Territories, covering more than 30km of railway line with approximately 700 CCTV cameras deployed along the rail corridor. A fully integrated solution was supplied to ensure the highest possible level of system integrity, based on Telecommand and V-Class II.

JFK Airport to New York Light Rail System

JFK Airport on Long Island, New York is one of the major airports serving New York City and ground transport bottlenecks resulted in the need for a light rail system linking the airport and the city. Bombardier Inc. was contracted to provide the rail link and COE provided the V-class analogue multi-channel, fibre optic based video solution to manage the network of over 300 cameras. All the video signals are transmitted to a central control centre and are used to help prevent crime and to monitor crowd movement.

UK Highways Agency Traffic Information System

The Traffic Information System project is a scheme for the UK Highways Agency to allow the Traffic Police access to the English motorway cameras for traffic flow monitoring from a single central location, thereby eliminating the need for multiple Police Control Offices at various locations around the UK. The contract is being operated by Serco Limited with COE supplying the internet protocol based video network system. The network management system is based on the COE-net Suite™.

Singapore Mass Rapid Transit North East Line

The project involved a new rail line extending the existing network linking the new towns of Sengkang, Punggol and Hougang with the Central Harbour area of downtown Singapore. The system comprises fixed cameras at 350 locations and mobile cameras on 25 electric trains, all utilising COE's E-class digital video codec transmission units. The bespoke solution developed for this combined fixed and mobile remote monitoring system is now being pro-actively marketed by COE into other schemes throughout the world.

Bradford MDC Security scheme

COE was involved from a very early stage in assisting in the design and development of this complex scheme due to the restricted availability of communications infrastructure between the monitored towns in the Bradford municipal district area. The scheme utilises over 250 cameras throughout the region and provides operational access to both security and urban traffic control centres. COE's Telecommand range is used to provide a command and control solution and a mixed technology transmission product range was used to satisfy the client's demanding requirements over its limited communications infrastructure. The scheme has been expanded a number of times, emphasising COE's flexibility in providing easily adaptable systems.

5. Markets

COE targets the transport infrastructure, security and industrial sectors. These sectors are currently experiencing growth, which the Directors and Proposed Directors believe is attributable, *inter alia*, to (i) heightened terrorist security concerns in urban areas, public transport networks and utility and petrochemical facilities, and (ii) an increase in infrastructure investment for improved, safer public transport networks and urban congestion management. The Directors and Proposed Directors believe that future growth will also be stimulated by technological developments and increasing demand for integrated solutions of the kind COE provides.

The European CCTV market in 2001 was estimated to be worth A1.6 billion and is expected to grow at an average annual compound growth rate of approximately 10 per cent. per annum to A2.5 billion in 2006 (source: Proplan Report 2002). The Proposed Directors believe the global CCTV market to be currently more than triple the size of the European market. As a specialist provider of high performance integrated command and control and transmission solutions, COE's addressable market represents a niche element of the total global CCTV market. The Directors and Proposed Directors believe that the products of the type

manufactured by COE are at the forefront of the positive market trends noted above and that COE is well positioned to benefit strongly from this market growth.

COE's turnover (which has been extracted without material adjustment from the Accountants Report in Part III of this document) for the year ended 30 June 2002 may be split by market segment as below:

	<i>Revenues</i> (£'000)	<i>Percentage</i> %
Transport Infrastructure	5,110	54.6
Security	3,847	41.1
Industrial	400	4.3
Total	<u>9,357</u>	<u>100.0</u>

Transport Infrastructure

The transport market can be split into ports, urban and trunk sub-sectors. This is a key market for COE and activities have been focused primarily on urban transportation including light railway networks, mass rapid transit schemes, tramways, airports, seaports and major highway and railway projects. COE has been focused over the last three years in promoting its COE-net Suite™ concept into these projects which typically have long gestation periods. The Directors and Proposed Directors believe that the major project new business opportunities pipeline and COE's established global presence in this sector will generate significant business growth over the medium-term.

Security

The security market can be split into site, perimeter and urban surveillance sub-sectors. The Directors and Proposed Directors anticipate that future growth opportunities will come through a more integrated approach to urban services and that systems will require the sophisticated network technology designed by COE. COE has, over the last 12 months, taken a more pro-active role in this market, particularly with local and metropolitan authorities in the UK in order to promote this shift to a more integrated approach, incorporating areas such as traditional surveillance capabilities with emergency services communications, urban traffic monitoring and management, congestion charging and local authority communication networks.

COE has in the past deployed site and perimeter solutions for military establishments and facilities as well as industrial complexes such as motor car and tobacco manufacturing locations. The Directors and Proposed Directors believe these markets will continue to provide COE with new business opportunities.

Industrial

The industrial market can be split into site, perimeter and operational sub-sectors. This is an emerging sector for COE and principally targeted at petrochemical, oil and gas facilities as well as utilities such as water and power generation. During the last few years, COE has been successful in deploying its solutions in a bespoke manner for customers. COE is addressing this market through specialist VARs in the UK, Middle East and India who are well placed in their markets to promote COE solutions.

6. Sales and marketing

COE is focused on customers based in Europe and the Middle Eastern and Asia Pacific regions. The Directors and Proposed Directors anticipate that these regions will continue to be the main source of ongoing sales opportunities.

The following table (which has been extracted without material adjustment from the Accountants Report in Part III of this document) details COE revenues by region for the financial year ended 30 June 2002 and illustrates the global nature of the business. Historically, the relative importance of the Asia Pacific region has been strong and the Directors and Proposed Directors anticipate that this pattern will re-emerge in the future.

	<i>Revenues</i> (£'000)	<i>Percentage</i> %
United Kingdom	5,479	58.6
Asia and the rest of the world	3,322	35.5
Europe	544	5.8
United States of America	12	0.1
Total	<u>9,357</u>	<u>100.0</u>

COE has a global network of sales channels and markets its products in over thirty countries via four direct business development offices in Leeds, Mumbai, Hong Kong and Singapore and a network of VARs. The VAR network accounted for approximately 23 per cent. of total revenue in the year ended 30 June 2002.

7. Customer base

COE has endeavoured to develop close relationships with both existing and prospective customers to protect its market position and to improve the efficiency of the sometimes complex system specification and procurement processes.

The Directors and Proposed Directors consider COE has an established position as a key supplier to a number of global infrastructure and engineering corporates and aims to identify the primary contractors within its target markets, partner with them and build their dependency on COE products. Customers include Siemens Hong Kong Limited, Alcatel Portugal SA, COLT Telecom Group PLC, Magdalene Telecom Limited, Singapore Technologies Electronics Limited, NEC (System Integration and Construction) Limited, Tyco International Limited and Thales Telecommunications Services Limited.

To manage the long gestation period and improve its influence during the system design and specification phases, COE has also established relationships with a number of major project end users and consultancy groups. Example end users include The Highways Agency, Kowloon Canton Railway Corporation and Singapore MRT Limited. Consultancy relationships include WS Atkins Consultants Limited and WSP Systems Limited.

This approach increases the prospect of COE solutions being specified in the system design phase and provides valuable client feedback in the product development programmes.

COE has a diverse customer base in the mid-range general security projects market, which is largely addressed by the VAR network.

8. Future strategy

COE's strategic business plan has four distinct levels, being market, technology, operational and corporate.

At the market level, COE intends to continue to support its customers in supplying increasingly integrated and intelligent solutions satisfying bespoke end user demands. COE also intends to stay ahead of any existing and emerging competition by maintaining its position with existing clients and promoting new market opportunities in metropolitan surveillance networks and mobile video communications in transportation systems.

It is intended that the technology strategy will continue to be based upon the COE-net Suite™ platforms already established. COE expects to consolidate its existing position by (i) increasing the automatic decision-making intelligence within the platforms for improved end-user system performance and (ii) increasing the intelligence of the transmission elements to reduce operational costs, increase operational efficiency, enable wider application usage and provide revenue generation opportunities for end users.

Operationally, COE intends to promote the deployment of the COE-net Suite™ package into mid-range security markets to replace its current product range. It is envisaged that this will create a number of major benefits, including the rationalisation of the existing product range and an upgrade programme for existing COE and third party legacy infrastructure.

A further aspect of operational strategy will be the deployment of a customer focused extranet providing major global clients with tailored support and an intranet for improved project support and management control. The extranet is expected to minimise the need for additional sales and marketing resource whilst increasing customer service and dependence upon COE.

At the corporate level, COE intends to take advantage of the prospective AIM listing and market position in order to acquire complementary technology and new routes to market.

9. Intellectual property rights

COE's market position does not rely on protected technology. COE uses technology from parallel markets and re-engineers it for the relevant bespoke system using internal know-how. The application of this know-how is more relevant than the underlying technology in developing bespoke solutions.

The know-how accumulated by COE is derived from integrating transmission and command and control solutions and the Directors and Proposed Directors believe this is a critical market differentiator.

10. Research and development

R&D and the application of new technology is crucial to COE in maintaining a competitive advantage in the fast moving video technology industry. COE's engineering department manages the introduction and implementation of new technology into the COE product range. Feedback is sought from key clients and associates within the industry to focus R&D resources accordingly.

Investment in R&D represents approximately 10 per cent. of turnover per annum. The Directors and Proposed Directors intend to maintain this level of expenditure. This expenditure is not capitalised and is written off in that year's profit and loss account. The Directors and Proposed Directors believe that such investment is important to sustain COE's market position.

11. Senior management

Biographical details of the Proposed Directors are set out in Part I of this document. Details of the remaining key senior management are set out below.

Vincent Hallam BA (Hons), Finance Manager

Vincent Hallam joined COE in November 1994. He was promoted to Finance Manager in August 1999 and has responsibility for the day-to-day financial management, control and administration of the business. Vincent is supported by Colin Glass on strategic financial management issues.

Mark Waddington BSc CEng, Chief Engineer

As Chief Engineer, Mark Waddington is responsible for identifying and introducing new technology to the COE product range and the overview of technical aspects of all product designs. Recent notable technology introductions include internet protocol for video networks, advanced laser technology for V-Class and high speed digital transmission for a range of new low cost high performance products. He was a founder member of COE as technical director and has been directly responsible for the design of the majority of COE's past and present product range.

Chris Daniels, Engineering Manager

Chris Daniels has 20 years experience in electronic design and manufacturing including 12 years in a management role. He has worked in most engineering functions, including test, production, manufacturing, quality, service and design but mostly in new product development. Prior to joining COE, Chris worked at Alcatel Submarine Networks Limited (formerly STC) and Telemetrix PLC.

Neil Bradley, Business Development Manager UK & Europe

Neil Bradley is responsible for the formulation and implementation of the sales plan for the UK and Europe. This involves managing the relationships with VARs, the major system integrators and end users, together with the generation of new business opportunities.

Nicolas Pocard MSc, Business Development Manager, Transportation Division

Nicolas Pocard joined COE in 1997 to establish the Singapore sales operation and develop sales in the wider Asia Pacific region. He was recently appointed to lead the sales effort in the transport infrastructure division. Nicolas has over 10 years of sales experience in the optical fibre industry. Previously, he was the International Sales Manager of FORT, the French optical fibre cable manufacturer, in charge of sales and marketing in Europe and Asia.

Clynton Higgs, General Manager Asia Pacific Region

Clynton Higgs is responsible for managing the Asia Pacific Region, including the Mumbai, Singapore and Hong Kong operations. He has over 12 years experience in managing small to medium size businesses in the construction and technology sectors, with responsibility for between 10 and 150 personnel, in the Asia Pacific region.

Michael Bird MBIM, MBPICS, Production Manager

Michael Bird joined COE in June 1998. He is responsible for monitoring and implementing production best practices to ensure the production process remains efficient and cost effective, whilst enhancing product quality and reliability. Michael has significant experience in the engineering and electronics industry having worked for several years at Alcatel Submarine Networks Limited (formerly STC).

12. Risk factors

In the opinion of the Directors and the Proposed Directors, the following risks should be taken into account when considering the COE business:

- *Employees* – COE is dependent upon human resource for the continued success of its business. COE's ability to attract and retain high calibre employees is a key factor. There can be no assurance that COE will be able to retain its present staff or acquire additional personnel to facilitate growth as and when they are needed. The proposed issue of share options to key employees should help to mitigate this risk;
- *Technological changes* – technology can change rapidly in the video surveillance markets addressed by COE, potentially rendering existing products less competitive. COE's ongoing R&D programme, exploiting third party best-in-class technologies together with internal know-how, helps to mitigate this risk;
- *Competition* – COE has an established market position in providing integrated transmission and command and control solutions to video communication networks. However, as its markets evolve, there can be no assurance that COE will be able to maintain this position;
- *Shipment timing* – given the complex and bespoke nature of the COE systems developed and manufactured for major capital projects, which can have a lead time of up to three years, it is not always possible to predict the precise date of shipment. Given the high value of such systems and COE's accounting policy only to recognise sales upon shipment, the timing of shipments around financial reporting dates could have a material effect on the sales and profitability of the Enlarged Group in the relevant reporting period. The Directors and Proposed Directors believe that the more consistent flow of mid-range security projects assists in mitigating the periods of low activity associated with the difficulties in predicting shipment timings;
- *Project pipeline* – COE's major projects have long gestation periods, the timing of which is often dependent upon a number of factors, including political factors, outside the Company's control. The Directors and Proposed Directors believe that the mid-range security projects again assist in mitigating the periods of low activity associated with changes to the timing of the major project new business opportunities pipeline; and
- *Macro environment* – the COE business could be adversely affected by changes in fiscal, economic, political and legal factors.

PART III

FINANCIAL INFORMATION ON COE

The following is a copy of a report from BDO Stoy Hayward, Chartered Accountants:



BDO Stoy Hayward
Chartered Accountants

Emerald House
East Street
Epsom
Surrey KT17 1H8

The Directors and the Proposed Directors
Timeload plc
Bakers House
Bakers Road
Uxbridge
Middlesex
UB8 1RG

and

Deloitte & Touche Corporate Finance
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

28 March 2003

Dear Sirs

COE Limited (“COE” or the “Company”)

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the circular and admission document dated 28 March 2003 of Timeload PLC.

The Company was incorporated as Solefund Limited on 14 March 1989 and changed its name to COE on 16 May 1989.

Basis of preparation

The financial information is based on the audited financial statements of COE for the three years ended 30 June 2002 (the “Relevant Period”) after making such adjustments as we considered necessary.

PricewaterhouseCoopers, Benson House, 33 Wellington Street, Leeds LS1 4JP, have been auditors to COE throughout the Relevant Period.

Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

The financial statements of the Company are the responsibility of the directors of COE, who approved their issue.

The Directors and Proposed Directors of Timeload plc are responsible for the contents of the circular and the admission document dated 28 March 2003, in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that 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 circular and the admission document dated 28 March 2003, a true and fair view of the state of affairs of COE as at the dates stated and of its results and cash flows for the years then ended.

Consent

We consent to the inclusion in the circular and the admission document dated 28 March 2003 of this report and accept responsibility for this report for the purposes of paragraphs 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

Basis of accounting

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

Turnover

Turnover represents the invoiced amounts of goods supplied to customers during the period excluding value added tax.

Turnover is generally recognised where appropriate when products have been tested as having met customer requirements and have been delivered.

In instances where there are arrangements enabling the customer to defer part payment for a period after the goods have been supplied (for example to identify any defects) the invoiced amount is nevertheless included in turnover.

Any reductions or other variation to original invoiced amounts are recognised within turnover of the period in which such changes may be agreed.

Tangible fixed assets and depreciation

Tangible fixed assets are in the first instance included at cost. Cost represents expenditure incurred on the assets acquired.

Depreciation is calculated to write down the cost of fixed assets to their estimated residual values by equal annual instalments over their expected useful lives. The estimates of useful lives used in these calculations are:

Buildings on freehold land	50 years
Other assets	mainly 4 years

Residual values are generally estimated to be nil.

No depreciation provision is made concerning freehold land.

In compiling the financial information regard is given generally as to whether there has been a likelihood of impairment due to particular market trends or other known circumstances.

Stock

Stock and work in progress is valued at the lower of cost and net realisable value. Provision is made for obsolete, slow moving and defective stock to reduce the cost of relevant items to their estimated net realisable value.

Leased assets and obligations

Fixed assets leased under finance leases are capitalised and depreciated over the shorter of their expected useful lives and the lease term. The obligation to the lessor is included within creditors. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

The costs of operating leases are charged to the profit and loss account as they accrue.

Pensions

COE operates pension schemes under defined contribution arrangements. An executive pension plan is operated for the directors and senior staff for which contributions made by the Company are reflected in the financial statements for the period in which they accrue.

Other staff have a series of personal pension plans administered by trustees independently of the Company. COE's contributions are determined by contractual arrangements by reference to the employees' own contributions and are reflected in the financial statements for the period in which they accrue.

Research and development

Costs in respect of research and development are written off in the period in which they are incurred.

Warranties

A provision is incorporated into the financial information to reflect an estimate of future costs to be incurred as a consequence of warranties provided to customers on invoiced sales items.

Warranties are provided on products for various lengths of time, the maximum period being five years.

The estimated requirement for provision is based upon past experience of cost incurred in fulfilling warranty obligations.

Deferred taxation

Deferred tax is recognised in respect of all non-permanent timing differences, which have originated but not reversed by the balance sheet date in accordance with Financial Reporting Standard 19. Rates used are those expected to apply when the timing differences will reverse and based on current tax rates and law. Deferred tax assets are recognised only to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Grants receivable

Grants received deriving from revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Foreign currencies

All transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling on the date of the transaction. Current assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. All exchange differences arising are dealt with in the profit and loss account.

Financial instruments

Short term debtors or creditors are not treated as financial assets or financial liabilities. With the exception of cash at bank, the Company does not hold any other financial instruments within the meaning of Financial Reporting Standard 13.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short-term deposits.

Profit and loss accounts

	Notes	Year ended 30 June		
		2000 £000	2001 £000	2002 £000
Turnover	(a)	5,153	4,276	9,357
Changes in stocks of finished goods and work in progress		12	(36)	200
Net operating expenses	(b)	(4,666)	(4,543)	(8,929)
Operating profit/(loss)		499	(303)	628
Interest receivable		1	–	1
Interest payable	(c)	(122)	(126)	(118)
Profit/(loss) on ordinary activities before taxation	(c)	378	(429)	511
Tax on profit/(loss) on ordinary activities	(e)	(42)	135	(56)
Profit/(loss) on ordinary activities after taxation for the year		336	(294)	455
Dividends	(f)	(41)	–	–
Retained profit/(loss) for the year	(q)	295	(294)	455
Earnings/(loss) per share – basic	(g)	367p	(322)p	498p
Earnings/(loss) per share – diluted	(g)	353p	(301)p	477p

All amounts relate to continuing activities.

There are no recognised gains or losses other than as disclosed above and there have been no discontinued activities or acquisitions.

Balance sheets

		<i>As at 30 June</i>		
	<i>Notes</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed assets				
Tangible assets	(h)	1,220	1,175	1,243
Current assets				
Stock	(i)	655	575	823
Debtors	(j)	1,462	1,245	2,619
Debtors – deferred tax	(k)	45	180	23
Cash at bank and in hand		4	10	1
		2,166	2,010	3,466
Creditors: amounts falling due within one year	(l)	(1,418)	(1,639)	(2,905)
Net current assets		748	371	561
Total assets less current liabilities		1,968	1,546	1,804
Creditors: amounts falling due after more than one year	(m)	(1,063)	(888)	(697)
Provisions for liabilities and charges	(o)	(72)	(119)	(113)
Net assets		833	539	994
Capital and reserves				
Called up share capital	(p)	91	91	91
Share premium account	(q)	261	261	261
Capital redemption reserve	(q)	131	131	131
Profit and loss account	(q)	350	56	511
Shareholders' funds – Equity	(r)	833	539	994

Cash flow statements

	Notes	Year ended 30 June		
		2000 £000	2001 £000	2002 £000
Net cash inflow/(outflow) from operating activities	(s)	(108)	250	688
Returns on investments and servicing of finance				
Interest received		1	–	1
Interest paid		(115)	(117)	(113)
Interest paid on finance leases		(7)	(9)	(5)
Net cash inflow/(outflow) from returns on investments and servicing of finance		(121)	(126)	(117)
Taxation				
UK corporation tax (paid)/received		16	–	108
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(30)	(66)	(198)
Equity dividends paid		–	(40)	–
Net cash inflow/(outflow) before financing		(243)	18	481
Financing				
Payments for ordinary share capital previously called		1	–	–
Repayments of bank loans		(70)	(70)	(120)
Repayments of other loans		–	(13)	(50)
Repayments of finance leases		(48)	(42)	(44)
Acquisition of own ordinary shares		(2)	–	–
		(119)	(125)	(214)
Increase/(decrease) in cash in the year	(t), (u)	(362)	(107)	267

NOTES TO THE FINANCIAL INFORMATION

(a) Turnover

The turnover attributable to each of COE's geographical markets is:

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
United Kingdom	2,710	2,226	5,479
Europe	921	530	544
United States of America	260	37	12
Asia and the rest of the world	1,262	1,483	3,322
	<u>5,153</u>	<u>4,276</u>	<u>9,357</u>

All turnover is derived from the Company's principal activities apart from during the year ended 30 June 2002 when COE undertook a large contract in Asia of which £1.8m of the sales value arose from the supply of commodities, which was outside its normal operations. This supply was subcontracted out to a local contractor in order to fulfil the commitment and delivery to the required time-scales. This subcontract arrangement was undertaken at a nominal profit margin in order to secure the contract.

(b) Net operating expenses

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	2,060	1,656	5,096
Other external charges	87	48	101
Staff costs	1,487	1,650	2,117
Depreciation	169	124	130
Other operating charges	863	1,065	1,485
	<u>4,666</u>	<u>4,543</u>	<u>8,929</u>

(c) Profit/(loss) on ordinary activities before taxation

This is arrived at after charging:

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Depreciation of owned assets	130	92	96
Depreciation of assets held under finance leases	39	32	34
Auditors' remuneration – for audit services	12	12	14
Interest payable on bank loans and overdraft	93	95	95
Interest payable on other loans	22	22	18
Interest payable on finance leases	7	9	5
Operating leases			
Plant and machinery	6	4	56
Motor vehicles	52	39	42
Other	40	53	47
Research and development costs including attributable salaries	566	653	1,000
	<u>566</u>	<u>653</u>	<u>1,000</u>

(d) Employees

	<i>Year ended 30 June</i>		
	<i>2000</i> <i>No.</i>	<i>2001</i> <i>No.</i>	<i>2002</i> <i>No.</i>
The average monthly number employed by COE (including directors)	<u>64</u>	<u>68</u>	<u>83</u>
The costs incurred for the above persons were:			
	<i>2000</i> <i>£000</i>	<i>2001</i> <i>£000</i>	<i>2002</i> <i>£000</i>
Wages and salaries	1,260	1,471	1,879
Social security	117	127	177
Other pension costs (defined contribution schemes)	50	51	62
	<u>1,427</u>	<u>1,649</u>	<u>2,118</u>
Pension contributions still to be paid to the schemes concerned	<u>–</u>	<u>6</u>	<u>8</u>
Directors:			
Aggregate amount of emoluments – individual directors	80	80	93
Aggregate amount of emoluments – paid to third parties for directors services	50	62	62
	<u>50</u>	<u>62</u>	<u>62</u>
Aggregate value of company contributions to pension schemes	<u>6</u>	<u>6</u>	<u>7</u>
Number of directors to whom retirement benefits accrue under defined contribution schemes	<u>1</u>	<u>1</u>	<u>1</u>

Directors' emoluments and interests

	<i>Basic salary</i> <i>£000</i>	<i>Pension contributions</i> <i>£000</i>	<i>Benefits in kind</i> <i>£000</i>	<i>Fees</i> <i>£000</i>	<i>Total</i> <i>£000</i>
<i>Year ended 30 June 2000</i>					
John Cook	–	–	–	25	25
Brian Wadsworth	70	6	10	–	86
Colin Glass	–	–	–	13	13
Ian Edmiston	–	–	–	12	12
Peter Krovina	–	–	–	–	–
	<u>70</u>	<u>6</u>	<u>10</u>	<u>50</u>	<u>136</u>
<i>Year ended 30 June 2001</i>					
John Cook	–	–	–	25	25
Brian Wadsworth	70	6	10	–	86
Colin Glass	–	–	–	13	13
Ian Edmiston	–	–	–	12	12
Peter Krovina	–	–	–	12	12
	<u>70</u>	<u>6</u>	<u>10</u>	<u>62</u>	<u>148</u>

(d) **Employees (continued)**

Directors' emoluments and interests (continued)

	<i>Basic salary £000</i>	<i>Pension contributions £000</i>	<i>Benefits in kind £000</i>	<i>Fees £000</i>	<i>Total £000</i>
<i>Year ended 30 June 2002</i>					
John Cook	–	–	–	25	25
Brian Wadsworth	83	7	10	–	100
Colin Glass	–	–	–	13	13
Ian Edmiston	–	–	–	12	12
Peter Krovina	–	–	–	12	12
	<u>83</u>	<u>7</u>	<u>10</u>	<u>62</u>	<u>162</u>

The directors of the Company during the Relevant Period and their interests in the issued share capital of the Company were as follows:

	<i>As at 30 June 2000 £000</i>	<i>As at 30 June 2001 £000</i>	<i>As at 30 June 2002 £000</i>
<i>'A' ordinary shares of £1 each</i>			
John Cook	–	–	–
Brian Wadsworth	–	–	–
Colin Glass	10,000	10,000	10,000
Ian Edmiston	–	–	–
Peter Krovina	–	–	–
<i>'B' ordinary shares of £1 each</i>			
John Cook	–	–	–
Brian Wadsworth	–	–	–
Colin Glass	–	–	–
Ian Edmiston	–	–	–
Peter Krovina	11,567	11,567	11,567
<i>'C' ordinary shares of £1 each</i>			
John Cook	600	600	600
Brian Wadsworth	6,500	6,500	6,500
Colin Glass	–	–	–
Ian Edmiston	–	–	–
Peter Krovina	–	–	–

(e) Taxation

Based on the results of the year:

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
UK Corporation Tax			
Over-provision for previous year	(25)	–	(108)
Foreign tax	–	–	7
Total current tax	<u>(25)</u>	<u>–</u>	<u>(101)</u>
Deferred tax at an average rate of 21 per cent. (year ended 30 June 2000) and 20 per cent. (years ended 30 June 2001 and 2002)	67	(135)	157
Total deferred tax	<u>67</u>	<u>(135)</u>	<u>157</u>
Tax charge/(credit)	<u>42</u>	<u>(135)</u>	<u>56</u>
Factors affecting tax charge for the year:			
Profit/(loss) on ordinary activities before taxation	<u>378</u>	<u>(429)</u>	<u>510</u>
Profit/(loss) on ordinary activities before taxation multiplied by applicable average rate of tax	79	(86)	102
Effects of:			
Permanent differences – expenses not deductible for tax purposes	2	4	4
Permanent differences – expenses enhanced for tax purposes	(14)	(53)	(86)
Permanent differences – foreign tax	–	–	7
Change in tax rates – due to a specific claim	–	–	29
Over-provision for previous year	(25)	–	–
	<u>42</u>	<u>(135)</u>	<u>56</u>
Capital allowances for the period in excess of depreciation	(2)	(5)	(11)
Provision not yet deductible for tax purposes	2	20	9
Losses (relieved)/to relieve in future periods	(67)	120	(155)
Total current tax	<u>(25)</u>	<u>–</u>	<u>(101)</u>

The Company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

(f) Dividends

Proposed on equity shares:

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cumulative Convertible Participating Preferred Ordinary Shares	13	–	–
‘A’ ordinary shares	13	–	–
‘B’ ordinary shares	11	–	–
‘C’ ordinary shares	4	–	–
	<u>41</u>	<u>–</u>	<u>–</u>

(g) Earnings/loss per share

The calculation of earnings per share for the year ended 30 June 2000 is based on the profit after taxation of £336,000 and on a weighted average number of shares in issue during the year of 91,525.

The calculation of loss per share for the year ended 30 June 2001 is based on the loss after taxation of £294,000 and on the number of shares in issue throughout the year of 91,434.

The calculation of earnings per share for the year ended 30 June 2002 is based on the profit after taxation of £455,000 and on the number of shares in issue throughout the year of 91,434.

The diluted earnings/loss per share for each of the years ended 30 June 2000 to 30 June 2002, is based on Uberior Trading Limited electing to subscribe for 4,812 D ordinary shares on the terms summarised in note (p) below. The financial benefit from the receipt of the share subscription money has been estimated at £4,000 per annum.

(h) Tangible fixed assets

	<i>Fixtures, Fittings</i>		<i>Freehold</i>	
	<i>Plant and</i>	<i>Tools and</i>	<i>Land and</i>	<i>Total</i>
	<i>Machinery</i>	<i>Equipment</i>	<i>Buildings</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 July 1999	641	563	1,153	2,357
Additions	114	10	9	133
At 30 June 2000 and 1 July 2000	755	573	1,162	2,490
Additions	18	61	–	79
At 30 June 2001 and 1 July 2001	773	634	1,162	2,569
Additions	26	172	–	198
At 30 June 2002	799	806	1,162	2,767
Depreciation:				
At 1 July 1999	554	472	75	1,101
Charge for the year	84	64	21	169
At 30 June 2000 and 1 July 2000	638	536	96	1,270
Charge for the year	56	47	21	124
At 30 June 2001 and 1 July 2001	694	583	117	1,394
Charge for the year	48	61	21	130
At 30 June 2002	742	644	138	1,524
Net Book Value:				
At 30 June 2000	117	37	1,066	1,220
At 30 June 2001	79	51	1,045	1,175
At 30 June 2002	57	162	1,024	1,243

Included above are assets held under finance leases:

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net book value	98	67	35
Depreciation charge for the year	39	32	34

(i) Stock

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	508	476	524
Work in progress	98	62	191
Finished goods and goods for resale	49	37	108
	<u>655</u>	<u>575</u>	<u>823</u>

(j) Debtors

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,409	1,195	2,594
Other debtors	40	31	–
Prepayments and accrued income	13	19	25
	<u>1,462</u>	<u>1,245</u>	<u>2,619</u>
Debtors due after more than one year included in above	<u>12</u>	<u>12</u>	<u>–</u>

The debtors due after more than one year, which are included under other debtors, relate to a deposit held by the company's solicitors as security against non-payment of obligations in respect of the operating lease for land and buildings.

(k) Deferred tax

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Provision – Asset/(liability):			
Accelerated capital allowances	2	(5)	(16)
Provisions not yet deductible for tax purposes	15	20	29
Tax losses carried forward	28	165	10
	<u>45</u>	<u>180</u>	<u>23</u>

It is anticipated that future profitable business will be undertaken so as to use the deferred tax asset.

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at the beginning of the year	112	45	180
Deferred tax in profit and loss account for the period (note 5)	(67)	135	(157)
As at the end of the year	<u>45</u>	<u>180</u>	<u>23</u>

In deriving these amounts the anticipated rate of corporation tax to be applicable is 21 per cent. for the year ended 30 June 2000 and 20 per cent. for the years ended 30 June 2001 and 2002. No discounting for timing of future reversals is reflected in these figures.

In December 2000 the Accounting Standards Board issued Financial Reporting Standard 19 “Deferred Tax” (“FRS 19”). The Company adopted FRS 19 for the purposes of its audited financial statements for the year ended 30 June 2002. FRS 19 has been adopted for each of the three years results in this report and the audited financial statements for the years ended 30 June 2000 and 30 June 2001 have been restated. The impact of this is to increase the net assets and equity shareholders’ funds by £45,000 for the year ended 30 June 2000 and £180,000 for the year ended 30 June 2001, increase the tax charge in the profit and loss account by £67,000 for the year ended 30 June 2000 and decrease the tax charge in the profit and loss account by £135,000 for the year ended 30 June 2001.

(l) Creditors: Amounts falling due within one year

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts (see note n)	439	602	326
Obligations under finance leases (see note n)	33	46	23
Trade creditors	697	767	2,097
Corporation tax	–	–	7
Other taxation and social security	32	46	163
Other loans (see note n)	56	57	58
Accruals and deferred income	121	121	231
Dividends proposed	40	–	–
	<u>1,418</u>	<u>1,639</u>	<u>2,905</u>

(m) Creditors: Amounts falling due after more than one year

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts (see note n)	810	690	570
Obligations under finance leases (see note n)	65	23	2
Other loans (see note n)	188	175	125
	<u>1,063</u>	<u>888</u>	<u>697</u>

(n) Liabilities

Bank loans and overdrafts

Bank loans and overdrafts, totalling £896,000 as at 30 June 2002 (2001: £1,292,000; 2000: £1,249,000), are secured on the assets of the company and more specifically by a first legal charge on the freehold land and buildings.

Bank loans are repayable by quarterly instalments. Interest is payable at rates of 2 per cent. and 3.5 per cent. above The Bank of Scotland base rate.

The aggregate amount repayable at the year end falls due as follows:

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
In one year or less	70	120	120
More than one and less than two years	120	120	120
More than two years and less than five	360	360	310
More than five years	330	210	140
	<u>880</u>	<u>810</u>	<u>690</u>

Other loans

Other loans are secured on the assets of the Company and the aggregate amount repayable at the year end falls due as follows:

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	50	50	50
Between one and two years	50	50	50
Between two and five years	138	125	75
	<u>238</u>	<u>225</u>	<u>175</u>

Obligations

Obligations under finance leases are repayable as follows:

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	34	46	23
Between one and two years	49	21	2
Between two and five years	16	2	–
	<u>99</u>	<u>69</u>	<u>25</u>

(o) Provisions for liabilities and charges

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Warranties:			
As at the beginning of the year	64	72	119
Provided in the year	24	70	29
Utilised in the year	(16)	(23)	(35)
As at the end of the year	<u>72</u>	<u>119</u>	<u>113</u>

Warranties are provided on products for various lengths of time, the maximum period being five years. The provision recognises expected future costs of warranty claims on products sold by the balance sheet date. The whole of the expenditure provided for will be utilised within five years of the balance sheet date.

(p) Share capital

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Authorised:			
30,000 cumulative convertible participating preferred ordinary shares of £1 each	30	30	30
123,096 'A' ordinary shares of £1 each	123	123	123
23,134 'B' ordinary shares of £1 each	23	23	23
8,900 'C' ordinary shares of £1 each	9	9	9
4,807 'D' ordinary shares of £1 each	5	5	5
	<u>190</u>	<u>190</u>	<u>190</u>
Allotted, called up and fully paid:			
30,000 cumulative convertible participating preferred ordinary shares of £1 each	30	30	30
30,000 'A' ordinary shares of £1 each	30	30	30
23,134 'B' ordinary shares of £1 each	23	23	23
8,300 'C' ordinary shares of £1 each	8	8	8
	<u>91</u>	<u>91</u>	<u>91</u>

The issued shares are all considered to be equity shares.

The cumulative convertible participating preferred ordinary shares have rights on a winding up equal but partly in priority to the rights attaching to the ordinary shares.

The ordinary shares and the cumulative convertible participating preferred ordinary shares all carry equal rights and similar rights to dividends.

An option has been granted to Uberior Trading Limited (a subsidiary of Bank of Scotland) for it to elect to subscribe for D ordinary shares of £1 amounting in total number to 5 per cent. of the aggregate nominal value of the equity share capital of the Company (as enlarged by the option shares). A price of £12.97 is payable for any option shares subscribed for and the option is generally exercisable in the event of there being either a prospective listing of the Company's shares or a change of control of the Company's shares.

During August 1999 the Company purchased 500 'A' ordinary shares of £1 each and 600 'C' ordinary shares of £1 each from a former employee for £1,700 on his leaving the Company's service.

(q) Reserves

	<i>Share premium account £000</i>	<i>As at 30 June Capital redemption reserve £000</i>	<i>Profit and loss Account £000</i>
As at 1 July 1999 as previously stated	261	130	(55)
prior year adjustment	–	–	112
as restated	<u>261</u>	<u>130</u>	<u>57</u>
Profit retained for the year	–	–	295
Transfer to Capital redemption reserve for acquisition of 500 'A' ordinary and 600 'B' ordinary shares (see note p)	–	1	(1)
Amounts withdrawn on purchase of own shares (see note p)	–	–	(1)
As at 30 June 2000 and 1 July 2000	<u>261</u>	<u>131</u>	<u>350</u>
Loss retained for the year	–	–	(294)
As at 30 June 2001 and 1 July 2001	<u>261</u>	<u>131</u>	<u>56</u>
Profit retained for the year	–	–	455
As at 30 June 2002	<u>261</u>	<u>131</u>	<u>511</u>

The prior year adjustment relates to a change in policy in respect of deferred taxation, so that the Company complies with Financial Reporting Standard 19 ("FRS19"), requiring deferred tax to be provided in full on all timing differences. FRS19 came into force during the year ended 30 June 2002 and the financial statements have been restated to reflect the new policy.

(r) Reconciliation of movements in shareholders' funds

	<i>£000</i>
As at 1 July 1999	540
Profit after taxation for the year	336
Consideration payable for acquisition of own shares (see note p)	(2)
Dividends	(41)
As at 30 June 2000 and 1 July 2000	<u>833</u>
Loss after taxation for the year	(294)
Dividends	–
As at 30 June 2001 and 1 July 2001	<u>539</u>
Profit after taxation for the year	455
Dividends	–
As at 30 June 2002	<u>994</u>

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

	<i>Year ended 30 June</i>		
	<i>2000 £000</i>	<i>2001 £000</i>	<i>2002 £000</i>
Operating profit/(loss)	499	(303)	628
Increase/(decrease) in provisions	7	47	(6)
Depreciation on tangible fixed assets	169	124	130
(Increase)/decrease in stocks	(171)	80	(248)
(Increase)/decrease in debtors	(608)	217	(1,374)
Increase/(decrease) in creditors	(4)	85	1,558
Net cash flow from operating activities	<u>(108)</u>	<u>250</u>	<u>688</u>

(t) Reconciliation of net cash flow to movement in net funds/(debt)

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Increase/(decrease) in cash in the year	(362)	(107)	267
Cash (inflow)/outflow from change in debt	118	125	214
Change in net funds/(debt) resulting from cash flows	<u>(244)</u>	<u>18</u>	<u>481</u>
New finance leases	(103)	(13)	–
Movement in net funds/(debt) in the year	(347)	5	481
Net funds/(debt) at the beginning of the year	<u>(1,233)</u>	<u>(1,580)</u>	<u>(1,575)</u>
Net funds/(debt) at the end of the year (note u)	<u>(1,580)</u>	<u>(1,575)</u>	<u>(1,094)</u>

(u) Analysis of net debt

	<i>At start of the year £000</i>	<i>Cash flow £000</i>	<i>Non-cash changes £000</i>	<i>At the end of the year £000</i>
Year ended 30 June 2000:				
Cash in hand and at bank	342	(338)	–	4
Overdrafts	(344)	(24)	–	(368)
		<u>(362)</u>		
Debt due after one year	(70)	–	(50)	(120)
Debt due within one year	(1,118)	70	50	(998)
Finance leases	(43)	48	(103)	(98)
	<u>(1,233)</u>	<u>(244)</u>	<u>(103)</u>	<u>(1,580)</u>
Year ended 30 June 2001:				
Cash in hand and at bank	4	6	–	10
Overdrafts	(368)	(113)	–	(481)
		<u>(107)</u>		
Debt due after one year	(120)	83	(133)	(170)
Debt due within one year	(998)	–	133	(865)
Finance leases	(98)	42	(13)	(69)
	<u>(1,580)</u>	<u>18</u>	<u>(13)</u>	<u>(1,575)</u>
Year ended 30 June 2002:				
Cash in hand and at bank	10	(9)	–	1
Overdrafts	(481)	276	–	(205)
		<u>267</u>		
Debt due after one year	(170)	170	(170)	(170)
Debt due within one year	(865)	–	170	(695)
Finance leases	(69)	44	–	(25)
	<u>(1,575)</u>	<u>481</u>	<u>–</u>	<u>(1,094)</u>

(v) **Financial instruments**

(i) **Interest rate and currency of cash balances**

The Company does not hold any fixed rate or floating rate financial assets.

(ii) **Currency exposure**

The Company's exposure, i.e. that arising from transactions the net currency gains and losses from which will be recognised in the profit and loss account, is shown below:

	<i>As at 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank			
Sterling	(369)	(482)	(205)
Singapore dollar	4	10	1
	<u>(365)</u>	<u>(472)</u>	<u>(204)</u>

(iii) **Fair value of financial instruments**

There is no material difference between the fair value and book value of the Company's financial instruments.

(w) **Financial commitments**

The Company is required to make the following payments during the twelve months following each balance sheet date as a consequence of non-cancellable operating leases:

	<i>2000</i>		<i>As at 30 June</i>		<i>2002</i>	
	<i>Land and building</i>	<i>Other</i>	<i>Land and building</i>	<i>Other</i>	<i>Land and building</i>	<i>Other</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Expiring:						
Within one year	–	10	12	–	–	9
After one year but before five years	20	44	–	39	–	36
	<u>20</u>	<u>44</u>	<u>–</u>	<u>39</u>	<u>–</u>	<u>36</u>

(x) **Related party disclosure**

COE undertakes business on normal trade terms with Fibrehub Europe Limited, a shareholder of COE and a company in which Ian Edmiston, a director of COE, acts as a director. The inter-company trading, charges and balances are as follows:

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Sales by COE in the year	542	470	157
Amounts due to COE at year-end	160	100	125
Amounts charged by Fibrehub Europe Limited for			
Ian Edmiston's services in the year	12	12	12
Amounts accrued in respect the above at year-end	<u>3</u>	<u>3</u>	<u>3</u>

(x) Related party disclosure (continued)

COE also undertakes business on normal trade terms with Comms Centre International Limited, a shareholder of COE and a company in which Peter Krovina, a director of COE, holds an interest. The inter-company trading, charges and balances are as follows:

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Sales by COE in the year	190	347	769
Amounts due to COE at year-end	65	244	188
Amounts charged by Comms Centre International Limited for			
Peter Krovina's services in the year	12	12	12
Amounts accrued in respect the above at year-end	<u>12</u>	<u>12</u>	<u>10</u>

Winburn Glass Norfolk, a chartered accountancy firm which Colin Glass founded with two partners in 1974, provides general support services to COE and also the services of Colin Glass in his capacity as non-executive director of COE. The charges and balances are as follows:

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts charged by Winburn Glass Norfolk for			
general support services	7	5	5
Amounts charged by Winburn Glass Norfolk for			
services and expenses incurred in the provision of			
Colin Glass as a director	12	12	12
Amounts due to Winburn Glass Norfolk at year-end	4	5	6
Amounts accrued in respect the above at year-end	<u>10</u>	<u>8</u>	<u>3</u>

The services of John Bradford Cook, the chairman and a shareholder of COE, are provided by his employer, Yorkshire Enterprise Limited. The charges and balances are as follows:

	<i>Year ended 30 June</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts charged for services and expenses			
incurred as a director	25	25	25
Amounts accrued in respect the above at year-end	<u>6</u>	<u>6</u>	<u>6</u>

(y) Post balance sheet event

A separate company, Flexinet Systems Limited ("Flexinet") has been formed with a view to undertaking a particular area of business activity to be entered into after 30 June 2002. Flexinet remained dormant through to 30 June 2002 with no called up share capital although COE controlled its one issued share.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

PART IV

FINANCIAL INFORMATION ON TIMELOAD

A. PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

On 28 March 2003, Timeload announced its preliminary results for the year ended 31 December 2002. The full text of this announcement is reproduced below. The preliminary results have been prepared by Timeload and approved by the Directors. The preliminary results have been properly prepared in accordance with the law applicable to Timeload and the Directors consent to the inclusion of the preliminary results in this circular and accept responsibility for them:

**“Timeload plc
 (“Timeload” or the “Company”)
 AUDITED PRELIMINARY RESULTS
 FOR THE YEAR ENDED 31 DECEMBER 2002**

Key Highlights

- Proposed reversal of COE Limited into Timeload coupled with part return of cash to shareholders recommended by the Board; EGM to seek shareholder approval to be held on 22 April 2003
- Sale of Scoot UK business to British Telecommunications plc completed on 1 August 2002
- Company name changed to Timeload plc on 1 August 2002
- EPS loss of 0.54p in the year before exceptional items and goodwill amortisation (2001: 6.22p loss)
- EPS of 0.16p in the year after exceptional items and goodwill amortisation (2001: 25.47p loss)
- Timeload plc is a listed shell company which, as at 27 March 2003, had a net free cash balance of £5.3m.

Commenting on today’s results, Dick Eykel, Executive Chairman, said: “We are very pleased that we are able to recommend the reversal of COE Limited into the Company. We believe that this, together with the part return of capital, will best protect and deliver value to shareholders.”

Reversal of COE into the Company

The directors believe that the injection of a separate trading business into the Company coupled with a part return of capital to shareholders of up to £2.2m by way of a Tender Offer will best protect and deliver value to shareholders. Accordingly, shareholder approval is being sought at an Extraordinary General Meeting (“EGM”) on 22 April 2003 to acquire COE Limited.

If approved, this will be achieved by the issue of new shares in the Company to COE’s shareholders following which the existing shareholders of the Company will own approximately 70% of the combined businesses. This may reduce to a minimum of 30% dependent upon the results of the combined businesses in the financial years ending 30 June 2004 and 2005.

Under the Tender Offer, existing shareholders have the option to receive a cash payment and each is guaranteed to be able to sell to the Company at least 40% of their shares at 0.75 pence per share. If shareholders reject the proposals, the directors will promptly seek to commence a voluntary winding-up of the Company in order to distribute the remaining assets in the business to shareholders. Full details of the proposals are contained in the circular issued to shareholders dated 28 March 2003.

Timeload is currently a cash shell with no turnover generating activities. The Company continues to realise outstanding assets (primarily debtors in respect of the former trade) and to meet its outstanding obligations. On completion of this exercise, it is estimated that the Company will retain approximately £5.4m in free cash. In addition, loan notes from the original acquisition of Loot in July 2000 remain outstanding in the sum of £30.9m. These loan notes are redeemable in full on or before 31 December 2007 and are fully backed by

£30.9m of additional secured cash deposits. The Company continues to earn interest on these cash deposits and to pay interest on the outstanding loan notes.

Scoot UK Business Disposal

In the circular issued to shareholders dated 5 July 2002, the Board advised that it was in the best interests of shareholders to sell the Scoot UK business, as the Company would not have sufficient working capital to continue trading on a stand-alone basis much beyond August 2002. Accordingly, shareholder approval was sought and received at an EGM on 30 July 2002 to sell the Scoot UK business to British Telecommunications plc ("BT") for £5.3m in cash, together with the assumption by BT of certain liabilities up to a maximum of £3.2m. Completion of this disposal took place on 1 August 2002. The net proceeds (after payment of expenses of approximately £1.3m), together with the remaining free cash available to the Company, have since been applied to continue to meet outstanding Group liabilities and finance the very limited ongoing activities of the Company.

Change of Name

Following completion of the disposal of the Scoot UK business to BT, the name of the Company was changed to Timeload plc on 1 August 2002 as approved by the shareholders at the EGM on 30 July 2002.

Trading Review

Group revenues for the year were £3.5m (2001: £30.7m) and related solely to the Scoot UK business up to the disposal date of 1 August 2002. The revenue reduction compared with last year was due to the shorter trading period for Scoot UK and the disposals of the various Loot businesses in 2001.

Group EBITDA (earnings before interest, tax, depreciation and amortisation) losses in the year were £4.0m (2001: £27.8m). The improvement over last year was driven by central cost reductions together with cost efficiencies achieved in Scoot UK prior to the business disposal and its shorter trading period.

The depreciation charge was £0.3m in the year compared with £0.9m last year.

The disposal of the Scoot UK business to BT resulted in an exceptional profit of £4.8m. A further exceptional profit of £0.4m arose from the settlement of Loot disposal retention provisions set up in earlier years. A £0.2m loss on disposal of fixed assets has been charged to exceptional items in the year.

Net interest receivable in the year was £0.3m, compared with £0.4m net payable last year, resulting in a Group profit before tax in the year of £1.0m (2001: £180.3m loss).

A tax refund of £0.1m was received resulting in a Group profit after tax in the year of £1.1m (2001: £180.3m loss).

EPS after exceptional items and goodwill amortisation was 0.16p (2001: 25.47p loss).

At 31 December 2002, the Group had £5.8m of free cash, being the cash available to fund on-going operations. At 27 March 2003, the Group had £5.3m of free cash following the payment of various residual liabilities.

Board Structure

Richard Charkin, who was appointed a non-executive director of the Company in January 2000, resigned from the Board on 10 July 2002 in order to pursue his other commitments. Following completion of the disposal of the Scoot UK business to BT, Terry Martin resigned from the Board on 1 August 2002 at which point his employment transferred to BT. We are very grateful for their advice and valuable contribution under sometimes difficult circumstances. As a result, the Board now comprises Dick Eykel as Executive Chairman and Jon Molyneux as the sole non-executive director.

Preliminary Results Statement – Audited
For the year ended 31 December 2002

Key Financial Statistics

<i>£ Millions</i>	<i>Notes</i>	<i>6 months</i>		<i>Full year</i>	<i>Year ended 31 December 2001</i>
		<i>H1</i>	<i>H2</i>	<i>2002</i>	
		<i>2002</i>	<i>2002</i>	<i>2002</i>	
Revenue					
– Scoot UK	(a)	2.9	0.6	3.5	5.5
– Loot UK	(b)	–	–	–	19.7
– Loot Overseas	(b)	–	–	–	5.5
Group revenue		<u>2.9</u>	<u>0.6</u>	<u>3.5</u>	<u>30.7</u>
Share of joint ventures		–	–	–	1.3
Gross revenue		<u>2.9</u>	<u>0.6</u>	<u>3.5</u>	<u>32.0</u>
EBITDA					
– Scoot UK	(a)	(3.0)	–	(3.0)	(18.7)
– Loot UK	(b)	–	–	–	2.4
– Loot Overseas	(b)	–	–	–	(0.8)
– Head Office		(0.5)	(0.5)	(1.0)	(7.8)
– Scoot Technology		–	–	–	(2.4)
– Scoot Content		–	–	–	(0.5)
Group EBITDA		<u>(3.5)</u>	<u>(0.5)</u>	<u>(4.0)</u>	<u>(27.8)</u>
Share of joint ventures	(c)	–	–	–	(14.9)
Share of associates	(c)	–	–	–	(0.1)
Gross EBITDA		<u>(3.5)</u>	<u>(0.5)</u>	<u>(4.0)</u>	<u>(42.8)</u>
Depreciation		(0.3)	–	(0.3)	(0.9)
Goodwill amortisation		–	–	–	(19.9)
Exceptional items	(d)	(0.2)	5.2	5.0	(116.3)
Net interest receivable/(payable)		0.3	–	0.3	(0.4)
Profit/(loss) before taxation		<u>(3.7)</u>	<u>4.7</u>	<u>1.0</u>	<u>(180.3)</u>
EPS – adjusted (p)	(e)	(0.49)p	(0.05)p	(0.54)p	(6.22)p
EPS – basic and diluted (p)		(0.52)p	0.68 p	0.16 p	(25.47)p

Notes:

- (a) The Scoot UK business was sold to British Telecommunications plc on 1 August 2002.
- (b) The Loot UK and Ireland businesses were sold on 1 October 2001. The Loot USA business was sold in November 2001.
- (c) The joint ventures in Europe and the Loot India associate were sold in July 2001.
- (d) Exceptional items in 2002 comprise £4.8m profit on disposal of the Scoot UK business, £0.4m profit on settlement of Loot disposal retention provisions and £0.2m for loss on disposal of fixed assets.
- Exceptional items in 2001 comprised £7.5m for the Project Genesis strategic review, £107.9m for the loss on disposal of Loot (including £105.5m goodwill write-off), the premium paid on redemption of the convertible debentures and equity line settlement of £3.6m, profit on disposal of joint ventures of £3.6m (net of the write-off of the remaining £4.3m of goodwill), a £0.1m profit on disposal of the Loot India associate and £1.0m for loss on disposal of fixed assets.
- (e) Before exceptional items and goodwill amortisation.

Consolidated Profit and Loss Account for the year ended 31 December 2002 – Audited

	<i>Notes</i>	<i>2002</i> <i>£m</i>	<i>2001</i> <i>£m</i>
Gross turnover including share of joint ventures			
– Discontinued operations	3	3.5	32.0
Less: share of joint venture turnover – discontinued		–	(1.3)
Group turnover		<u>3.5</u>	<u>30.7</u>
Cost of sales			
– Discontinued operations		(0.2)	(16.1)
Gross profit		<u>3.3</u>	<u>14.6</u>
Selling, general and administrative expenses			
– Continuing operations		(1.0)	(7.8)
– Discontinued operations		(6.6)	(35.5)
– Exceptional items	4	–	(7.5)
– Goodwill amortisation	5	–	(19.3)
		<u>(7.6)</u>	<u>(70.1)</u>
Group operating loss		<u>(4.3)</u>	<u>(55.5)</u>
– Continuing operations		(1.0)	(7.8)
– Discontinued operations		(3.3)	(47.7)
Share of losses from joint ventures	6	–	(15.5)
Share of losses from associates	6	–	(0.1)
Total operating loss – group, joint ventures and associates		<u>(4.3)</u>	<u>(71.1)</u>
Exceptional items			
– Profit/(loss) on disposal of operations	4	5.2	(107.8)
– Loss on disposal of fixed assets	4	(0.2)	(1.0)
Net interest receivable/(payable)		0.3	(0.4)
Profit/(loss) before taxation		<u>1.0</u>	<u>(180.3)</u>
Taxation		0.1	–
Retained profit/(loss) for the year		<u>1.1</u>	<u>(180.3)</u>
EPS – before exceptional items and goodwill amortisation		(0.54)p	(6.22)p
Exceptional items		0.70 p	(16.43)p
Goodwill amortisation		–	(2.82)p
EPS – basic and diluted	7	<u>0.16 p</u>	<u>(25.47)p</u>
Weighted average number of ordinary shares in issue (millions)		<u>723.6</u>	<u>707.7</u>

**Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2002 – Audited**

	2002 £m	2001 £m
Retained profit/(loss) for the year		
– Group	1.1	(164.7)
– Joint ventures	–	(15.5)
– Associates	–	(0.1)
Total recognised gains and losses relating to the year	<u>1.1</u>	<u>(180.3)</u>

**Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2002 – Audited**

	2002 £m	2001 £m
Retained profit/(loss) for the year	1.1	(180.3)
Share option schemes release	(0.2)	(0.5)
New share capital subscribed, including premium	–	4.5
Net addition to/(reduction in) shareholders' funds	<u>0.9</u>	<u>(176.3)</u>
Shareholders' funds, beginning of year	<u>4.1</u>	<u>180.4</u>
Shareholders' funds, end of year	<u>5.0</u>	<u>4.1</u>

Consolidated Balance Sheet at 31 December 2002 – Audited

	<i>Notes</i>	2002 £m	2001 £m
Fixed assets			
Intangible fixed assets	9	–	1.8
Tangible fixed assets		–	1.0
		<u>–</u>	<u>2.8</u>
Current assets			
Debtors		0.3	5.3
Money market investments and deposits	11	36.4	43.8
Cash at bank and in hand	11	0.3	0.8
		<u>37.0</u>	<u>49.9</u>
Creditors: amounts falling due within one year			
Loans	12	(30.9)	(37.6)
Other creditors		(1.1)	(11.0)
		<u>5.0</u>	<u>1.3</u>
Net current assets		<u>5.0</u>	<u>1.3</u>
Net assets		<u>5.0</u>	<u>4.1</u>
Capital and reserves			
Called-up share capital	13	14.5	14.5
Share premium account	13	320.8	320.8
Profit and loss account		(330.5)	(331.4)
		<u>4.8</u>	<u>3.9</u>
Equity shareholders' funds		<u>4.8</u>	<u>3.9</u>
Non-equity shareholders' funds	13	0.2	0.2
		<u>5.0</u>	<u>4.1</u>
Capital employed		<u>5.0</u>	<u>4.1</u>

Consolidated Cash Flow Statement for the year ended 31 December 2002 – Audited

	<i>Notes</i>	<i>2002</i> <i>£m</i>	<i>2001</i> <i>£m</i>
Net cash outflow from operating activities	14	(6.0)	(35.5)
Returns on investments and servicing of finance			
Interest received		2.5	2.8
Interest paid		(1.9)	(3.4)
Premium paid on redemption of convertible debentures and settlement of equity line	4	–	(3.6)
Net cash inflow/(outflow) from returns on investments and servicing of finance		0.6	(4.2)
Taxation refunds/(payments)		0.1	(0.1)
Capital expenditure and financial investment			
Payments for tangible fixed assets		–	(0.5)
Net cash outflow from capital expenditure and financial investment		–	(0.5)
Acquisitions and disposals			
Acquisition of subsidiary – cash refund in 2001		–	2.0
Acquisition of subsidiary – deferred consideration	8	–	(1.0)
Net cash disposed of with subsidiary		–	(0.1)
Investments in joint ventures		–	(9.1)
Disposal of subsidiaries and businesses (net of expenses)		4.1	41.2
Net cash inflow from acquisitions and disposals		4.1	33.0
Net cash outflow before management of liquid resources and financing		(1.2)	(7.3)
Financing and management of liquid resources			
Proceeds received from issue of share capital		–	0.2
Capital element of finance lease rental payments		–	(0.2)
Repayment of loans (net)		(6.7)	(18.3)
Net cash outflow from financing		(6.7)	(18.3)
Decrease in money market investments and deposits		7.4	21.5
Net cash inflow from financing and management of liquid resources		0.7	3.2
Decrease in net cash		(0.5)	(4.1)
Net cash outflow from movements in money market investments and deposits		(7.4)	(21.5)
Cash inflow from net movement in loans		6.7	18.5
Change in net cash resulting from cash flows		(1.2)	(7.1)
Conversion of debentures		–	4.3
Loans and finance leases disposed of with subsidiary		–	0.3
Movement in net cash during the year		(1.2)	(2.5)
Net cash, at beginning of year		7.0	9.5
Net cash, at end of year	15	5.8	7.0

Notes to the Consolidated Financial Statements at 31 December 2002 – Audited

1. Preliminary results and accounting policies

These financial statements do not constitute statutory accounts. The audited statutory accounts for the year ended 31 December 2002 will be sent to shareholders and will be delivered to the Registrar of Companies in due course. They have been prepared using accounting policies consistent with the previous year except for the adoption of FRS 19 – Deferred Tax, which has had no material effect on these financial statements. They were approved by the board of directors on 28 March 2003.

Comparative figures for the year ended 31 December 2001 have been extracted from the statutory accounts of the Company. The financial statements for the year ended 31 December 2001 received an unqualified opinion, although the auditors drew attention to Note 1 on going concern, and have been filed with the Registrar of Companies.

Copies of these financial statements are available to the public for at least 14 days from the Company Secretary, Bakers House, Bakers Road, Uxbridge, Middlesex, UB8 1RG.

2. Basis of preparation

These financial statements consolidate the results of the Company and its subsidiaries. They also include the results of the former various joint ventures of the Group, accounted for under the gross equity method, and associates of the Group, accounted for under the equity method, up to their respective dates of disposal.

The main currency in which the Group operates is UK Pounds Sterling and these financial statements are stated in that currency. The Group's former overseas subsidiaries, joint ventures and associates operated in their respective local currencies.

3. Analysis of turnover

The geographical analysis of turnover is:

	<i>2002</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>
United Kingdom	3.5	25.5
Republic of Ireland	–	4.4
United States of America	–	0.8
Group turnover	<u>3.5</u>	<u>30.7</u>
Share of joint ventures' turnover	–	1.3
Gross turnover	<u>3.5</u>	<u>32.0</u>

The analysis of turnover by class of business is:

	<i>£m</i>	<i>£m</i>
Classified directory information	3.5	30.7
Share of joint ventures' turnover	–	1.3
Gross turnover	<u>3.5</u>	<u>32.0</u>

The Group's principal source of revenue and profit before tax during 2002 was from the provision of classified directory information relating to the Scoot UK business, which was sold to British Telecommunications plc ("BT") on 1 August 2002.

The Group's net assets at 31 December 2002 are solely in respect of the remaining cash shell.

4. Exceptional items

	2002 £m	2001 £m
<u>Operating:</u>		
Project Genesis	–	(7.5)
<u>Non-operating:</u>		
Profit on disposal of Scoot UK	4.8	–
Settlement of Loot disposal retention provisions	0.4	–
Loss on disposal of Loot	–	(107.9)
Premium paid on redemption of convertible debentures	–	(3.5)
Settlement of equity line	–	(0.1)
Profit on disposal of joint ventures	–	3.6
Profit on disposal of Loot India associate	–	0.1
Profit/(loss) on disposal of operations	5.2	(107.8)
Loss on disposal of fixed assets	(0.2)	(1.0)
	5.0	(108.8)
	5.0	(116.3)

The profit on disposal of Scoot UK was net of £1.2m of legal and professional fees.

Project Genesis comprised provisions for redundancies (£2.5m), relocation expenses (£0.1m) and contract termination/other costs (£4.0m) together with related legal and professional fees (£0.9m).

The loss on disposal of Loot included £2.4m of legal and professional fees.

The profit on disposal of joint ventures was net of writing-off £4.3m of residual goodwill and £0.5m of legal and professional fees.

5. Goodwill amortisation

The goodwill amortisation charge (excluding share of joint venture goodwill amortisation) comprises the following:

	2002 £m	2001 £m
On acquisition of Loot	–	(18.3)
On deferred consideration payable to the former shareholders of Diva Solutions Limited (see Note 8)	–	(1.0)
	–	(19.3)

6. Share of losses from joint ventures and associates

The Group's share of losses in the former respective joint ventures and associates is set out below:

	2002 £m	2001 £m
<u>Joint ventures:</u>		
Scoot Europe and subsidiaries (50%)	–	(14.9)
Goodwill amortisation	–	(0.6)
	–	(15.5)
<u>Associates:</u>		
Loot India (41%)	–	(0.1)
	–	(15.6)

7. Earnings per share (EPS)

The calculation of basic and diluted earnings per share is based on the retained profit for the year of £1.1m (2001: £180.3m loss) divided by the weighted average number of ordinary shares in issue during the year totalling 723.6m (2001: 707.7m).

In order to gain a clearer understanding of the Group's underlying performance, earnings per share statistics are also shown excluding the effect of exceptional items and goodwill amortisation.

8. Goodwill

Following the acquisition of Diva Solutions Limited in July 1999 and the achievement of certain performance criteria, the Company contracted to pay approximately £1.0m in instalments to the former shareholders in accordance with an agreed timetable.

Some £0.2m of loan notes were issued in January 2001 and redeemed for cash in August 2001. A further £0.3m of loan notes were issued in July 2001 and redeemed for cash in April 2002. A final £0.5m of loan notes were issued in July 2002 and redeemed for cash in September 2002.

These amounts were recorded as goodwill. As part of the strategic review, the directors conducted an impairment review and all remaining goodwill was written-off as at 30 June 2001.

9. Intangible fixed assets

Intangible fixed assets comprised the Group's former database costs. These were being amortised over ten years and were transferred to BT on completion of the business disposal.

10. Investment awaiting disposal

In February 2000, the Group purchased for £5.0m (US\$8.0m), a 5.4% investment in PointServe Inc. As part of the investment, the Company is also party to a stockholders' agreement between a number of co-investors which entitles the Company to appoint an observer to the Board of PointServe.

Given that PointServe is in the development stage of its business and has incurred significant losses, and due to its change in business direction, such that previously forecast revenues are now unlikely to materialise, the investment was written down to £Nil during the 15 month period ended 31 December 2000.

This investment is held for sale and thus included as a current asset.

11. Free cash

	2002	2001
	<i>£m</i>	<i>£m</i>
Money market investments and deposits	36.4	43.8
Cash at bank and in hand	0.3	0.8
	<hr/>	<hr/>
	36.7	44.6
Less: Pledged deposit account (see Note 12)	(30.9)	(37.3)
	<hr/>	<hr/>
	5.8	7.3
	<hr/>	<hr/>

Money market investments and deposits include £30.9m of restricted deposits held as security for the outstanding Loot loan notes (see Note 12).

Approximately £0.4m of the pledged deposit account was repaid in early January 2002 and a further £0.6m was repaid at the end of June 2002 due to the early redemption of loan notes. Following the disposal of the Scoot UK business to BT, £4.9m of the pledged deposit account was repaid on 30 August 2002 due to the early redemption of loan notes. An additional £0.5m of the pledged deposit account was repaid at the end of December 2002 due to the early redemption of loan notes (see Note 12).

12. Loans

	2002 £m	2001 £m
Due within one year:		
Loot loan notes 2007 (secured)	30.9	37.3
Diva Securities loan notes (see Note 8)	–	0.3
	<u>30.9</u>	<u>37.6</u>

The Loot loan notes are redeemable in full on or before 31 December 2007. Interest is based on six monthly LIBOR less 1.25% payable half-yearly in arrears on 30 June and 31 December. They are secured by an equivalent in value blocked money market deposit account (see Note 11). Approximately £0.4m of these loan notes were redeemed in early January 2002 and a further £0.6m were redeemed at the end of June 2002 (see Note 11).

At 31 December 2001, £36.9m of the outstanding Loot loan notes were classified as due after more than one year. These were reclassified as due within one year following the business disposal to BT, due to the then likely short-term future of the Company. Following this disposal, £4.9m of these loan notes were redeemed on 30 August 2002. An additional £0.5m of these loan notes were redeemed at the end of December 2002 (see Note 11).

13. Share capital and share premium account

	<i>Ordinary (2p) shares in issue Number</i>	<i>Called-up ordinary share capital £m</i>	<i>Share premium account £m</i>
At beginning and end of year	<u>723,638,495</u>	<u>14.5</u>	<u>320.8</u>

The Company also has 200,000 £1 deferred ordinary shares, which were in issue throughout the year.

14. Net cash outflow from operating activities

	2002 £m	2001 £m
Group operating loss	(4.3)	(55.5)
Depreciation	0.3	0.9
Goodwill amortisation	–	19.3
Share option schemes release	(0.2)	(0.5)
Decrease in debtors	3.8	3.8
Decrease in creditors	(5.6)	(3.5)
	<u>(6.0)</u>	<u>(35.5)</u>

15. Analysis of movement in net cash during the year

	<i>At 31 December 2001 £m</i>	<i>Cash flow £m</i>	<i>Non-cash changes £m</i>	<i>At 31 December 2002 £m</i>
Cash at bank and in hand	0.8	(0.5)	–	0.3
Bank overdraft	–	–	–	–
Net cash/(overdraft)	<u>0.8</u>	<u>(0.5)</u>	<u>–</u>	<u>0.3</u>
Money market investments and deposits	43.8	(7.4)	–	36.4
Bank and other loans:				
Due within one year	(37.6)	6.7	–	(30.9)
Net cash	<u>7.0</u>	<u>(1.2)</u>	<u>–</u>	<u>5.8</u>

”

B. FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 DECEMBER 2001

Basis of preparation

Financial information on Timeload for the three financial periods to 31 December 2001 is set out below. The financial information has been extracted without material adjustment from the Group's audited consolidated accounts for the relevant periods, although it does not itself constitute statutory accounts within the meaning of Section 240 of the Act. The financial statements for the three financial periods to 31 December 2001 have been delivered to the Registrar of Companies. They have been properly prepared in accordance with the law applicable to Timeload and the Directors accept responsibility for them.

KPMG Audit plc, Chartered Accountants and Registered Auditors, of 8 Salisbury Square, London EC4Y 8BB gave an unqualified report in accordance with section 235 of the Act on the financial statements of Timeload (formerly Scoot.com plc) for the year ended 30 September 1999 and their report did not contain a statement under section 237(2) or 237(3) of the Act.

Arthur Andersen, Chartered Accountants and Registered Auditors, of 180 Strand, London, WC2R 1BL gave unqualified reports in accordance with section 235 of the Act on the financial statements of Timeload (formerly Scoot.com plc) for the 15 month period ended 31 December 2000 and for the year ended 31 December 2001 and their reports did not contain a statement under section 237(2) or 237(3) of the Act. They did, however, make reference in their audit reports to the note setting out the basis of preparation of the financial statements for each period. The content of the note has been largely superseded but it is set out in full, in respect of 2001, below.

“In the year ended 31 December 2001 the group has made operating losses of £28.7 million, before operating exceptional items and goodwill amortisation, and experienced a cash outflow from operating activities of £35.5 million. The Company had free cash of £4.4 million at 26 April 2002 and, the directors believe, has sufficient working capital on a stand-alone basis until at least August 2002.

The directors have significantly reduced the Company's cash burn, and continue to monitor trading performance and the working capital available to the Group while implementing the strategic options for the Scoot business which include:

- the sale of Scoot or its business;
- securing a strategic partner; and
- continuing to trade as a stand-alone entity.

A number of measures are being implemented to increase revenues and cut costs further in the Scoot business which, if successful, will allow the Company to trade profitably. However, there can be no guarantee that they will succeed.

The directors believe that the sale of Scoot or securing a strategic partner will maximise stakeholder value, and would enable the Company to continue to develop its business. Accordingly, the directors are pursuing these options vigorously.

In the event that a suitable buyer or partner is not secured within the next few months then the directors will evaluate trading progress against their current plan on a stand-alone basis. If, based on this evaluation, the Company does not believe that it can achieve operating profitability within an acceptable timeframe, and additional funding is not available, the directors would need to consider seeking the protection of insolvency proceedings.

The directors are unable to predict which of the various outcomes described above will in fact be realised but are confident that the business will be sold or continue to trade and, accordingly, have adopted the going concern basis in the preparation of these financial statements. Accordingly, the financial statements do not include any of the adjustments which might be necessary if the business were to cease trading.”

Consolidated Profit and Loss Accounts

for the year ended 31 December 2001, 15 months ended 31 December 2000 and the year ended 30 September 1999

	Notes	2001 12 months £m	2000 15 months £m	1999 12 months £m
Gross turnover	2	32.0	27.2	19.1
Less share of joint ventures		(1.3)	(3.1)	(3.7)
Group turnover		30.7	24.1	15.4
Cost of sales		(16.1)	(9.5)	(1.2)
Gross profit		14.6	14.6	14.2
Selling, general and administrative expenses		(43.3)	(52.1)	(30.6)
Exceptional costs	3	(7.5)	(6.8)	(0.9)
Goodwill amortisation	4	(19.3)	(15.6)	–
Group operating loss		(55.5)	(59.9)	(17.3)
Share of losses from joint ventures		(15.5)	(9.8)	(3.8)
Share of losses from associates		(0.1)	(0.9)	(0.6)
		(71.1)	(70.6)	(21.7)
Exceptional items				
Loss on disposal of operations	3	(107.8)	–	0.7
Loss on disposal of fixed assets	3	(1.0)	(1.4)	–
Net interest (payable)/receivable	6	(0.4)	0.5	(0.1)
Retained loss for the period		(180.3)	(71.5)	(21.1)
EPS – before exceptional items and goodwill amortisation		(6.22)p	(7.83)p	(4.07)p
Exceptional items		(16.43)p	(1.36)p	(0.04)p
Goodwill amortisation		(2.82)p	(2.67)p	–
EPS – basic and diluted	11	(25.47)p	(11.86)p	(4.11)p
Weighted average number of ordinary shares in issue (millions)		707.7	602.8	512.2

Consolidated Statements of Total Recognised Gains and Losses

for the year ended 31 December 2001, the 15 months ended 31 December 2000 and the year ended 30 September 1999

	2001 £m	2000 £m	1999 £m
Retained loss for the period			
Group	(164.7)	(60.8)	(16.7)
Joint ventures	(15.5)	(9.8)	(3.8)
Associates	(0.1)	(0.9)	(0.6)
Total recognised gains and losses relating to the period	<u>(180.3)</u>	<u>(71.5)</u>	<u>(21.1)</u>

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2001, the 15 months ended 31 December 2000 and the year ended 30 September 1999

	2001 £m	2000 £m	1999 £m
Retained loss for the period	(180.3)	(71.5)	(21.1)
Share option schemes (release)/expense	(0.5)	0.4	0.3
Goodwill previously written off included in retained loss for the period	–	–	2.9
Deferred consideration no longer receivable	–	–	(0.5)
New share capital subscribed, including premium	4.5	264.9	0.8
Net (reduction in)/addition to shareholders' funds	<u>(176.3)</u>	<u>193.8</u>	<u>(17.6)</u>
Shareholders' funds, beginning of period	180.4	(13.4)	4.2
Shareholders' funds, end of period	<u>4.1</u>	<u>180.4</u>	<u>(13.4)</u>

Balance Sheets

as at 31 December 2001, 31 December 2000 and 30 September 1999

	Notes	2001 £m	Group 2000 £m	1999 £m
Fixed assets				
Goodwill	12	–	171.5	–
Other intangible fixed assets	13	1.8	2.0	2.3
Total intangible fixed assets		1.8	173.5	2.3
Tangible fixed assets	14	1.0	4.5	2.7
Investments in joint ventures	15			
Share of gross assets		–	5.8	1.6
Loans		–	10.2	5.6
Goodwill		–	4.4	–
Less share of gross liabilities		–	(18.1)	(7.5)
		–	2.3	(0.3)
Investments in subsidiaries	17	–	–	–
		2.8	180.3	4.7
Current assets				
Stock		–	0.1	–
Debtors	19	5.3	11.8	2.0
Money market investments and deposits	20	43.8	65.3	12.8
Cash at bank and in hand	20	0.8	4.9	0.2
		49.9	82.1	15.0
Creditors: amounts falling due within one year				
Bank overdrafts		–	–	(0.6)
Loans		(0.7)	(0.7)	(0.2)
Other creditors	21	(11.0)	(21.3)	(8.1)
Net current assets		38.2	60.1	6.1
Total assets less current liabilities				
		41.0	240.4	10.8
Creditors: amounts falling due after more than one year				
Convertible debentures	22	–	(17.8)	(24.1)
Other loans		(36.9)	(42.2)	–
Provisions for liabilities and charges				
Share of net liabilities of associates		–	–	(0.1)
Net assets/(liabilities)		4.1	180.4	(13.4)
Capital and reserves				
Called-up share capital	24	14.5	13.7	10.4
Share premium account	25	320.8	317.1	55.5
Profit and loss account	26	(331.4)	(150.6)	(79.5)
Equity shareholders' funds		3.9	180.2	(13.6)
Non-equity shareholders' funds	24	0.2	0.2	0.2
Capital employed		4.1	180.4	(13.4)

Consolidated Cash Flow Statements

for the year ended 31 December 2001, the 15 months ended 31 December 2000 and the year ended 30 September 1999

	Notes	2001 £m	2000 £m	1999 £m
Net cash outflow from operating activities	30	(35.5)	(37.4)	(15.6)
Returns on investments and servicing of finance				
Interest received		2.8	2.0	0.2
Interest paid		(3.3)	(1.6)	(0.1)
Interest element of finance lease rental payments		(0.1)	–	–
Premium paid on redemption of convertible debentures and settlement of equity line	3	(3.6)	–	–
Net cash (outflow)/inflow from returns on investments and servicing of finance		(4.2)	0.4	0.1
Taxation payments		(0.1)	–	–
Capital expenditure and financial investment				
Payments for tangible fixed assets		(0.5)	(0.8)	(0.1)
Payments for intangible fixed assets		–	(0.2)	(1.7)
Proceeds received from disposal of tangible fixed assets		–	0.2	–
Net cash outflow from capital expenditure and financial investment		(0.5)	(0.8)	(1.8)
Acquisitions and disposals				
Acquisition of subsidiary (Loot)				
– cash refund in 2001	12	2.0	(138.6)	–
Acquisition of subsidiary (Diva Solutions)				
– deferred consideration		(1.0)	–	–
Net cash (disposed of)/acquired with subsidiary		(0.1)	0.9	–
Investments in joint ventures		(9.1)	(11.7)	(2.8)
Investments in associates		–	(1.7)	(1.5)
Acquisition of investment		–	(5.0)	–
Loan to associate		–	–	(0.3)
Sale of investment in joint ventures		–	–	3.1
Disposal of subsidiaries and businesses (net of expenses)	29	41.2	–	–
Net cash inflow/(outflow) from acquisitions and disposals		33.0	(156.1)	(1.5)
Net cash outflow before management of liquid resources and financing		(7.3)	(193.9)	(18.8)
Financing and management of liquid resources				
Proceeds received from issue of share capital		0.2	248.7	0.8
Capital element of finance lease rental payments		(0.2)	(0.4)	(0.4)
(Repayment)/issue of loans (net)		(18.3)	3.4	24.1
Net cash (outflow)/inflow from financing		(18.3)	251.7	24.5
Decrease/(increase) in money market investments and deposits		21.5	(52.5)	(6.3)
Net cash inflow from financing and management of liquid resources		3.2	199.2	18.2
(Decrease)/increase in net cash		(4.1)	5.3	(0.6)

Reconciliation of Net Cash Flow to Movement in Net Cash/(Debt)

for the year ended 31 December 2001, the 15 months ended 31 December 2000 and the year ended 30 September 1999

	2001 £m	2000 £m	1999 £m
(Decrease)/increase in net cash	(4.1)	5.3	(0.6)
Net cash (outflow)/inflow from movements in money market investments and deposits	(21.5)	52.5	6.3
Cash outflow/(inflow) from net movement in loans	18.5	(3.0)	(23.7)
Other movements	—	—	(0.1)
Change in net debt resulting from cash flows	(7.1)	54.8	(18.1)
Issue of new loan on acquisition of subsidiary	—	(38.9)	—
Conversion of debentures	4.3	9.6	—
Loans and finance leases disposed of/(acquired) with subsidiary	0.3	(4.1)	—
Movement in net cash during the period	(2.5)	21.4	(18.1)
Net cash/(debt), at beginning of period	9.5	(11.9)	6.2
Net cash/(debt), at end of period	7.0	9.5	(11.9)

Analysis of Movement in Net Cash/(Debt)

	At 30 September 1999 £m	Cash flow £m	Acquisition of Loot (excluding cash and overdrafts) £m	Non-cash changes £m	At 31 December 2000 £m	Cash flow £m	Disposal of Loot (excluding cash and overdrafts) £m	Non-cash changes £m	At 31 December 2001 £m
Cash at bank and in hand	0.2	4.7	—	—	4.9	(4.1)	—	—	0.8
Bank overdrafts	(0.6)	0.6	—	—	—	—	—	—	—
Net cash/(overdraft)	(0.4)	5.3	—	—	4.9	(4.1)	—	—	0.8
Money market investments and deposits	12.8	52.5	—	—	65.3	(21.5)	—	—	43.8
Bank and other loans:									
Due within one year	—	—	(0.1)	(0.4)	(0.5)	0.2	—	(0.4)	(0.7)
Due after one year	(24.1)	(3.4)	(3.2)	(29.0)	(59.7)	18.1	—	4.7	(36.9)
Finance leases	(0.2)	0.4	(0.7)	—	(0.5)	0.2	0.3	—	—
	(11.9)	54.8	(4.0)	(29.4)	9.5	(7.1)	0.3	4.3	7.0

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The accounting policies have been applied consistently throughout the period except for the adoption of FRS18 which has had no material effect on the financial information.

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting and financial reporting standards.

Going concern

The following note was included in the financial statements for the year ended 31 December 2001:

“In the year ended 31 December 2001 the Group has made operating losses of £28.7m, before operating exceptional items and goodwill amortisation, and experienced a cash outflow from operating activities of £35.5m. The Company had free cash of £4.4m at 26 April 2002 and, the directors believe, has sufficient working capital on a stand-alone basis until at least August 2002.

The directors have significantly reduced the Company’s cash burn, and continue to monitor trading performance and the working capital available to the Group while implementing the strategic options for the Scoot business which include:

- (i) the sale of Scoot or its business;
- (ii) securing a strategic partner; and
- (iii) continuing to trade as a stand-alone entity.

A number of measures are being implemented to increase revenues and cut costs further in the Scoot business which, if successful, will allow the Company to trade profitably. However, there can be no guarantee that they will succeed.

The directors believe that the sale of Scoot or securing a strategic partner will maximise stakeholder value, and would enable the Company to continue to develop its business. Accordingly, the directors are pursuing these options vigorously.

In the event that a suitable buyer or partner is not secured within the next few months then the directors will evaluate trading progress against their current plan on a stand-alone basis. If, based on this evaluation, the Company does not believe it can achieve operating profitability within an acceptable timeframe, and additional funding is not available, the directors would need to consider seeking the protection of insolvency proceedings.

The directors are unable to predict which of the various outcomes described above will in fact be realised but are confident that the business will be sold or continue to trade and, accordingly, have adopted the going concern basis in the preparation of these financial statements. Accordingly, the financial statements do not include any of the adjustments which might be necessary if the business were to cease trading.”

Basis of consolidation

With effect from 27 February 1996, the Company, then named Blagg plc, became the legal parent company of Timeload Limited and its subsidiary undertakings in a share-for-share transaction. However, because of the relative values of the companies, the former Timeload Limited shareholders thereby became the majority shareholders of the enlarged Group and therefore the substance of the combination was that Timeload Limited acquired Blagg plc (i.e. there was a reverse acquisition). In addition, as part of the business combination, Blagg plc sold its trading subsidiaries and changed its name to Freepages Group plc (now Scoot.com plc).

The Group financial statements comprise the financial statements of the Company, its subsidiary undertakings and its share of the profits and losses from its former joint ventures and associates. The accounting period ends of all trading subsidiaries are coterminous with the Company.

The results of subsidiaries acquired or disposed of during the year are included in the Group profit and loss account as from or up to their effective date of acquisition or disposal. On the acquisition of a business, fair values, reflecting conditions at the date of acquisition, are attributed to the net assets and liabilities. Where the fair value of the purchase consideration exceeds the fair values attributable to the Group's share of such net assets or liabilities, the difference is treated as purchased goodwill. For accounting periods up to 30 September 1998, such goodwill has been written off against reserves and is not being reinstated on the balance sheet. If an undertaking acquired before 30 September 1998 is divested, the appropriate goodwill is dealt with through the profit and loss account in the year of the disposal as part of the calculation of the gain or loss on divestment.

Goodwill on acquisitions subsequent to 30 September 1998 is capitalised as an intangible fixed asset and written off over its useful economic life.

Investments in joint ventures

A joint venture company is defined as an undertaking in which the Group has a long term interest and over which it exercises joint control.

The Group's share of the results of joint ventures is accounted for under the gross equity method.

Investments in associates

An associate is one in which the Group has a long term equity interest, usually from 20% to 50%, and over which it exercises significant influence.

The Group's share of the results of associates is accounted for under the equity method.

Investments

Fixed asset investments are stated at cost less provision for any impairment.

Tangible and intangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Fixtures and fittings, computer hardware and software which are leased but provide the Group with substantially all the benefits and risks of ownership are capitalised at the original cost to the lessor.

Depreciation is provided to write off the cost, less the estimated residual value of tangible and intangible fixed assets, over their estimated useful economic lives on a straight-line basis as follows:

Purchased goodwill	– 5 years
Freehold land and buildings	– 50 years
Freehold improvements	– 10 years
Short leasehold property	– maximum 50 years or term of lease if less
Fixtures and fittings	– 10 years
Computer hardware and software	– 4 years
Database	– 10 years

Operating leases

The costs of operating leases of property and other assets are charged to the profit and loss account on a straight-line basis over the life of the lease.

Stock

Stock, comprising print raw materials and consumables, is stated at the lower of cost and net realisable value.

Taxation

Corporation tax is provided on the taxable profits for the year at the rate current during the year. Deferred taxation is provided, using the liability method, in respect of tax allowances for fixed assets in excess of depreciation provided in the financial statements and other timing differences only to the extent that it is probable that an actual liability will crystallise.

Pensions

The Group makes payments into a defined contribution pension scheme on behalf of certain directors and employees. These costs are charged to the profit and loss account as they become payable.

Foreign currency

Transactions in foreign currencies are translated into Sterling at the rates of exchange current at the dates of the transactions. Foreign currency monetary assets and liabilities in the balance sheet are translated into Sterling at the rates of exchange ruling at the end of the year. The results of overseas subsidiaries are translated into Sterling at average rates for the respective accounting periods. Exchange differences arising on the translation of the net assets and profit and loss accounts of overseas subsidiaries together with exchange differences on related borrowings are accounted for in the consolidated statement of total recognised gains and losses. All other exchange differences are recorded as ordinary trading items in the profit and loss account.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. For the print business, turnover represents the cover price and advertising revenue attributable to papers sold. For the on-line business, turnover represents the following:

- Fixed subscriber revenues are recognised evenly over the period of service;
- Variable subscriber revenues are recognised based on transactions completed through the Group's access channels; and
- Other revenue is recognised as obligations to customers are met.

2. Analysis of turnover

The geographical analysis of turnover is:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
United Kingdom	25.5	21.3	15.1
Republic of Ireland	4.4	2.1	–
United States of America	0.8	0.4	–
Belgium	–	0.2	0.1
The Netherlands	–	0.1	0.2
Group turnover	<u>30.7</u>	<u>24.1</u>	<u>15.4</u>
Share of joint ventures' turnover	1.3	3.1	3.7
Gross turnover	<u><u>32.0</u></u>	<u><u>27.2</u></u>	<u><u>19.1</u></u>

The analysis of turnover by class of business is:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Classified information (print and on-line)	30.7	22.8	14.8
Databases and related technology	–	0.8	0.3
Other	–	0.5	0.3
Group turnover	<u>30.7</u>	<u>24.1</u>	<u>15.4</u>
Share of joint ventures' turnover	1.3	3.1	3.7
Gross turnover	<u><u>32.0</u></u>	<u><u>27.2</u></u>	<u><u>19.1</u></u>

The Group's principal source of revenue, loss before tax and share of net assets is from the provision of classified information (print and on-line).

During the 15 month period ended 31 December 2000, IT licensing fees totalling £0.3m were charged to the Group's former joint ventures in Belgium and the Netherlands and included in turnover (1999: £0.3m).

In addition, during the 15 month period ended 31 December 2000, the Group generated turnover of £0.5m from database sales and £0.5m from web design consultancy derived from a barter transaction.

3. Exceptional items

	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Operating:			
Project Genesis	(7.5)	–	–
Write-down of fixed asset investment (see Note 18)	–	(5.0)	–
Costs of UK corporate reorganisation	–	(1.1)	–
Relocation costs to new Uxbridge Headquarters	–	(0.7)	–
Closure of regional sales offices	–	–	(0.9)
	<u>(7.5)</u>	<u>(6.8)</u>	<u>(0.9)</u>
Non-operating:			
Loss on disposal of Loot (see Note 12)	(107.9)	–	–
Premium paid on redemption of convertible debentures (see Note 22)	(3.5)	–	–
Settlement of equity line	(0.1)	–	–
Profit on disposal of joint ventures (see Note 15)	3.6	–	–
Profit on disposal of Loot India associate	0.1	–	–
Profit on disposal of half of original 50% equity interest in Scoot Netherlands vof	–	–	3.6
Loss on disposal of interest in Red Volcano Limited	–	–	(2.1)
Write-off of interest in RequesT (UK) Limited	–	–	(0.8)
	<u>(107.8)</u>	<u>–</u>	<u>0.7</u>
Loss on disposal of operations	(107.8)	–	0.7
Loss on disposal of fixed assets	(1.0)	(1.4)	–
	<u>(108.8)</u>	<u>(1.4)</u>	<u>0.7</u>
	<u>(116.3)</u>	<u>(8.2)</u>	<u>(0.2)</u>

Project Genesis comprises redundancies (£2.5m), relocation expenses (£0.1m) and contract termination/other costs (£4.0m) together with related legal and professional expenses (£0.9m). The balance outstanding at 31 December 2001 is £3.1m.

The loss on disposal of Loot includes £2.4m of legal and professional fees.

The profit on disposal of joint ventures is net of writing-off £4.3m of residual goodwill and £0.5m of legal and professional fees.

4. Goodwill amortisation

The goodwill amortisation charge (excluding share of joint venture goodwill amortisation) comprises the following:

	2001 £m	2000 £m	1999 £m
On acquisition of Loot (see Note 12)	(18.3)	(15.6)	–
On deferred consideration payable to the former shareholders of Diva Solutions Limited (see Note 12)	(1.0)	–	–
	<u>(19.3)</u>	<u>(15.6)</u>	<u>–</u>

5. Share of losses from joint ventures and associates

The Group's share of losses in the respective joint ventures and associates is set out below:

	2001 £m	2000 £m	1999 £m
Joint ventures:			
Scoot Belgium (50%)	(2.4)	(3.6)	(2.9)
Scoot Netherlands (50%)	(2.1)	(1.9)	(0.9)
Scoot France (50%)	(7.0)	(3.1)	–
Scoot Europe (50%)	(3.4)	(0.7)	–
Goodwill amortisation	(0.6)	(0.5)	–
	<u>(15.5)</u>	<u>(9.8)</u>	<u>(3.8)</u>
Associates:			
Scoot Netherlands (25%)	–	(0.9)	(0.2)
Loot India (41%)	(0.1)	–	–
Loot Pakistan (45%)	–	–	–
Red Volcano Limited (43.5%)	–	–	(0.4)
	<u>(0.1)</u>	<u>(0.9)</u>	<u>(0.6)</u>
	<u>(15.6)</u>	<u>(10.7)</u>	<u>(4.4)</u>

The Group's investment in Loot India was disposed of for a consideration of one US Dollar on 4 July 2001.

The Group's investment in its European joint ventures was disposed of for a consideration of one Euro on 27 July 2001.

The Group's investment in Loot Pakistan has been written-off.

Scoot Netherlands was a 50% joint venture for the period ended 23 February 1999. It then became a 25% associate until the end of June 2000 before again becoming a 50% joint venture. Losses are due to the cost of the continued development of the respective businesses.

6. Net interest (payable)/receivable

	2001	2000	1999
	£m	£m	£m
Interest payable:			
On bank loans and overdrafts	(0.3)	(0.2)	–
On loan notes	(1.6)	(0.8)	–
On convertible debentures	(0.7)	(0.8)	(0.2)
Finance charges on convertible debentures	(0.4)	(0.6)	(0.1)
Finance lease charges	(0.1)	(0.1)	–
	<u>(3.1)</u>	<u>(2.5)</u>	<u>(0.3)</u>
Interest receivable from money market investments and deposits	2.7	3.0	0.2
	<u>(0.4)</u>	<u>0.5</u>	<u>(0.1)</u>

7. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2001	2000	1999
	£m	£m	£m
Depreciation of tangible and intangible fixed assets:			
– Tangible	0.6	1.0	0.7
– Intangible	0.3	0.3	0.2
Goodwill amortisation	19.3	15.6	–
Joint venture goodwill amortisation	0.6	0.5	–
Operating lease rentals:			
– Property	1.9	1.4	1.1
– Plant and equipment	2.3	1.4	1.8
Auditors' remuneration:			
– Audit services	0.2	0.4	0.2
– Non-audit services	1.2	0.9	0.1
Share options schemes (release)/expense	(0.5)	0.4	0.3
Staff costs, including directors' emoluments (see Note 9)	<u>26.4</u>	<u>23.5</u>	<u>14.4</u>

Non-audit service fees paid to the auditors during the 2001 year mainly comprised fees relating to the business disposals and taxation advice (2000: mainly in respect of the acquisition of Loot and taxation advice) (1999: mainly in respect of taxation advice).

8. Remuneration of directors

	2001	2000	1999
	£m	£m	£m
Fees to non-executive directors	0.1	0.1	0.1
Remuneration as executives:			
Basic salary, allowances and taxable benefits	0.6	0.8	0.3
Annual incentive payments	0.4	0.2	–
Compensation for loss of office	0.7	–	–
Gains on exercise of share options	–	0.3	4.2
Pension contributions to defined contributions scheme	–	0.1	–
	<u>1.8</u>	<u>1.5</u>	<u>4.6</u>

The UK based executive directors are members of a defined contribution pension scheme. Contributions payable by the Company together with the details of remuneration received by the directors were disclosed in the directors' report.

8. Remuneration of directors (continued)

Directors' emoluments

The table below analyses the emoluments of individual directors who held office during the 2001 year (2000: 15 months):

	<i>Basic</i>	<i>Taxable</i>	<i>Annual</i>	<i>Loss of</i>	<i>2001</i>	<i>2000</i>	<i>Pension</i>	
	<i>salary/</i>						<i>benefits</i>	<i>incentive</i>
	<i>fees</i>		<i>awards</i>				<i>Contribution</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
D. Eykel	68	–	–	–	68	44	–	–
T.E. Martin	17*	1	25	–	43*	–	1	–
R.J.H. Bonnier	115*	12	–	222	349*	325	12	20
R.H. Dorjee	100*	6	50	210	366*	310	7	17
J.W. Molyneux	169	13	264	175	621	175*	13	12
M. de Smedt #	67*	–	45	90	202*	58*	–	–
C. Webb	28*	–	41	30	99*	115*	2	11
F. Boulben	6*	–	–	–	6*	18*	–	–
R.D.P. Charkin	24	–	–	–	24	23*	–	–
T.J. Lawrence	24	–	–	–	24	30	–	–
	<u>618</u>	<u>32</u>	<u>425</u>	<u>727</u>	<u>1,802</u>	<u>1,098</u>	<u>35</u>	<u>60</u>

* Part period

Excludes emoluments as a director of Scoot Europe.

Mr. D. Eykel's remuneration reflects his appointment as executive Chairman from 26 June 2001.

Mr. J.W. Molyneux's remuneration reflects his resignation as an executive director from 19 November 2001 and his simultaneous appointment as a non-executive director. In addition, the annual incentive awards include £167,000 in respect of the completion of the disposal of Loot.

Following his resignation as a director of 26 June 2001, Mr. R.H. Dorjee received further emoluments totalling £403,000. These comprised a salary of £50,000 for the three month period ended 30 September 2001, taxable benefits of £3,000, a bonus of £230,000 in respect of the completion of the disposal of Loot and consultancy fees of £120,000 in respect of the three month period ended 31 December 2001. No further payments are due to Mr. R.H. Dorjee.

Following his resignation as a director on 3 October 2001, Mr. M. de Smedt received further emoluments totalling £22,000. This comprised a salary for the three month period ended 31 December 2001. No further payments are due to Mr. M. de Smedt.

During the 15 month period ended 31 December 2000, Mr. M. De Smedt made a gain of £338,000 on the exercise of share options (the market prices on exercise being 115p and 192p).

9. Staff numbers and costs

Excluding joint ventures, the average number of persons (full-time equivalent) employed by the Group (including directors) during the year, analysed by category, was as follows:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Administration	276	408	206
Call centres	361	590	291
Sales	247	370	223
Overseas	122	120	–
	<u>1,006</u>	<u>1,488</u>	<u>720</u>

At 31 December 2001, the total number of persons (full-time equivalent) employed by the Group (including directors) was approximately 260.

The aggregate payroll costs for these periods were as follows:

	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Wages and salaries	23.8	21.0	13.1
Social security costs	2.3	2.2	1.1
Pension costs	0.3	0.3	0.2
	<u>26.4</u>	<u>23.5</u>	<u>14.4</u>

10. Taxation

There is no UK charge for the 2001 and 1999 years due to the availability of losses and group relief. The tax charge in the 15 month period ended 31 December 2000 totalled £19,000, comprising a prior year item in respect of UK corporation tax of £9,000 and a foreign taxation charge of £10,000.

At 31 December 2001, the Group has estimated tax losses of approximately £68.6m (2000: £82.0m) (1999: £51.0m) available for relief in future years.

11. Earnings per share

The calculation of basic and diluted earnings per share is based on the retained loss for the year of £180.3m (2000: £71.5m loss) (1999: £21.1m loss) divided by the weighted average number of ordinary shares in issue during the year totalling 707.7m (2000: 602.8m) (1999: 512.2m).

In order to gain a clearer understanding of the Group's underlying performance, earnings per share statistics are also shown excluding the effect of exceptional items and goodwill amortisation.

12. Goodwill

Loot

The acquisition of Loot, which became unconditional on 31 July 2000, has been accounted for using the acquisition method of accounting.

Following the early release of the monies in the retention account payable to the former shareholders of Loot as a result of an agreed reduction in the original acquisition consideration, the purchase consideration was reduced in June 2001 by a £2.0m refund.

The fair value review of Loot's assets and liabilities as at the date of the acquisition has been completed. Below is the final calculation of goodwill, being the excess of the fair value of the purchase consideration over the fair value of the net liabilities acquired. This goodwill was amortised on a straight-line basis over a period of five years from 31 July 2000 up to the date of the impairment review at 30 June 2001.

	<i>£m</i>
Purchase consideration:	
Cash (including expenses)	136.6
Issue of loan notes (at par)	38.9
Issue of ordinary shares (at 132 pence per share)	6.6
	<hr/>
	182.1
Fair value of Loot's net liabilities	3.0
	<hr/>
Goodwill on acquisition	185.1
Goodwill amortisation in the 15 month period ended 31 December 2000	(15.6)
Goodwill amortisation in the 6 month period ended 30 June 2001	(18.3)
	<hr/>
Goodwill at 30 June 2001	151.2
Gross proceeds received from the Loot UK and Ireland business disposals (see Note 29)	(44.4)
Cash contribution made to effect the disposal of the Loot USA business (see Note 29)	0.3
Legal and professional fees paid in respect of the disposals	2.4
Net liabilities disposed	(1.6)
	<hr/>
Loss on disposal (see Note 3)	107.9
	<hr/>

The disposal of the Loot UK and Ireland businesses was completed on 1 October 2001.

The disposal of the Loot USA business was completed in November 2001.

Diva Solutions

Following the acquisition of Diva Solutions Limited in July 1999 and the achievement of certain performance criteria, the Company is contracted to pay approximately £1.0m in instalments to the former shareholders in accordance with an agreed timetable.

Some £0.2m of loan notes were issued in January 2001 and these were redeemed for cash in August 2001. A further £0.3m of loan notes were issued in July 2001 and were redeemed for cash in April 2002. A final £0.5m of loan notes are due to be issued in July 2002 for cash redemption by April 2003.

These amounts have been recorded as goodwill. As part of the strategic review, the directors conducted an impairment review and all remaining goodwill was written-off as at 30 June 2001.

13. Other intangible fixed assets

	<i>Database £m</i>
Cost	
At beginning and end of the 2001 year	2.5
Depreciation	
At beginning of the 2001 year	0.5
Charged in the 2001 year	0.2
At end of the 2001 year	0.7
Net book value	
At beginning of the 2001 year	2.0
At end of the 2001 year	1.8

The Database cost comprises the original purchase price and subsequent external development costs.

14. Tangible fixed assets

	<i>Property</i>		<i>Fixtures, fittings and equipment £m</i>	<i>Total £m</i>
	<i>Freehold £m</i>	<i>Short leasehold £m</i>		
Cost				
At beginning of the 2001 year	2.5	0.9	3.6	7.0
Additions	–	–	0.5	0.5
Disposals	(2.5)	(0.9)	(2.3)	(5.7)
At end of the 2001 year	–	–	1.8	1.8
Depreciation				
At beginning of the 2001 year	0.8	0.1	1.6	2.5
Charged in the 2001 year	0.1	0.1	0.5	0.7
Disposals	(0.9)	(0.2)	(1.3)	(2.4)
At end of the 2001 year	–	–	0.8	0.8
Net book value				
At beginning of the 2001 year	1.7	0.8	2.0	4.5
At end of the 2001 year	–	–	1.0	1.0

Included in the total net book value is £Nil (2000: £0.1m) (1999: £0.6m) in respect of assets held under finance leases.

The depreciation charged in respect of leased fixtures, fittings and equipment during the year amounted to £Nil (2000: £0.1m) (1999: £0.2m).

The Company has no tangible fixed assets.

15. Investments in joint ventures

The movement on the Group's investments in joint ventures comprise:

	2001	2000	1999
	£m	£m	£m
Balance at beginning of period	2.3	(0.3)	(0.9)
Transfer from associates	–	0.7	0.5
Funding during the period	9.1	11.7	3.4
Disposal of investments	–	–	0.5
Share of loss after tax	(14.9)	(9.3)	(3.8)
Goodwill amortisation	(0.6)	(0.5)	–
Profit on disposal, before fees (see Note 3)	4.1	–	–
Balance at end of period	<u>–</u>	<u>2.3</u>	<u>(0.3)</u>

Goodwill in joint ventures:

	2001	2000	1999
	£m	£m	£m
Balance at beginning of period	4.4	–	–
Additions	0.5	4.9	–
Amortisation	(0.6)	(0.5)	–
Charged against profit on disposal (see Note 3)	(4.3)	–	–
Balance at end of period	<u>–</u>	<u>4.4</u>	<u>–</u>

An additional £0.5m of goodwill was booked during the 2001 year in respect of final adjustments to the purchase price of Quod Bonum BV.

The following aggregate information is relevant to an understanding of the Group's investments in its joint ventures:

	2001	2000	1999
	£m	£m	£m
Goodwill	–	4.4	–
Fixed assets	–	0.8	0.2
Current assets	–	5.0	1.4
Loans	–	10.2	5.6
Liabilities due within one year	–	(18.1)	(7.5)
	<u>–</u>	<u>2.3</u>	<u>(0.3)</u>

16. Share of net liabilities of associates

The movement on the Group's share of net liabilities of associates comprises:

	2001 £m	2000 £m	1999 £m
Balance at beginning of period	–	(0.1)	(1.0)
Transfer to joint ventures	–	(0.7)	(0.5)
Funding during the period	–	1.7	0.5
Disposal of investments	–	–	1.5
Share of loss after tax	(0.1)	(0.9)	(0.6)
Profit on disposal (see Note 3)	0.1	–	–
Balance at end of period	–	–	(0.1)

On 4 July 2001, the Group disposed of its interest in Loot India for one US Dollar. The investment in Loot Pakistan has been written-off.

On 23 February 1999, the Group disposed of half of its 50% interest in Scoot Netherlands vof.

On 25 March 1999, the Group disposed of its 43.5% interest in Red Volcano Limited (formerly TDS Group Limited).

During the year ended 30 September 1999, RequesT (UK) Limited ceased to trade. The Group's interest in the company was therefore written off at a cost of £0.8m.

Goodwill previously written off against reserves and not included in the above amounted to £Nil (2000: £Nil) (1999: £0.1m).

17. Investments in subsidiaries

The Company's material subsidiaries at 31 December 2001 were as follows:

Company	% holding	Country of registration	Business
Scoot Ltd.	100.0*	England	Holding company
Scoot (UK) Ltd.	100.0	England	Provider of infomediary services

*Direct subsidiary of the Company.

In addition to the above, the Company has a number of other subsidiary companies, particulars of which will be annexed to the next annual return of the Company.

18. Other investments

On 17 February 2000, the Group purchased for £5.0m (US\$8.0m), a 5.4% investment in PointServe Inc. and entered into a commercial agreement, whereby PointServe's technology was to be incorporated into the Company's interactive transaction network.

As part of the investment, the Company is also party to a stockholders' agreement between a number of co-investors which entitles the Company to appoint an observer to the Board of PointServe.

Given that PointServe is in the development stage of its business and incurring significant losses, and due to its change in business direction, such that previously forecast revenues under the commercial agreement are now unlikely to materialise, the investment was written down to £Nil in the 15 month period ended 31 December 2000.

19. Debtors

	<i>Group</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade debtors	1.3	2.4	0.9
Interest receivable	0.9	1.0	–
Other debtors	1.0	2.5	–
Prepayments and accrued income	1.1	3.3	0.7
VAT recoverable	1.0	1.4	0.1
Amounts owed by joint ventures	–	1.2	–
Amounts owed by associated undertakings	–	–	0.3
Amounts owed by subsidiary undertakings	–	–	–
	<u>5.3</u>	<u>11.8</u>	<u>2.0</u>

Other debtors include £Nil due after more than one year (2000: £0.2m) (1999: £Nil).

20. Free cash

	<i>Group</i>	
	<i>2001</i>	<i>2000</i>
	<i>£m</i>	<i>£m</i>
Money market investments and deposits	43.8	65.3
Cash at bank and in hand	0.8	4.9
	<u>44.6</u>	<u>70.2</u>
Less: Pledged deposit account (see Note 22)	(37.3)	(38.9)
	<u>7.3</u>	<u>31.3</u>

Approximately £0.5m of the pledged deposit account was repaid in June 2001 as part of the renegotiation with the former shareholders of Loot (see Note 12). A further £1.1m of the pledged deposit account was repaid in July 2001 due to the early redemption of loan notes (see Note 22). Subsequent to the year end, a further £0.4m of the pledged deposit account was repaid in January due to the early redemption of loan notes (see Note 22).

At 31 December 2001, the average yield to maturity on the money market investments and deposits was 3.9% (2000: 5.8%) and the weighted average time for which the rate was fixed was 0.4 years (2000: 0.3 years).

Disclosure of free cash was not required in the 1999 accounts.

21. Other creditors

	<i>Group</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade creditors	2.2	7.2	2.9
Interest payable	0.7	1.0	0.1
Amounts owed to subsidiary undertakings	–	–	–
Other creditors	4.6	3.2	0.1
Other taxes and social security	0.4	1.5	0.7
Accruals and deferred income	3.0	7.6	4.3
VAT payable	–	0.5	–
Corporation tax	0.1	0.3	–
	<u>11.0</u>	<u>21.3</u>	<u>8.1</u>

22. Creditors: amounts falling due after more than one year

	<i>Group</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Convertible 3.50% debentures 2000/02	–	–	9.2
Convertible 3.25% debentures 2002/03	–	17.8	14.9
Loan Notes 2007 (secured)	36.9	38.9	–
Bank loans (secured)	–	3.0	–
Finance lease loans	–	0.3	–
	<u>36.9</u>	<u>60.0</u>	<u>24.1</u>

The convertible 3.50% debentures were all converted into the Company's 2p ordinary shares at prices of 37.66p and 40.16p per share during the 15 months ended 31 December 2000, resulting in the issue of 23,899,995 ordinary shares.

At 31 December 2000, the principal amount outstanding on the convertible 3.25% debentures totalled approximately £18.2m and the unamortised issue expenses totalled approximately £0.4m.

Approximately £4.3m of the convertible 3.25% debentures were converted into the Company's 2p ordinary shares at prices of 13.60p and 2.00p per share during the year, resulting in the issue of 35,619,992 ordinary shares. The remaining balance on the principal amount outstanding of approximately £13.9m was fully repaid on 1 October 2001, on completion of the disposal of Loot, together with a 25% premium on redemption totalling some £3.5m (see Note 3).

The loan notes represent part of the consideration for the acquisition of Loot and are redeemable in full on or before 31 December 2007. Interest is based on six monthly LIBOR less 1.25% payable half-yearly in arrears on 30 June and 31 December. They are secured by an equivalent in value blocked money market deposit account. Approximately £0.5m of these loan notes were cancelled in June 2001 as part of the renegotiation with the former shareholders of Loot (see Note 12). A further £1.1m of these loan notes were redeemed in July 2001 (see Note 20). Subsequent to the year end, a further £0.4m of these loan notes were redeemed in January (see Note 20).

The bank loans were fully repaid on 17 August 2001. Interest was based on LIBOR and they were secured on freehold and leasehold properties of certain subsidiaries.

Maturity profile of financial liabilities

	<i>Group</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Due within one year:			
Loan Notes	0.7	–	–
Bank	–	0.5	–
Lease	–	0.2	0.2
Due within one to two years:			
Bank	–	0.5	–
Lease	–	0.3	–
Convertible debentures	–	15.1	–
Due within two to five years:			
Bank	–	1.5	–
Convertible debentures	–	2.7	24.1
Due after five years:			
Bank	–	1.0	–
Loan notes	36.9	38.9	–
	<u>37.6</u>	<u>60.7</u>	<u>24.3</u>

23. Financial instruments

The Group's borrowings, liquidity, interest rate and foreign exchange exposures are managed at Group level with the principal objective being to provide sufficient liquidity to meet operational cash flows. All treasury activity is monitored on a daily basis and operates within approved authorisation limits and dealing mandates.

The Group's interest rate management policy recognises that fixing rates on all of its debt eliminates the possibility of benefiting from rate reductions and, similarly, that having all of its debt at floating rates exposes the Group to rate increases. Therefore, the Group aims to limit the impact from interest rate increases whilst seeking to ensure that it benefits from rate reductions by reviewing its exposure profile regularly.

The Group's liquidity risk management policy aims to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities and investing the Group's funds, in excess of the secured money market deposit of £37.3m (in respect of the loan notes issued on the acquisition of Loot), in short-term instruments.

The following procedures have been applied during the year to manage the financial risks faced by the Group with regard to liquidity, funding and interest rate exposure.

Liquidity risk:

The Group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Group.

Funding and interest rate risk:

The Group's principal borrowing currency is pounds Sterling. Borrowings in this currency represent 100% of the Group's indebtedness at 31 December 2001 (2000: 100%) (1999: 100%). Prior to the acquisition of Loot in July 2000, the majority of the Group's borrowings were in the form of fixed rate convertible debentures which were either converted into shares in the Company or fully redeemed in the 2001 year as disclosed in Note 22. The acquisition of Loot resulted in the issue of floating rate loan notes and the acquisition of bank and finance lease borrowings as disclosed in Note 22. At 31 December 2001, some 99% of the Group's debt was at floating rates (2000: 70%) (1999: Nil %) which was managed by the differential floating interest receivable rate on the secured money market deposit.

The maturity profile of borrowings is disclosed in Note 22. The money market deposits, other than the secured deposit, all matured within one week of the year end. The maturity profile of the secured money market deposit of £37.3m is matched to the loan notes issued on the acquisition of Loot as disclosed in Note 22, which are redeemable in full on or before 31 December 2007.

The Group does not have significant foreign exchange exposure.

Set out below is a comparison of book values and fair values of the Group's financial assets and liabilities:

	2001		2000		1999	
	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Primary financial instruments held or issued to finance the Group's operations:						
Loans repayable within one year	0.7	0.7	0.7	0.7	0.2	0.2
Loans repayable after one year	36.9	36.9	42.2	42.2	–	–
Convertible debentures	–	–	17.8	22.0	24.1	27.8
Money market investments and deposits	43.8	43.8	65.3	65.3	12.8	12.8

The fair value of the convertible debentures at 31 December 2000 and at 30 September 1999 was estimated by a combination of discounting the expected future cash flows at prevailing interest rates for the underlying bond component and using an options pricing methodology derived from Black Scholes for the option element. As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures.

24. Called-up share capital

	2001 £m	2000 £m	1999 £m
<i>Authorised:</i>			
200,000 Deferred ordinary shares of £1 each	0.2	0.2	0.2
1,312,550,000 (2000: 1,073,000,000; 1999: 700,000,000)			
Ordinary shares of 2p each	26.3	21.5	14.0
	<u>26.5</u>	<u>21.7</u>	<u>14.2</u>
		<i>Ordinary 2p shares Number</i>	<i>£m</i>
<i>Allotted, called-up and fully paid:</i>			
Beginning of the 2001 year		687,466,992	13.7
Issues during the 2001 year:			
Exercise of share options		551,511	0.1
Conversion of debentures		35,619,992	0.7
End of the 2001 year		<u>723,638,495</u>	<u>14.5</u>
<i>Warrants</i>			
All warrants issued by the Company to Vivendi and others to subscribe for 2p ordinary shares in the Company have either expired or been cancelled during the 2001 year.			
<i>Non-equity shareholders' funds</i>			
		<i>Deferred ordinary £1 shares Number</i>	<i>£m</i>
<i>Authorised, allotted, called up and fully paid</i>			
Beginning and end of the 2001 year		<u>200,000</u>	<u>0.2</u>

The Deferred ordinary shares are not listed on any stock market or exchange, do not give their holders any right to receive any notice of a general meeting of the Company nor the right to attend, speak or vote at any such meeting, and do not entitle the holders to receive any dividend or other distribution. On the return of capital on a winding-up, each holder of a Deferred ordinary share would be entitled to receive a sum equal to the nominal capital paid up thereon but only after the sum of £10.0m per ordinary share has been distributed to the holders of the ordinary shares.

24. Called-up share capital (continued)

The Scoot share option schemes

Outstanding grants of share options to subscribe for ordinary 2p shares in the Company under the various share option schemes were as follows:

<i>Date of grant</i>	<i>Exercise price</i>	<i>Number of shares</i>			<i>Last date when options exercisable</i>
		<i>At 31 December 2001</i>	<i>At 31 December 2000</i>	<i>At 30 September 1999</i>	
Unapproved 1996 Scheme					
26/9/96	32.5p	–	311,875	421,875	26/9/03
1/10/96	34.5p	811,594	811,594	927,536	1/10/03
1/10/96	30.5p	–	485,737	655,737	1/10/03
Unapproved 1997 Scheme					
5/3/98	32.0p	–	–	165,500	5/3/05
Approved 1997 Scheme					
15/10/98	32.375p	–	11,250	11,250	15/10/05
15/10/98	18.5p	–	3,750	3,750	15/10/05
Unapproved 1999 Scheme					
24/2/99	30.0p*	15,142,500	25,960,000	31,450,000	24/2/09
18/3/99	30.0p*	2,500,000	2,500,000	2,500,000	18/03/09
1/10/99	38.75p	2,694,453	3,337,239	–	1/10/09
18/10/99	41.75p	–	375,000	–	18/10/09
17/1/00	156.75p	525,000	858,250	–	17/1/10
21/4/00	156.75p	–	750,000	–	21/4/10
1/8/00	134.75p	3,711,000	4,502,500	–	1/8/10
1/9/00	127.25p	7,878,301	12,358,224	–	1/9/10
5/12/00	68.0p	4,296,200	6,447,400	–	5/12/10
Scoot Technology Scheme					
22/7/99	31.0p	–	5,000,000	5,000,000	22/7/09
Belgium Scheme					
2/3/98	34.5p	–	975,000	1,900,000	2/3/03
9/11/99	43.3p	–	475,000	–	31/10/04
Netherlands Scheme					
9/7/97	NGL 1.3456	–	536,600	1,113,400	9/7/02
11/8/99	NGL 1.9661	–	697,930	897,339	11/8/04
		<u>37,559,048</u>	<u>66,397,349</u>	<u>45,046,387</u>	

*The exercise price is effectively 25p as the option holder will be paid a cash bonus of 5p per share on the exercise of the option.

Subject to the rules of the various schemes, options are normally exercisable at any time after the expiration of three years from the date of the grant.

During the 2001 year, options in respect of 29,636,790 ordinary shares granted under the various schemes lapsed, including 1,350,000 issued during the 2001 year (2000: 6,231,721).

25. Share premium account

	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Beginning of the period	317.1	55.5	55.3
Issues during the period, net of expenses	3.7	261.6	0.2
End of period	<u>320.8</u>	<u>317.1</u>	<u>55.5</u>

26. Profit and loss account

	<i>Group</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Beginning of period	(150.6)	(79.5)	(61.6)
Loss for the period	(180.3)	(71.5)	(21.1)
Goodwill previously written off included in retained loss for the period	–	–	2.9
Share option schemes (release)/expense	(0.5)	0.4	0.3
End of period	<u>(331.4)</u>	<u>(150.6)</u>	<u>(79.5)</u>

27. Minority interests

Following the acquisition of Loot, certain of the Group's overseas subsidiary companies were not wholly-owned. As these companies in aggregate were loss-making up to the date of their respective disposals and had net liabilities at their respective dates of disposal, no credit for minority interests has been taken to the Profit and Loss Account in the period.

28. Commitments

At the period end, the Group had annual commitments under non-cancellable operating leases as follows:

	<i>2001</i>		<i>2000</i>		<i>1999</i>	
	<i>Property</i>	<i>Plant and equipment</i>	<i>Property</i>	<i>Plant and equipment</i>	<i>Property</i>	<i>Plant and equipment</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Operating leases which expire:						
Within one year	0.2	0.1	0.1	1.6	–	0.6
From two to five years	0.3	1.8	0.1	2.4	–	1.1
After five years	0.2	–	1.6	0.1	0.5	–
	<u>0.7</u>	<u>1.9</u>	<u>1.8</u>	<u>4.1</u>	<u>0.5</u>	<u>1.7</u>

In addition, at 31 December 2000 the Group was committed to fund the Scoot Europe joint venture with Vivendi up to an initial total of £17.5m (being 35% of the initial £50.0m commitment). The intended total expenditure for this joint venture, over the agreed three year business plan for Scoot Europe, was expected to be in the region of £200.0m (the Group's share being a total of £70.0m). Following the disposal of this joint venture in July 2001, the Group's funding commitment ceased.

29. Disposal of Loot businesses

On 1 October 2001, the Group completed the disposal of the Loot UK and Ireland businesses to DMGT. In addition, the Loot USA business was sold to its management in November 2001.

The aggregate net profit after taxation of these businesses up to their respective dates of disposal was £1.0m. These businesses were acquired on 31 July 2000 and thus the Group only included the five months results for the period ended 31 December 2000 in last year's accounts which totalled approximately £1.7m of net loss after taxation. The results for the last full year, being for the year ended 31 July 2000, showed a net loss after taxation and minority interests of approximately £3.1m.

29. Disposal of Loot businesses (continued)

Net assets/(liabilities) disposed of and the related sale proceeds were as follows:

	<i>£m</i>
Fixed assets	2.4
Current assets	2.8
Creditors	(6.8)
Net liabilities sold	(1.6)
Related goodwill (see Note 12)	151.2
Legal and professional fees on disposals	2.4
Loss on disposal (see Note 3)	(107.9)
Cash disposal proceeds, before fees	44.1
Net cash inflows in respect of the disposals comprise:	
Cash consideration received, before fees	44.1
Cash at bank and in hand sold	(0.1)
	44.0

Companies and businesses disposed of during the 2001 year contributed £1.7m of the Group's operating cash outflow, paid £0.2m in respect of returns on investments and servicing of finance, paid £0.1m of taxation and utilised £0.1m for capital expenditure.

30. Net cash outflow from operating activities

	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Group operating loss	(55.5)	(59.9)	(17.3)
Depreciation	0.9	1.3	0.9
Write-down of fixed asset investment	–	5.0	–
Goodwill amortisation	19.3	15.6	–
Share option schemes (release)/expense	(0.5)	0.4	0.3
Decrease/(increase) in debtors	3.8	(5.6)	1.3
(Decrease)/increase in creditors	(3.5)	5.8	(0.8)
	(35.5)	(37.4)	(15.6)

31. Related party transactions

During the 2001 year, the Group made charges to its European joint ventures totalling £Nil (2000: £1.0m) (1999: £0.3m) for IT licensing fees and Version 2 system development and implementation costs.

Mr. R.J.H. Bonnier has an interest in Toocs International Limited. Between January and October 2000, this company had an interest in a private jet which was used to provide business flights for executives of the Group. The total charge to the Company for these flights was £38,148. These charges were based on equivalent commercial airline rates for Mr. R.J.H. Bonnier and airline rates discounted by 50% for other Group executives.

During 1999, the Group purchased services relating to the development of the Group database from Red Volcano Limited (formerly TDS Group Limited), in which the Group held a 43.5% interest until disposal on 25 March 1999. The cost of these services was £0.2m. Following this disposal, the Group also acquired the remaining rights to the database for approximately £1.7m.

PART V

UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE ENLARGED GROUP

Set out below is an unaudited pro forma statement of net assets of the Enlarged Group which has been prepared, on the basis of the notes set out below, to show the effect of the acquisition of COE by Timeload and of the Tender Offer on the net assets of Timeload, had this acquisition and Tender Offer (assuming a full take-up of the Tender Offer) occurred on 31 December 2002. The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group.

	<i>Net assets of Timeload at 31 December 2002 (Note 1) £m</i>	<i>Net assets of COE at 30 June 2002 (Note 2) £m</i>	<i>Adjustments Other adjustments (Note 3) £m</i>	<i>Pro forma total £m</i>
Fixed assets				
Intangible assets	–	–	0.4	0.4
Tangible assets	–	1.3	–	1.3
	–	1.3	0.4	1.7
Current assets				
Stock	–	0.8	–	0.8
Debtors	0.3	2.6	–	2.9
Money market investments and deposits	36.4	–	(3.5)	32.9
Cash at bank and in hand	0.3	–	–	0.3
	37.0	3.4	(3.5)	36.9
Creditors: amounts falling due within one year	(32.0)	(2.9)	–	(34.9)
Net current assets/(liabilities)	5.0	0.5	(3.5)	2.0
Total assets less current liabilities	5.0	1.8	(3.1)	3.7
Creditors: amounts falling due after more than one year	–	(0.7)	–	(0.7)
Provisions for liabilities and charges	–	(0.1)	–	(0.1)
Net assets	5.0	1.0	(3.1)	2.9

Notes to the pro forma statement of net assets

1. The net assets of Timeload have been extracted without material adjustment from the Group's balance sheet which is included in the financial information set out in Part IV of this document.
2. The net assets of COE have been extracted without material adjustment from the Accountants' Report on COE which is set out in Part III of this document.
3. The other adjustments reflect:
 - the acquisition by Timeload of the entire issued share capital of COE through the issue by Timeload of the Initial Consideration Shares as set out in Part I of this document. The consideration for the acquisition of £1.4 million has been based on the Tender Price per Initial Consideration Share;
 - the goodwill created on the acquisition of £0.4 million has been capitalised within intangible assets in accordance with Financial Reporting Standard number 10. This is based on the consideration of £1.4 million less the net book value of the assets of COE at 30 June 2002 of £1.0 million as set out above. No account has been taken of any Deferred Consideration Shares or any fair value adjustments which may be made to COE's net assets;
 - the adjustments to money market investments and deposits reflect the estimated costs of the Acquisition, Tender Offer and Admission of £1.3 million and the proposed return of £2.2 million to Timeload's shareholders through the Tender Offer.
4. The pro forma statement of net assets takes no account of the trading results of Timeload since 31 December 2002 and of COE since 30 June 2002.

Letter from the Reporting Accountants

The following is the text of a letter received from BDO Stoy Hayward, the Reporting Accountants:



BDO Stoy Hayward
Chartered Accountants

Emerald House
East Street
Epsom
Surrey KT17 1HS

The Directors and Proposed Directors
Timeload plc
Bakers House
Bakers Road
Uxbridge
Middlesex
UB8 1RG

and

Deloitte & Touche Corporate Finance
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

Dear Sirs

28 March 2003

Timeload plc (the “Company”)

Pro forma statement of net assets

We report on the pro forma statement of net assets set out in Part V of the circular and admission document dated 28 March 2003 (the “Document”) which has been prepared, for illustrative purposes only, to provide information about how the acquisition by the Company of the entire issued share capital of COE Limited and the tender offer to buy back up to 40 per cent. of the ordinary shares of the Company at 0.75 pence per Ordinary Share might have affected the statement of net assets presented.

Responsibilities

It is the responsibility solely of the Directors and Proposed Directors of Timeload plc to prepare the pro forma statement of net assets.

It is our responsibility to form an opinion on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom we addressed those reports at the date of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma statement of net assets pursuant to the Listing Rules” issued by the Auditing Practices Board.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the Directors and Proposed Directors of Timeload plc.

Opinion

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Enlarged Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

PART VI

TERMS AND CONDITIONS OF THE TENDER OFFER

1. Tenders

- 1.1 All Shareholders on the register of members on the Record Date (other than certain Overseas Shareholders) may tender Ordinary Shares for purchase by the Company (through its agent Durlacher), conditional on Admission and on the terms and subject to the conditions set out in this document and the instructions printed on the accompanying Tender Form (which together with this document constitute the Tender Offer).
- 1.2 The Tender Offer is made at 0.75 pence per Ordinary Share being the Tender Price. The consideration for each tendered Share acquired by Durlacher on behalf of the Company pursuant to the Tender Offer will be paid in accordance with the settlement procedures set out in paragraph 4 below.
- 1.3 Upon the Tender Offer becoming unconditional and unless the Tender Offer has been suspended or terminated in accordance with the provisions of paragraphs 2.2 and 7 below respectively, Durlacher on behalf of the Company will accept the tenders of Shareholders other than certain Overseas Shareholders validly made in accordance with this Part VI, subject as mentioned below.
- 1.4 A maximum number of 289,455,398 Ordinary Shares, representing 40 per cent. of the issued Ordinary Shares will be acquired by the Company (through its agent Durlacher) under the Tender Offer.
- 1.5 Each Shareholder (other than certain Overseas Shareholders) will be entitled to sell to Durlacher on behalf of the Company his or her "Guaranteed Entitlement", being such number of Ordinary Shares (rounded down to the nearest whole number) as represents 40 per cent. of such Shareholder's holding of Ordinary Shares on the Register on the Record Date.
- 1.6 Notwithstanding paragraph 1.5 above, each Shareholder (other than certain Overseas Shareholders) will be entitled to tender for sale to Durlacher as agent for the Company all, none or any proportion of such Shareholder's holding of Ordinary Shares on the Register on the Record Date. If the aggregate of Ordinary Shares tendered exceeds the maximum number of Ordinary Shares which is subject of the Tender Offer, all tenders above each Shareholder's Guaranteed Entitlement will be scaled down (with fractions being ignored). To the extent that some Shareholders tender less than their Guaranteed Entitlement, the balance of the cash made available for the Tender Offer will be applied to satisfy further tenders of Shareholders in excess of their Guaranteed Entitlement by increasing the Guaranteed Entitlement until no further tenders can be satisfied. The decision of Durlacher as to the treatment of fractions arising from scaling down shall be conclusive and binding on all Shareholders.

2. Conditions and Suspension

- 2.1 The Tender Offer is conditional on the following (together the "Conditions"):
 - (a) the passing of the Resolutions set out in the notice of Extraordinary General Meeting at the end of this document by no later than 30 May 2003 or such later date (not being later than ten business days after 30 May 2003) as the Company and Durlacher may determine;
 - (b) the approval of the High Court of the Capital Reduction and the Capital Reduction becoming effective;
 - (c) receipt of valid tenders in respect of at least 7,236,385 Ordinary Shares (representing 1 per cent. of the Company's existing issued ordinary share capital) by the Closing Date;
 - (d) Durlacher being satisfied (following the Capital Reduction becoming effective) that the Company is in a position to purchase all Ordinary Shares tendered under the Tender Offer out of profits available for distribution (as defined in section 263 of the Act) and has sufficient funds available to satisfy the maximum consideration payable under the Tender Offer;

- (e) the Tender Offer not having been terminated in accordance with paragraph 7 below prior to the fulfilment of the conditions referred to in sub-paragraphs (a),(b), (c) and (d) above; and
- (f) Admission.

Durlacher on behalf of the Company will not purchase any Ordinary Shares pursuant to the Tender Offer unless the Conditions have been satisfied in full and the Tender Offer has not been terminated in accordance with paragraph 7 below. If the Conditions are not satisfied prior to the close of business on 30 June 2003 the Company may postpone the completion of the Tender Offer for up to ten business days, after which time the Tender Offer, if not then completed, will lapse.

- 2.2 If the Company (acting through the Directors) shall at any time prior to Durlacher effecting the purchase on behalf of the Company of the tendered Ordinary Shares notify Durlacher on behalf of the Company in writing that in its reasonable opinion the completion of the purchase of Ordinary Shares under the Tender Offer would have unexpected adverse fiscal or other consequences (whether by reason of a change in legislation or practice or otherwise) for the Company or its Shareholders, the Company may either exercise its powers to terminate the Tender Offer in accordance with paragraph 7 below or may postpone the completion of the Tender Offer for up to ten business days, after which the Tender Offer, if not then completed by reason of the postponement circumstances continuing, will lapse.

3. Procedure for tendering Ordinary Shares

- 3.1 **Completion of Tender Forms:** To tender your Ordinary Shares, whether or not you hold your Ordinary Shares in uncertificated form (that is, in CREST), you must complete, sign and return the accompanying Tender Form in accordance with this paragraph 3 and the instructions printed on the Tender Form, which shall be deemed to form part of the Tender Offer.

If you hold Ordinary Shares in both certificated and uncertificated form, you should complete a separate Tender Form for each holding. In addition, you should complete separate Tender Forms for Ordinary Shares held in uncertificated form but under different Member Account IDs and for Ordinary Shares held in certificated form but under different designations. Additional Tender Forms are available from Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol, BS99 1XZ (telephone number 0870 702 0100).

- 3.2 **Return of Tender Forms:** The completed and signed Tender Form should be sent either by post or by hand to Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol, BS99 1XZ, or, by hand only, during normal business hours to Computershare Investor Services PLC, 7th Floor Jupiter House, Triton Court, 14 Finsbury Square, London, EC2A 1BR, **as soon as possible and, in any event, so as to be received not later than 5.00 p.m. on 23 April 2003.** A pre-paid envelope is enclosed with this document. No acknowledgement of receipt of documents will be given. Any Tender Form received in an envelope postmarked in the United States, Canada, Australia, Japan or the Republic of Ireland or otherwise appearing to Durlacher or its agents to have been sent from any of those jurisdictions may be rejected as an invalid tender. See paragraph 10 below for further information on Overseas Shareholders.

Ordinary Shares held in certificated form (that is, not in CREST)

The completed and signed Tender Form should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If your share certificate(s) and/or other document(s) of title are not readily available (for example, if they are with your stockbroker, bank or other agent) or are lost, the Tender Form should nevertheless be completed, signed and returned as described above by post or by hand to Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol, BS99 1XZ or by hand only during normal business hours to Computershare Investor Services PLC, 7th Floor Jupiter House, Triton Court, 14 Finsbury Square, London, EC2A 1BR **by not later than 5.00 p.m. on 23 April 2003** together with any share certificate(s) and/or other document(s) of title that you may have available, accompanied by a letter stating that the remaining share certificate(s) and/or other document(s) of title will be forwarded as soon as possible thereafter and, in any event, so as to be received not later than 5.00 p.m. on 23 April 2003.

If you have lost your share certificate(s) and/or other document(s) of title, you should write to the Company's registrars, Computershare Investor Services PLC, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh, EH11 4BR for a letter of indemnity in respect of the lost share certificate(s) which, when completed in accordance with the instructions given, should be returned to Computershare Investor Services PLC, at either of the addresses referred to at the beginning of this paragraph 3.2 so as to be received not later than 5.00 p.m. on 23 April 2003.

Ordinary Shares held in uncertificated form (that is, in CREST)

If the Ordinary Shares which you wish to tender are held in uncertificated form, you must insert in Box 4 of the Tender Form the Participant ID and Member Account ID under which such Ordinary Shares are held by you in CREST and otherwise complete and return the Tender Form as described above. In addition, you should take (or procure to be taken) the action set out below to transfer (by means of a TTE instruction) the number of Ordinary Shares which you wish to tender under the Tender Offer to an escrow balance, specifying Computershare Investor Services PLC (in its capacity as a CREST receiving agent under its Participant ID referred to below) as the escrow agent, **as soon as possible and in any event so that the transfer to escrow settles by 5.00 p.m. on 23 April 2003 at the latest. All Ordinary Shares subject to the relevant Tender Form must be transferred to escrow.**

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your Participant ID and the Member Account ID under which your Ordinary Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to CRESTCo in relation to the Ordinary Shares which you wish to tender.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to CRESTCo which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to other information that is required for the TTE instruction to settle in CREST, the following details:

- the number of Ordinary Shares to be transferred to an escrow balance;
- your Member Account ID. This must be the same Member Account ID as the Member Account ID that is inserted in Box 4 of the Tender Form;
- your Participant ID. This must be the same Participant ID as the Participant ID that is inserted in Box 4 of the Tender Form;
- the Participant ID of the escrow agent, Computershare Investor Services PLC, in its capacity as a CREST receiving agent. This is: 3RA27;
- the Member Account ID of the escrow agent. This is: TIME;
- the corporate action number for the Tender Offer. This is allocated by CRESTCo and can be found by viewing the relevant corporate action details in CREST;
- the Tender Form reference number. This is the reference number that appears on page 3 of the Tender Form. This reference number should be inserted in the first eight characters of the shared note field on the TTE instruction. Such insertion will enable Computershare Investor Services PLC to match the transfer to escrow to your Tender Form. You should keep a separate record of this reference number for future reference;
- the intended settlement date for the transfer to escrow. This should be as soon as possible and in any event no later than 5.00 p.m. on 23 April 2003;
- the corporate action ISIN, which is GB0001600781; and
- input with the standard TTE delivery instruction priority of 80.

After settlement of the TTE instruction, you will not be able to access the Ordinary Shares concerned in CREST for any transaction or for charging purposes, notwithstanding they will be held by

Computershare Investor Services PLC as your agent until completion or lapsing of the Tender Offer. If the Tender Offer becomes unconditional, Computershare Investor Services PLC will transfer the Ordinary Shares which are accepted by Durlacher to itself as the Company's agent or to such other person(s) as Durlacher or the Company may direct.

You are recommended to refer to the CREST Manual published by CRESTCo for further information on the CREST procedures outlined above. For ease of processing you are requested, wherever possible, to ensure that a Tender Form relates to only one transfer to escrow.

If no Tender Form reference number, or an incorrect Tender Form reference number, is included on the TTE instruction, Durlacher on behalf of the Company may (but shall not be obliged to) treat any number of Ordinary Shares transferred to an escrow balance in favour of the escrow agent from the Participant ID and Member Account ID identified in the TTE instruction as relating to any Tender Form which relates to the same Participant ID and Member Account ID (up to the number of Ordinary Shares inserted or deemed to be inserted in the Tender Form concerned).

You should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Ordinary Shares to settle prior to 5.00 p.m. on 23 April 2003. In this connection you are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

An appropriate announcement will be made if any of the details contained in this paragraph are altered.

Deposits of Ordinary Shares into, and withdrawals of Ordinary Shares from, CREST

Normal CREST procedures (including timings) apply in relation to any Ordinary Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Tender Offer (whether such conversion arises as a result of a transfer of Ordinary Shares or otherwise). Shareholders who are proposing to convert any such Ordinary Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring Ordinary Shares as a result of the conversion to take all necessary steps in connection with such person's participation in the Tender Offer (in particular, as regards delivery of share certificates and/or other documents of title or transfers to an escrow balance as described above) prior to 5.00 p.m. on 23 April 2003.

- 3.3 **Validity of Tender Forms:** Notwithstanding the powers below, Durlacher reserves the right to treat as valid Tender Forms which are not received entirely in order (to be determined by Durlacher in its sole discretion) by 5.00 p.m. on 23 April 2003 and which are not accompanied (in the case of Ordinary Shares held in certificated form) by the relevant share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof or (in the case of Ordinary Shares held in uncertificated form) by the relevant TTE instruction, in each case in respect of the entire number of Ordinary Shares tendered.

Notwithstanding the completion of a valid Tender Form, the Tender Offer may be terminated or lapse in accordance with the terms and conditions set out in this Part VI of this document.

The decision of Durlacher as to which Ordinary Shares have been validly tendered shall be final and binding on all Shareholders.

If you are in any doubt as to how to complete the Tender Form or as to the procedure for tendering Ordinary Shares, please contact Computershare Investor Services PLC by telephone on 0870 702 0100. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

Shareholders should note that once tendered, Ordinary Shares may not be sold, transferred, charged or otherwise disposed of.

4. Settlement

Settlement of the consideration due to any Shareholder is expected to be made as follows:

- 4.1 **Certificated Form:** Where an accepted tender relates to Ordinary Shares held in certificated form, settlement of the consideration due to any Shareholder is expected to be made on or about 30 May 2003. Cheques for the consideration due will be despatched by Computershare Investor Services PLC by first class post to the person or agent whose name and address is set out in Box 5A of the Tender Form or, if none is set out, to the registered address of the tendering Shareholder or, in the case of joint holders, the address of the first named (other than to an address outside the United Kingdom). All cash payments will be made in sterling by cheque drawn on a branch of a UK clearing bank.
- 4.2 **Uncertificated Form:** Where an accepted tender relates to Ordinary Shares held in uncertificated form, the consideration due will be paid by means of CREST by Durlacher on behalf of the Company procuring the creation of an assured payment obligation in favour of the tendering Shareholder's payment bank in accordance with the CREST assured payment arrangements.
- 4.3 Entitlements to a fraction of a penny will be rounded down to the nearest whole penny.
- 4.4 If only a part of a holding of Ordinary Shares is sold pursuant to the Tender Offer:
 1. where the Ordinary Shares are held in certificated form, the relevant Shareholder will be entitled to receive a certificate in respect of New Ordinary Shares representing the balance of the unsold Ordinary Shares; or
 2. where the Ordinary Shares are held in uncertificated form (i.e. in CREST), New Ordinary Shares representing the balance of the unsold Ordinary Shares will be transferred by the escrow agent by means of a TFE instruction to the original CREST account from which the Ordinary Shares came.

5. Tender Form

Each Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with Durlacher (for itself and as trustee for the Company) (so as to bind him, his personal representatives, heirs, successors and assigns) that:

- (a) the execution of the Tender Form shall constitute an irrevocable offer to sell to the Company (through its agent, Durlacher) such Shareholder's Guaranteed Entitlement or, if relevant, the number of Ordinary Shares inserted in Box 1B or 1C on page 3 of the Tender Form or deemed (in accordance with paragraph 6.1) to be tendered, in each case, on and subject to the terms and conditions set out or referred to in this document and the Tender Form and that, once lodged, such offer shall be irrevocable;
- (b) such Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares in respect of which such offer is accepted (together with all rights attaching thereto) and, when the same are purchased by the Company, the Company will acquire such Ordinary Shares with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto, on or after 23 April 2003, including the right to receive all dividends and other distributions declared, paid or made after that date other than the entitlement to receive the distribution of any shortfall in the £2.2 million to be distributed pursuant to the Tender Offer;
- (c) the execution of the Tender Form will, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of any director or other officer of Durlacher as such Shareholder's attorney and/or agent ("attorney"), and an irrevocable instruction to the attorney to complete and execute all or any instruments of transfer and/or other documents at the attorney's discretion in relation to the Ordinary Shares referred to in sub-paragraph (a) above in favour of Durlacher on behalf of the Company or such other person or persons as Durlacher may direct and to deliver such instrument(s) of transfer and/or other documents at the discretion of the attorney, together with any share certificate(s) and/or other document(s) relating to such Ordinary Shares, for registration within six months of the Tender Offer becoming unconditional and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offer and to vest in Durlacher or its nominee(s) or such other person(s) as Durlacher may direct such Ordinary Shares;

- (d) such Shareholder agrees to ratify and confirm each and every act or thing which may be done or effected by Durlacher or any of its directors or any person nominated by Durlacher in the proper exercise of his or her powers and/or authorities hereunder;
- (e) such Shareholder holding Ordinary Shares in certificated form will deliver to Computershare Investor Services PLC the share certificate(s) and/or other document(s) of title in respect of the Ordinary Shares referred to in sub-paragraph (a) above, or an indemnity acceptable to Durlacher in lieu thereof, or will procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than the Closing Date;
- (f) such Shareholder holding Ordinary Shares in uncertificated form will take (or procure to be taken) the action set out in paragraph 3.2 above to transfer such Ordinary Shares to an escrow balance as soon as possible and, in any event, no later than the Closing Date;
- (g) the provisions of the Tender Form shall be deemed to be incorporated into the terms and conditions of the Tender Offer;
- (h) such Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by Durlacher to be desirable, in each case to complete the purchase of the Ordinary Shares and/or to perfect any of the authorities expressed to be given hereunder;
- (i) such Shareholder, if an Overseas Shareholder, has fully observed any applicable legal requirements and that the invitation under the Tender Offer may be made to and accepted by him under the laws of the relevant jurisdiction;
- (j) such Shareholder has not received or sent copies or originals of this document, the Tender Form or any related documents outside the United Kingdom or in particular, in, into or from the United States, Canada, Australia, Japan or the Republic of Ireland and has not otherwise utilised in connection with the Tender Offer, directly or indirectly, the mails or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan or the Republic of Ireland and the Tender Form has not been mailed or otherwise sent in, into or from the United States, Canada, Australia, Japan or the Republic of Ireland and such Shareholder is accepting the Tender Offer from inside the United Kingdom;
- (k) on execution, the Tender Form takes effect as a deed;
- (l) the execution of the Tender Form constitutes such Shareholder's submission to the jurisdiction of the High Courts of England in relation to all matters arising out of or in connection with the Tender Offer or the Tender Form;
- (m) despatch of cheques in respect of the Tender Price to a Shareholder at his registered address or such other address as is specified in the Tender Form, or (as the case may be) creation of an assured payment obligation in favour of such Shareholder's payment bank in accordance with the CREST assured payment arrangements as referred to in paragraph 4, will constitute a complete discharge by the Company and Durlacher as its agent of their respective obligations to pay to such Shareholder the cash consideration to which he or she or it is entitled under the Tender Offer.

A reference in this paragraph 5 to a Shareholder includes a reference to the person or persons executing the Tender Form and, in the event of more than one person executing a Tender Form, the provisions of this paragraph will apply to them jointly and to each of them.

6. Additional Provisions

- 6.1 Each Shareholder may tender some of or all of his, her or its holding of Ordinary Shares on the Record Date. If (i) Section 1 of the Tender Form is not completed; or (ii) if, in Durlacher's determination (in its absolute discretion), Section 1 has not been validly completed, provided that the Tender Form is otherwise in order and accompanied by all other relevant documents, the tender will be accepted as a valid tender in respect of the whole of the Shareholder's Guaranteed Entitlement.

- 6.2 Each Shareholder will be entitled to sell, pursuant to the Tender Offer, up to 40 per cent. of the Ordinary Shares registered in his name on the Record Date, rounded down to the nearest whole number of Ordinary Shares. Tendering Shareholders may sell more Ordinary Shares than their Guaranteed Entitlement (as defined in paragraph 1.5 of this Part VI of this document) to the extent that other Shareholders tender less than their Guaranteed Entitlement. To the extent that some Shareholders tender less than their Guaranteed Entitlement, the balance of the cash made available for the Tender Offer will be applied to satisfy further tenders of Shareholders in excess of their Guaranteed Entitlement by increasing the Guaranteed Entitlement until no further tenders can be satisfied. The decision of Durlacher as to the treatment of fractions arising from scaling down shall be conclusive and binding on all Shareholders.
- 6.3 Ordinary Shares acquired by the Company (through its agent, Durlacher) under the Tender Offer will be purchased by Durlacher as agent of the Company and such purchases will be market purchases in accordance with the rules of the London Stock Exchange.
- 6.4 Ordinary Shares sold by Shareholders pursuant to the Tender Offer will be acquired with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after 23 April 2003, including the right to receive all dividends and other distributions declared, paid or made after that date other than the entitlement to receive the distribution of any shortfall in the £2.2 million to be distributed pursuant to the Tender Offer.
- 6.5 Unless it has been suspended, terminated or extended prior to such time in accordance with the provisions of paragraphs 2.2, 7 and 8, the Tender Offer will close at 5.00 p.m. on 23 April 2003 and no Tender Forms, share certificates and/or documents of title or indemnities or TTE Instructions received after that time will be accepted. On 25 April 2003 it is expected that the Company will announce the total number of Ordinary Shares tendered.
- 6.6 Each Shareholder who tenders or procures the tender of Ordinary Shares will thereby be deemed to have agreed that, in consideration of Durlacher agreeing to process his tender, such Shareholder will not revoke his tender or withdraw his Ordinary Shares. Shareholders should note that once tendered, Ordinary Shares may not be sold, transferred, charged or otherwise disposed of.
- 6.7 Any omission to despatch or decision not to despatch this document or the Tender Form or any notice required to be despatched under the terms of the Tender Offer to, or any failure to receive the same by, any person entitled to participate in the Tender Offer shall not invalidate the Tender Offer in any way or create any implication that the Tender Offer has not been made to any such person.
- 6.8 No acknowledgement of receipt of any Tender Form, share certificate(s) and/or other document(s) of title will be given. All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from Shareholders (or their designated agents) will be delivered by or sent to or from such Shareholders (or their designated agents) at their own risk.
- 6.9 All powers of attorney and authorities on the terms conferred by or referred to in this Part VI or in the Tender Form are given by way of security for the performance of the obligations of the Shareholders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.
- 6.10 All tenders must be made on the Tender Form, duly completed in accordance with the instructions set out thereon which constitute part of the terms of the Tender Offer. A tender will only be valid when the procedures contained in these terms and conditions and in the Tender Form are complied with. The Tender Offer and all tenders will be governed by and construed in accordance with English law. Delivery or posting of a Tender Form will constitute submission to the jurisdiction of the English Courts.
- 6.11 All documents and remittances sent by or to Shareholders will be sent at their own risk. If the Tender Offer does not become unconditional or is terminated, all documents lodged pursuant to the Tender Offer will be returned promptly by post, within fourteen business days of the Tender Offer lapsing, to the person or agent whose name and address (in the United Kingdom) is set out on the Tender Form or

the alternative address in Box 5A of the Tender Form or, if none is set out, to the tendering Shareholder or, in the case of joint holders, the first named at his/her registered address in the United Kingdom. No such documents will be sent to an address outside the United Kingdom. In the case of Ordinary Shares held in uncertificated form, Computershare Investor Services PLC in its capacity as escrow agent will, within fourteen business days of the Tender Offer lapsing, give instructions to CRESTCo to transfer all Ordinary Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Tender Offer by TTE instruction to the original CREST account from which those Ordinary Shares came. In any of these circumstances, Tender Forms will cease to have any effect.

6.12 The decision of Durlacher as to which Ordinary Shares have been successfully tendered shall be final and binding on all Shareholders.

6.13 Further copies of this document and the Tender Form may be obtained on request from Computershare Investor Services PLC at the address set out at the bottom of page 1 of the Tender Form.

7. Termination of the Tender Offer

If the Company (acting through the Directors) shall, at any time prior to Durlacher effecting the purchase as the Company's agent of the tendered Ordinary Shares, notify Durlacher in writing that in its reasonable opinion the completion of the purchase of Ordinary Shares under the Tender Offer would have unexpected adverse fiscal or other consequences (whether by reason of a change in legislation or practice or otherwise) for the Company or its Shareholders if the Tender Offer were to proceed or the Acquisition Agreement has been rescinded or the conditions in the Acquisition Agreement have not been satisfied by their due date, the Company shall be entitled at its complete discretion to terminate the Tender Offer by a public announcement in which event the Tender Offer shall terminate immediately or as otherwise specified in such announcement.

8. Closing Date and right to extend

The Tender Offer will close at 5.00 p.m. on 23 April 2003 and no tenders which are received after that time will be accepted unless the Company, in its sole and absolute discretion, shall have extended the period during which the Tender Offer is open. The Company shall notify the Receiving Agent of any extension of the Closing Date by oral or written notice and shall notify holders of Ordinary Shares of such extension by public announcement not later than 1.00 p.m. on the business day following the date on which the Capital Reduction becomes effective.

9. Miscellaneous

9.1 Any changes to the terms, or any suspension, extension or termination of the Tender Offer will be followed as promptly as practicable by a public announcement thereof no later than 1.00 p.m. on the business day following the date of such event. Such an announcement will be released to the Company Announcements Office of the London Stock Exchange and to the Company's Regulatory Information Service. References to the making of an announcement by the Company include the release of an announcement on behalf of the Company by Durlacher to the press and delivery of or telephone or facsimile or other electronic transmission of such announcement to the Company's Regulatory Information Service.

9.2 Ordinary Shares purchased pursuant to the Tender Offer will, following the completion of the Tender Offer, be cancelled.

9.3 Tendering Shareholders will not be obliged to pay brokerage fees, commissions or transfer taxes or stamp duty in the UK on the purchase of the Ordinary Shares pursuant to the Tender Offer.

9.4 Except as contained in this document, no person has been authorised to give any information or make any representations with respect to the Company or the Tender Offer, and, if given or made, such other information or representations should not be relied on as having been authorised by Durlacher or the Company. Under no circumstances should the delivery of this document or the delivery of any consideration pursuant to the Tender Offer create any implication that there has been no change in the assets, properties, business or affairs of the Company since the date of this document.

- 9.5 Durlacher reserves the absolute right to inspect (either itself or through its agents) all Tender Forms, and may consider void and reject any tender that does not in Durlacher's sole judgement meet the requirements of the Tender Offer. Durlacher also reserves the absolute right to waive any defect or irregularity in the tender of any Ordinary Shares, including any Tender Form (in whole or in part) which is not entirely in order or which is not accompanied (in the case of Ordinary Shares held in certificated form) by the related share certificate(s) and/or other document(s) of title or (in the case of Ordinary Shares held in uncertificated form) the relevant TTE instruction. In that event, however, the consideration under the Tender Offer will only be despatched when the Tender Form is entirely in order and the share certificate(s) or other document(s) of title/the relevant TTE instruction or indemnities satisfactory to Durlacher has/have been received. None of Durlacher, the Company, Computershare Investor Services PLC or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.
- 9.6 Without prejudice to the generality of paragraph 9.5 above, in relation to any discretion or determination exercised by Durlacher and/or the Company for the purposes of the Proposals, neither Durlacher, the Directors nor the Company shall have any liability.

10. Overseas Shareholders

- 10.1 The making of the Tender Offer in, or to persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom or custodians, nominees or trustees for citizens, nationals or residents of jurisdictions outside the United Kingdom may be prohibited or affected by the laws of the relevant overseas jurisdiction. Shareholders who are Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Shareholder wishing to tender Ordinary Shares to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes or other requisite payments due in such jurisdiction. Any such Shareholder will be responsible for payment of any such transfer or other taxes or other requisite payments due by whomsoever payable and Durlacher and the Company and any person acting on their behalf shall be fully indemnified and held harmless by such Shareholder for any such transfer or other taxes or other requisite payments such person may be required to pay. No steps have been taken to qualify the Tender Offer or to authorise the extending of the Tender Offer or the distribution of the Tender Form in any territory outside the United Kingdom.
- 10.2 The Tender Offer is not being made to certain Overseas Shareholders, in particular, the Tender Offer is not being made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) or interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan or the Republic of Ireland and the Tender Offer cannot be accepted by any such use, means, instrumentality or facility from within the United States, Canada, Australia, Japan or the Republic of Ireland.

Accordingly, copies of this document, the Tender Forms and any related documents are not being and must not be mailed or otherwise distributed or sent in or into the United States, Canada, Australia, Japan or the Republic of Ireland, including to Shareholders with registered addresses in the United States, Canada, Australia, Japan or the Republic of Ireland or to persons whom Durlacher knows to be custodians, nominees or trustees holding shares for persons in the United States, Canada, Australia, Japan or the Republic of Ireland. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) or wishing to accept the Tender Offer should not distribute or send them in, into or from the United States, Canada, Australia, Japan or the Republic of Ireland or use such mails or any such means, instrumentality or facility in connection with the Tender Offer, and so doing will render invalid any related purported acceptance of the Tender Offer. All accepting Shareholders must provide addresses outside the United States, Canada, Australia, Japan or the Republic of Ireland for the remittance of cash or the return of documents lodged pursuant to the Tender Offer.

- 10.3 A Shareholder will be deemed not to have accepted the Tender Offer if: (i) such Shareholder is unable to make the representations and warranties set out in paragraphs 5(i) or 5(j); (ii) such Shareholder has a registered address overseas and in such case such Shareholder does not insert in Box 5A the name and address of a person or agent in the United Kingdom to whom he wishes the consideration to which he is entitled under the Tender Offer to be sent, subject to the provisions of this paragraph and the applicable laws; or (iii) such Shareholder inserts in Box 5A of the Tender Form the name and address of a person or agent in the United States, Canada, Australia, Japan or the Republic of Ireland to whom he wishes the consideration to which such Shareholder is entitled under the Tender Offer to be sent; or (iv) the Tender Form received from him is in an envelope postmarked in, or which otherwise appears to Durlacher or its agents to have been sent from, the United States, Canada, Australia, Japan or the Republic of Ireland. In any such case Durlacher reserves the right, in its absolute discretion, to investigate, in relation to any acceptance, whether the representations and warranties referred to in paragraph 5(i) or 5(j) given by any Shareholder is correct and, if such investigation is undertaken and as a result of which Durlacher determines (for any reason) that such representations and warranties are not correct, such acceptance shall not be valid and the person making the tender shall have no claim against Durlacher or the Company.
- 10.4 If, in connection with making the Tender Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Tender Forms or any related offering documents in, into or from the United States, Canada, Australia, Japan or the Republic of Ireland or uses the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, Canada, Australia, Japan or the Republic of Ireland in connection with such forwarding, such persons should: (i) inform the recipient of such fact; (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient(s); and (iii) draw the attention of the recipient to this paragraph 10.
- 10.5 The provisions of this paragraph 10 and any other terms of the Tender Offer relating to certain Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by Durlacher in its absolute discretion but only if Durlacher is satisfied that such waiver, variance or modification will not constitute or give rise to a breach of applicable securities or other law.
- 10.6 The provisions of this paragraph 10 supersede any terms of the Tender Offer inconsistent herewith.

Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your independent professional adviser in the relevant territory.

PART VII

TAXATION

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

1. Taxation Issues Relating to the Tender Offer

1.1 *Capital Reduction*

In the event that the Capital Reduction is implemented, the Capital Reduction will, for the purposes of United Kingdom tax on chargeable gains, be regarded as a reorganisation of the share capital of the Company. Accordingly, a Shareholder will not be treated as making a disposal of all or part of his holding of Ordinary Shares by virtue of the Capital Reduction.

A Shareholder's holding of New Ordinary Shares will be treated as the same asset as his existing Ordinary Shares and accordingly, his New Ordinary Shares will be treated as having been acquired at the same time as his current holding of existing Ordinary Shares was acquired.

1.2 *Capital Reorganisation*

For the purposes of United Kingdom tax on chargeable gains, the conversion of the existing Ordinary Shares into Ordinary Shares of 0.1 pence each and the subsequent consolidation of such Ordinary Shares into New Ordinary Shares of 5 pence each will be regarded as a reorganisation of the share capital of the Company. Accordingly, a Shareholder will not be treated as making a disposal of all or part of his holding of Existing Ordinary Shares by reason of the Capital Reorganisation.

A Shareholder's holding of New Ordinary Shares will be treated as the same asset as his existing Ordinary Shares and accordingly, his New Ordinary Shares will be treated as having been acquired at the same time as his current holding of existing Ordinary Shares was acquired.

1.3 *Tender Offer*

The Tender Offer at a price of 0.75 pence per Ordinary Share or less should under current Inland Revenue practice be regarded as:

- (A) a return of share capital and not as a distribution; and
- (B) a disposal by Shareholders of the Ordinary Shares for the purposes of United Kingdom Capital Gains Tax on chargeable gains (for further information on Capital Gains tax issues see paragraph 2.1 below).

Section 703 of ICTA permits the Inland Revenue to counteract tax advantages arising from certain transactions in securities by treating some or all of the proceeds of capital disposals as distributions. However, it does not apply where it can be shown that the transactions in question were entered into for *bona fide* commercial reasons and did not involve as one of their main objects the obtaining of a tax advantage and, accordingly, it is not expected to apply generally in the context of the Tender Offer.

No application has been made to the Inland Revenue for clearance in respect of the application of section 703 of ICTA to the Tender Offer. **Shareholders are advised to take independent advice as to the potential application of section 703 of ICTA in light of their own particular motives and circumstances.**

1.4 *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No stamp duty or SDRT will be payable by Shareholders in consequence of the transactions contemplated by the Capital Reduction, the Capital Reorganisation, or the Tender Offer. No stamp duty

or SDRT will be payable by Shareholders in consequence on a transfer of New Ordinary Shares into the CREST system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at the rate of 0.5 per cent.) will arise. Paperless transfers of New Ordinary Shares within CREST will be liable to SDRT rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST.

1.5 Dividend

In the event the Tender Offer is not taken up in full and a dividend is paid to Shareholders, the treatment of the taxation of such dividend is the same as detailed in "Taxation of Dividends" in paragraph 2.2 below.

2. Taxation Issues Following Admission

2.1 Capital Gains

A shareholder resident for tax purposes in the UK who sells or otherwise disposes of his New Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these shares up until the date of disposal. A corporate shareholder may be entitled to exemption from corporation tax under the "Substantial Shareholding" provisions. Individual shareholders resident or ordinarily resident for tax purposes in the UK are not within the charge to corporation tax and will only be entitled to indexation relief up until April 1998. From April 1998 taper relief is available. The calculation for taper relief on a disposal of New Ordinary Shares will take into account the period of ownership of these shares.

A shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his New Ordinary Shares unless at the time of the disposal such shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and such New Ordinary Shares are or have been used, held or acquired for the purposes of such trade or branch or agency. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of New Ordinary Shares during that period may be liable to UK taxation of chargeable gains (subject to any available exemption or relief) in the year of return to the UK.

2.2 Taxation of Dividends

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

A UK resident Shareholder receiving a dividend from the Company also receives a tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the dividend, which is 10 per cent., of the sum of the dividend and the tax credit. Generally, the liability to United Kingdom income tax is calculated on the sum of the dividend and the tax credit ("the dividend income").

Individual Shareholders whose income is within the starting rate or basic rate tax bands will be subject to income tax at the rate of 10 per cent. on their dividend income, so that such Shareholders will have no further liability to income tax on that dividend income.

The higher rate of income tax is 32.5 per cent. in respect of dividend income. A higher rate taxpayer may set the tax credit against his liability to income tax on the dividend income and will have further tax to pay of 22.5 per cent. of the dividend income.

A Shareholder who is not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or part of it) from the Inland Revenue, save where the dividend is paid on or before 5 April 2004 in respect of Shares held in an "Individual Savings Account" or Personal Equity Plan (PEP).

A United Kingdom resident corporate Shareholder is not normally liable to United Kingdom taxation on any dividend received. Pension funds are not entitled to claim re-payment in cash of the tax credit.

Whether Shareholders who are resident for tax purposes in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on their shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom but persons who are Commonwealth citizens, nationals of member states of the European Economic Area or fall within certain other categories of person within Section 278 of the Income and Corporation Taxes Act 1988 are entitled to the entire tax credit which they may set against their total United Kingdom income tax liability or, in appropriate cases, reclaim in cash. Non-United Kingdom resident Shareholders should consult their own tax advisers on the possible application of such provisions and the procedure of claiming any relief or credit in respect of such tax credit in their own jurisdictions. However, in general, no cash payment will be recoverable from the Inland Revenue in respect of the tax credit.

2.3 Stamp duty and SDRT

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

A transfer or sale of New Ordinary Shares will generally be subject to *ad valorem* stamp duty at the rate of 0.5 per cent. rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such New Ordinary Shares is not completed by a duly stamped transfer to the transferee by the seventh day of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent. of the amount or value of consideration paid. Liability to SDRT is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the sale member or dealer will normally account for the SDRT. If an instrument of transfer is subsequently produced, it will be subject to stamp duty at the same rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5). When such stamp duty is paid, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

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

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

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

PART VIII

SUMMARY OF THE ACQUISITION AGREEMENT

A. Acquisition Agreement

The Acquisition Agreement is a conditional agreement between the Vendors (1) and the Company (2) relating to the sale and purchase of the entire issued share capital of COE Limited dated 28 March 2003. The following is a summary of the key terms and conditions of the Acquisition Agreement:

1. Sale and Purchase

- 1.1 The Company conditionally agrees to acquire the entire issued share capital of COE (“the Vendors’ Shares”). Each of the Vendors agrees to sell his portion of the Vendors’ Shares with full title guarantee.
- 1.2 The consideration for the purchase of the Vendors’ Shares is the allotment to the Vendors of such number of New Ordinary Shares (the “Initial Consideration Shares”) in the capital of the Company which immediately following Completion represents 30 per cent. of the New Ordinary Shares then in issue. The Initial Consideration Shares are to be credited as fully paid and will rank *pari passu* with the New Ordinary Shares existing as at Completion. The Initial Consideration Shares are valued at approximately £1.4 million based on the Tender Price.
- 1.3 There is provision in the Acquisition Agreement for further consideration to be paid to the Vendors (the “Deferred Consideration Shares”) depending on the EBITDA of the Enlarged Group in the years ending 30 June 2004 (“2004 EBITDA”) and 30 June 2005 (“2005 EBITDA”). Such further consideration is to be calculated according to the formula in the Acquisition Agreement and is subject to a maximum of such number of New Ordinary Shares which, when added to the Initial Consideration Shares, would have equalled 70 per cent. of the New Ordinary Shares in issue at Completion.

If 2004 Enlarged Group EBITDA is between £1.5 million and £2.0 million, a further 20 per cent. of the enlarged issued share capital of the Company (as at Completion) (the “2004 Consideration Shares”) will be available for distribution to the Vendors, the percentage to be calculated *pro rata* to the actual amount of 2004 EBITDA (that is, £1.5 million = 0 per cent., £1.75 million = 10 per cent., £2.0 million = 20 per cent.). The £1.5 million and £2.0 million EBITDA figures referred to above are to be increased on a pound for pound basis to the extent that EBITDA of COE in the year ending 30 June 2003 is a loss greater than £150,000.

If 2005 EBITDA is between £3.0 million and £4.0 million, a further 20 per cent. of the enlarged issued share capital of the Company (as at Completion) (the “2005 Consideration Shares”) will be available for distribution to the Vendors, the percentage to be calculated *pro rata* to the actual amount of 2005 EBITDA (that is, £3.0 million = 0 per cent., £3.5 million = 10 per cent., £4.0 million = 20 per cent.).

To the extent that less than the maximum number of 2004 Consideration Shares are issued in late 2004 due to the 2004 EBITDA falling short of £2.0 million (as adjusted), the Vendors can earn the New Ordinary Shares that they would have been entitled to had the 2004 EBITDA been £2.0 million (as adjusted) by exceeding the 2005 EBITDA maximum target by twice the shortfall.

The maximum total consideration payable to the Vendors is 70 per cent. of the enlarged issued share capital of the Company as at Completion. The maximum total consideration payable, including both the Initial Consideration Shares and the maximum number of Deferred Consideration Shares, is valued at approximately £7.5 million at Completion based on the Tender Price.

2. Condition and Rescission

- 2.1 Completion of the sale and purchase of the entire issued share capital of COE is conditional *inter alia* upon:

- 2.1.1 Shareholder approval of the resolutions to approve the Acquisition, the Tender Offer, Capital Reduction and Capital Reorganisation, the amendments to the Existing Share Option Schemes and change of name of the Company;
- 2.1.2 there having been no breach of the Vendors' warranty that the Aggregate Indebtedness of COE is no greater than £2.5 million;
- 2.1.3 the aggregate cash balance of the Company at Completion being more than £3,000,000;
- 2.1.4 completion of the Tender Offer;
- 2.1.5 the Waiver; and
- 2.1.6 Admission.

If any of the conditions has not been fulfilled by 30 June 2003 (or waived, if capable of waiver, by either the Vendors or the Company) then neither the Vendors nor the Company will be obliged to complete the sale and purchase of the Vendors' Shares.

- 2.2 Prior to Completion, either party has the right to rescind the Acquisition Agreement if it becomes aware of:
 - 2.2.1 a breach of the warranties either as given at the date of the Acquisition Agreement or as if repeated at Completion or any provision of the Acquisition Agreement; or
 - 2.2.2 any event or circumstance outside the reasonable control of the other party or acts or omissions of any person or body over whom the other party does not have reasonable control arising between the date of the Acquisition Agreement and Completion;

provided that the breach or breaches would entitle the claimant, or in the claimant's opinion would be likely to entitle it to recover in excess of £300,000, and further provided that if the matter is remediable the Acquisition Agreement shall not be terminated if the matter is remedied by the other party within the earlier of 5 days from the date of the notice of the matter or by the day immediately preceding Completion.

- 2.3 In addition prior to Completion, the Company has the right to rescind the Acquisition Agreement if there is or are potential claims under the Tax Deed provided that the breach or breaches entitle the Company to recover in excess of £300,000 and further provided that if the matter is remediable the Acquisition Agreement shall not be terminated if the matter is remedied by the Vendors within the earlier of 5 days from the date of the notice of the matter or by the day immediately preceding Completion.
- 2.4 Pending Completion, the Company has entered into certain restrictions as to how it conducts its business. Except as provided for in this document and in the Acquisition Agreement, the Company is prohibited, *inter alia*, from incurring material capital expenditure and other liabilities, selling, assigning or transferring its assets, charging its assets, terminating contracts, declaring or paying dividends, and initiating or soliciting any proposals in relation to selling any of the share capital in the Company or allowing other persons to do so, in any such case without the prior consent of COE. The Vendors have also entered into similar restrictions, including continuing the COE business in the ordinary course, pending Completion.

3. Completion

Subject to the satisfaction of the conditions and provided that neither party has rescinded the Acquisition Agreement in each case as outlined above, Completion will take place upon admission of the whole of the Company's issued New Ordinary Shares to AIM.

4. Warranties

- 4.1 The Acquisition Agreement contains warranties given by the Vendors (other than Yorkshire Enterprise Limited) for the benefit of the Company relating to the business, the assets and liabilities of COE.

- 4.2 The Vendors are only liable for claims under the Acquisition Agreement when the aggregate of the claim or claims exceeds £300,000 (in which case it shall be entitled to recover the whole amount and not just the excess) and provided that each individual claim exceeds £10,000. The aggregate liability of the Warrantors under the Acquisition Agreement is limited to £2,000,000 or the then current value of the Initial Consideration Shares and any further Consideration Shares issued if less. The Vendors shall not be liable for any warranty claim unless notice of the claim has been given to the Vendors on or before 31 December 2004 or in the case of any tax claim within a period of 7 years from Completion and proceedings are commenced within 6 months of the notice of claim. These limits do not apply if there has been fraud. The liability of Yorkshire Enterprise Limited which has only given limited warranties, including as to title, is limited to £600,000 or the then current value of the Initial Consideration Shares and any further Consideration Shares issued if less.
- 4.3 If there is any breach of the Vendors' Warranties or the Tax Deed once the claim has been finally agreed by the defendant or adjudicated with no further right of appeal remaining ("Settled Claim") the Warrantors are entitled at their sole discretion to satisfy such a claim in cash and/or against their New Ordinary Shares in the Company. In order to secure the settlement of a Settled Claim, the Warrantors will deposit their share certificates and a blank stock transfer form with Durlacher. A liability for a Settled Claim can be satisfied against the further consideration shares issuable to the Warrantors (if any) at the option of the Company. The Company can also elect subject to having the necessary approvals to have the Settled Claim satisfied by a buy back, conversion into deferred shares or by the sale of the shares.
- 4.4 The Acquisition Agreement also contains warranties given by the Company for the benefit of the Vendors relating to the contingent liabilities of the Company, this document, litigation and insolvency.
- 4.5 The Company is only liable in respect of claims under the Acquisition Agreement when the aggregate of those claims exceeds £300,000 (in which case the Vendors shall be entitled to recover the whole amount and not just the excess) and provided that each individual claim exceeds £10,000. The aggregate liability of the Company under the Acquisition Agreement is limited to £2,000,000. The Company shall not be liable for any warranty claim unless notice of the claim has been given to the Company on or before 31 December 2004 and proceedings are commenced within 6 months of the notice of claim. These limits do not apply if there has been fraud.
- 4.6 All claims to be made by the Purchaser under the Acquisition Agreement and the Tax Deed following Completion must be referred to the Independent Committee which will deal with the matter in the best interests of the shareholders as a whole. The Independent Committee will be composed of independent persons and, it is intended that, pending the appointment of a finance director, it will initially be comprised of Dick Eykel and Paul Dudley and it is intended that on the appointment of a finance director he will replace Paul Dudley.

5. Exclusivity

Both the Vendors and the Company have agreed to grant exclusivity to the other pending Completion by agreeing that they will not and will procure that none of their subsidiaries, officers or agents will assist or enter into discussions for the sale of all or substantially all of their respective assets or shares and in the case of the Vendors the Business save as required by law, governmental or regulatory body or, in the case of the Company, the City Code.

6. Non-Competition Covenants

Each of the Vendors, other than Yorkshire Enterprise Limited, Nicolas Pocard and Mike Bird, have undertaken severally that they will not from the date of the Acquisition Agreement until 24 months after Completion compete with the business of COE or solicit its employees.

7. Tax Deed

The Tax Deed is a deed of indemnity given by the Vendors, other than Yorkshire Enterprise Limited, to the Company in respect of COE's tax liabilities prior to Completion. The scope of the indemnity does not extend to tax liabilities for which provision has been made in the audited accounts or which arise between 30 June

2002 and Completion within the ordinary course of COE's business or to the extent that they are increased by any change of law after Completion. Any payments made under the indemnity which is subject to tax in the hands of the Company will be grossed up to reflect this payment.

B. Related Documents

1. Directors' Undertakings

Undertakings have been received from each of the Directors in respect of the approximately 1.3 million Ordinary Shares held by them in aggregate, which, at the date of this document, represents in aggregate approximately 0.2 per cent. of the issued share capital of the Company, to vote in favour of the Resolutions in respect of the Ordinary Shares held by them.

2. Undertakings from certain shareholders in Timeload

An undertaking has been received from Vivendi in respect of approximately 153.8 million Ordinary Shares held by it, which at the date of this document represents approximately 21.2 per cent. of the issued share capital of the Company, to vote in favour of the Resolutions in respect of the Ordinary Shares held by it.

An undertaking has been received from Ronald Zimet in respect of 32.0 million Ordinary Shares held by him, which at the date of this document represents approximately 4.4 per cent. of the issued share capital of the Company, to vote in favour of the Resolutions in respect of the Ordinary Shares held by him.

3. Lock-in Agreements from the Vendors

Each of the Vendors have given an undertaking that he will not sell, transfer or otherwise dispose of any New Ordinary Shares or interests in New Ordinary Shares held on Admission at least until 31 December 2004 or any Deferred Consideration Shares which may be issued from time to time until 31 December 2006 in relation to potential claims relating to tax except in certain limited circumstances, including if a takeover offer is made for the Company.

In the event that these limited circumstances apply, the proceeds of sale of the shares will be held for the benefit of the Company until the expiry of the lock-in period. The Vendors have further undertaken not to sell, transfer or otherwise dispose of any Deferred Consideration Shares until 31 December 2006 except in the limited circumstances described above. The lock-in period is extended in the event of a claim under the Acquisition Agreement, so that the Vendors are prevented from transferring or disposing of Shares until such time as the claim has been agreed or finally adjudicated upon and the Vendor has no liability under that claim.

4. Lock-in Agreements from Mr Eykel

Mr Eykel has given an undertaking that he will not sell, transfer or otherwise dispose of any New Ordinary Shares or interests in New Ordinary Shares held on Admission for a period of 12 months from Completion without the prior written consent of the Company or in certain limited circumstances including if a takeover offer is made for the Company.

5. Lock-in Agreements from certain Shareholders in Timeload

Vivendi has given an undertaking that it will not sell, transfer or otherwise dispose of any New Ordinary Shares or interests in New Ordinary Shares held on Admission for a period of 12 months from Completion without the prior written consent of the Company or in certain limited circumstances including if a takeover offer is made for the Company.

PART IX

ADDITIONAL INFORMATION

1. Responsibility for information in this document

- 1.1 The Directors of Timeload, whose names and business addresses are set out in paragraph 1.3 of this Part IX and the Proposed Directors whose names and business addresses are set out in paragraph 1.4 of this Part IX, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Vendors accept responsibility for all information contained in this document relating to COE and the Vendors themselves. Subject as aforesaid, to the best of the knowledge and belief of the Vendors (who have taken all reasonable care to ensure that such is the case) such information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The Directors of Timeload and their respective positions are:

Dick Eykel	<i>Executive Chairman</i>
Jon William Molyneux	<i>Non-executive Director</i>

The business address of the Directors is Bakers House, Bakers Road, Uxbridge UB8 1RG.

- 1.4 The Proposed Directors and their respective positions are:

Brian Wadsworth	<i>Chief Executive Officer</i>
Mark Francis Marriage	<i>Technical Director</i>
John Bradford Cook	<i>Non-executive Director</i>
Colin Glass	<i>Non-executive Director</i>

The business address of all of the Proposed Directors is Photon House, Percy Street, Leeds LS12 1EG.

2. The Company

- 2.1 The Company was incorporated in England and Wales on 21 April 1913 under the Companies (Consolidation) Act 1908 as a private company limited by shares under the name Bluemel Bros., Limited with registered number 128467. On 27 July 1981 the Company was re-registered as a public limited company in England and Wales. On 29 March 1989 the Company changed its name from Bluemel Bros Public Limited Company to C.C.S. Group plc. On 31 March 1994 it changed its name to Blagg plc. On 26 February 1996 it changed its name to Freepages Group plc, on 22 February 1999 it changed its name to Scoot.com plc and on 1 August 2002 it changed its name to Timeload plc. The principal legislation under which the Company operates is the Act.
- 2.2 The Company's registered and head office and principal place of business is at Bakers House, Bakers Road, Uxbridge, Middlesex UB8 1RG.
- 2.3 Subject to the passing of the Resolutions and to Admission, the Company's name will be changed to COE Group plc.

3. Memorandum and Articles of Association

The Company's Memorandum and Articles of Association are available for inspection at the address specified in paragraph 15 below.

3.1 *Memorandum of Association*

The Memorandum of Association of the Company provides that the Company's principal objects are to act as and to perform the function of a holding company. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association. The liability of the members of the Company is limited.

3.2 *Articles of Association*

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

3.2.1 *Voting Rights*

Subject to any special rights or restrictions as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every member who is present in person at a general meeting of the Company shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. No shareholder shall be entitled to vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company in person or by proxy in respect of any share held by him unless all monies presently payable by him in respect of his shares have been paid, unless the directors determine otherwise. No shareholder shall, unless the board otherwise determines, be entitled in respect of shares held by him to vote at any general meeting, in person or by proxy, or to exercise any other right conferred by his shareholding in relation to meetings of the Company, if he or any other person appearing to be interested in such shares has been duly served with a notice under Section 212 of the Act and fails within 14 days to comply with such notice.

3.2.2 *Dividends*

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

The Company may upon the recommendation of the directors by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets and the directors shall give effect to such resolution. In addition, the directors may, if authorised by an ordinary resolution and subject to certain provisions, offer any holders of shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the directors) of any dividend specified by the ordinary resolution.

The directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards the satisfaction of the debts. No dividend or other monies payable on or in respect of a share shall bear interest against the Company.

3.2.3 *Distribution of assets on liquidation*

On a winding-up, the liquidator may, with the sanction of an extraordinary resolution of the Company, divide among the shareholders *in specie* or in kind the whole or any part of the assets of the Company and may, with the like sanction, vest the whole or any part of such assets in

trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit.

3.2.4 *Transferability*

Any shareholder may freely transfer all or any of his shares by an instrument of transfer in writing in any usual form or in any other form which the board may approve. The board may, in its absolute discretion and without assigning any reason therefor, decline to register any transfer of any share which is not fully paid provided that such refusal does not prevent dealings in partly paid shares from taking place on an open and proper basis. The directors may decline to register a transfer of fully paid shares unless it is duly stamped, is lodged at the Transfer Office (as defined in the Articles), is accompanied by the relevant share certificate and such other evidence of ownership as the board may reasonably require, is only in respect of one class of share and is, in the case of a transfer to joint holders, in favour of not more than four transferees. The directors may refuse to register a transfer made to or by an infant or patient within the meaning of the Mental Health Act 1983.

Notice of refusal to register a transfer must be sent by the directors to the transferee within two months of the instrument of transfer being lodged.

The Ordinary Shares may be transferred within the CREST system.

3.2.5 *Deferred Shares*

The holders of the Deferred Shares shall, by virtue of or in respect of their holdings of Deferred Shares, have no right to receive notice of any General Meeting of the Company nor the right to attend, speak or vote at any such General Meeting. The Deferred Shares shall not entitle their holders to receive any dividend or other distribution. On a return of capital on a winding-up, each holder of a Deferred Share shall be entitled to receive a sum equal to the nominal capital paid-up or credited as paid-up thereon but only after the sum of £10,000,000 per Ordinary Share has been distributed amongst the holders of the Ordinary Shares and the holders of the Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company. Notwithstanding any other provision of the Articles and unless specifically required by the provisions of the Act, the Company shall not be required to issue any certificates in respect of the Deferred Shares.

Neither the passing by the Company of any special resolution for the cancellation of the Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the High Court, the taking effect of any such resolution, the obtaining by the Company, nor the making by the High Court of any Order confirming any such reduction of share capital nor the becoming effective of any such Order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred Shares and accordingly the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without the sanction of the holders of the Deferred Shares.

The passing or taking effect of a resolution of the Company to convert and/or sub-divide any share capital which consists of or includes Deferred Shares shall be deemed to confer irrevocable authority on the Board at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same without making any payment to the holders thereof to such person as the Board may determine and to cancel the same in accordance with the provisions of the Act without making any payment to or obtaining the sanction of the holders thereof and pending such transfer and/or cancellation to retain the certificates (if any) in respect thereof.

Pursuant to the Capital Reduction, the Deferred Shares will be cancelled.

3.2.6 *Variation of rights*

Subject to the Statutes, the special rights attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound-up) be altered or abrogated

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

3.2.7 *Forfeiture and lien*

If a member fails to pay in full any call or instalment of a call on the due date for payment following notice by the directors requiring payment of the unpaid amount together with any interest accrued and expenses incurred, such share shall be forfeited by a resolution of the directors to that effect. In addition, the Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies, whether presently payable or not, called or payable at a fixed time in respect of such share.

3.2.8 *Changes in capital*

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

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

3.2.9 *Untraced shareholders*

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

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

3.2.10 *Non-UK shareholders*

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

3.2.11 Sanctions of shareholders

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

4. Share capital

4.1 The Company was incorporated with an authorised share capital of £140,000 divided into 70,000 ordinary shares of £1 each and 70,000 cumulative preference shares of £1 each.

4.2 The authorised and issued share capital of the Company as at the close of business on 27 March 2003 (being the latest practicable date prior to the posting of this document) was as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary Shares of 2p each	1,312,550,000	26,251,000.00	723,638,495	14,472,769.90
Deferred Shares of £1 each	200,000	200,000.00	200,000	200,000.00

As at 27 March 2003 (being the latest practicable date prior to the posting of this document) 6,301,500 Ordinary Shares were reserved for the exercise of options pursuant to the Existing Share Option Schemes. The options over these 6,301,500 Ordinary Shares will lapse if not exercised on or prior to 19 November 2003.

The Existing Share Options would represent 0.9 per cent. of the ordinary share capital of Timeload were those options exercised prior to the Tender Offer, and 1.0 per cent. of the ordinary share capital were those options exercised post Acquisition (assuming the Tender Offer is taken up in full).

4.3 The authorised and estimated issued share capital of the Company following the buy-back pursuant to the Tender Offer (assuming the Tender Offer is taken up in full) and the Capital Reorganisation and immediately following Admission (in each case assuming that none of the options over the share capital of the Company under the Existing Share Option Schemes is exercised) are as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Following the Tender Offer and Capital Reorganisation				
Ordinary Shares	Nil	Nil	Nil	Nil
New Ordinary Shares of 5p each	26,251,000	1,312,550	8,683,661	434,183
Deferred Shares of £1 each	Nil	Nil	Nil	Nil
Following Admission				
Ordinary Shares	Nil	Nil	Nil	Nil
New Ordinary Shares of 5p each	55,000,000	2,750,000	12,405,230	620,262
Deferred Shares of £1 each	Nil	Nil	Nil	Nil

4.4 The existing Ordinary Shares are listed on the Official List and are traded on the main market of the London Stock Exchange. Application will be made for the New Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange.

4.5 At the extraordinary general meeting of the Company, convened for 22 April 2003, resolutions will be proposed as follows:

That:

“9.1 in addition to the power conferred on the directors pursuant to paragraph 9.2 below of this resolution the directors are authorised for a period of three years from the date of the adoption of this resolution to exercise all of the powers of the Company to allot relevant securities in respect of all shares for the time being unallotted, but the maximum aggregate nominal amount of ordinary shares which may be allotted pursuant to this authority shall be £1,671,605 and this authority may be varied or revoked by an ordinary resolution of the Company. This authority is given for the purpose of allotting shares pursuant to the Acquisition (as defined in Resolution 1 in the notice of this meeting);

9.2 in addition to and without prejudice to the authority conferred on the directors pursuant to paragraph 9.1 above of this resolution, the authority conferred on the directors by Article 5(B) of the Company’s articles of association be renewed for the period ending on the date of the Annual General Meeting of the Company in 2004 or the period of 15 months after the date of the passing of this resolution, whichever is the earlier, and for this period the Section 80 Amount (as defined in the articles of association) shall be £186,078;

9.3 the power conferred on the directors in Article 5(C) of the Company’s articles of association, be renewed for the period ending on the date of the Annual General Meeting of the Company in 2004 or the period of 15 months after the date of the passing of this resolution, whichever is the earlier, and for such period the Section 89 Amount shall be £31,013 (representing approximately 5 per cent. of the issued ordinary share capital of the Company after the issue of the Initial Consideration Shares (as defined in the circular to shareholders of the Company dated 28 March 2003 (“the Circular”) and assuming the Tender Offer (as defined in the Circular) is taken up in full).”

4.6 The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to Section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company except to the extent disapplied as referred to above.

5. Interests of directors and others

Reference in this paragraph to “relevant securities” means Ordinary Shares and securities convertible into such shares, rights to subscribe thereof, options in respect thereof and derivatives referenced thereto.

5.1 The names of all companies and partnerships outside the Group of which the Directors and Proposed Directors have, at any time in the five years prior to the date of this document, been a director or partner, as appropriate (excluding subsidiaries of any company of which he is also a director), each of which is currently held unless stated otherwise are as follows:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
J. B. Cook	COE Limited Yorkshire Spin Galvanising Limited Yorkshire Fund Managers Limited JKN 112 Limited Freshney Cargo Services Limited	Boreflex Industrial Supplies Limited Yorkshire Enterprise Finance Limited Sheppee International Limited Noel Village (Steel Founder) Limited L.C.L. Holdings Limited
D. Eykel	AV Flexologic BV Berghuizer Papierfabriek NV Berk Partners BV Brouwer Groep BV Stern Groep NV	Hamach Nederland BV Van Dorp Groep BV CSS Holdings NV

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
C. Glass	COE Limited Customflex Limited Geophysical Exploration Technology Limited Masterwatch Limited Moor Allerton Securities Limited Novella SatComs Limited Surgical Innovations Group PLC Technovent Limited Teldent Limited Telsol Limited TMC Accountancy Limited (formerly Townsend Management Consultants Limited) Urban Planters Limited Urban Planters (Franchising) Limited Very Advanced Device Company Limited W. G. Investments Limited Zestmedia Limited Winburn Glass Norfolk* W. G. Investments*	Datong Electronics Limited Digital Healthcare Limited Medecal Limited Medicals Direct Group PLC (formerly Community Securities PLC) Zynergy Orthopaedics Limited (formerly Blastrelease Limited)
M. F. Marriage	–	Fibrehub Europe Limited
J. W. Molyneux	–	Apple Computer Inc. Staywell Associates Limited
B. Wadsworth	COE Limited	–

*Partnerships

5.2 Save as set out above, none of the Directors or Proposed Directors has held or occupied any other directorships or has been a partner in a partnership over the previous five years.

5.3 None of the Directors or Proposed Directors has:

5.3.1 any unspent convictions in relation to indictable offences;

5.3.2 at any time been adjudged bankrupt or sequestrated in the United Kingdom or elsewhere;

5.3.3 at any time been a party to a deed of arrangement or any form of voluntary arrangement (as defined in Part VIII of the Insolvency Act 1986);

5.3.4 any unsatisfied judgements outstanding against him;

5.3.5 been subject to any public criticism by a statutory or regulatory authority or other designated professional body;

5.3.6 been 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;

5.3.7 save as set out in paragraphs 5.4 and 5.5 below, been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors whilst he was a director of that company or within twelve months preceding such events;

- 5.3.8 been a partner in a partnership which has been placed in compulsory liquidation or administration or entered into any partnership voluntary arrangement whilst he was a partner or within twelve months preceding such events; or
- 5.3.9 any asset which has been placed in receivership or been a partner of any partnership whose assets have been placed in receivership whilst he was a partner of such partnership or within twelve months preceding such event.
- 5.4 Dick Eykel was chairman of the supervisory board of CCS Holdings N.V. (“CCS”), a company comprising five divisions, one of which was loss-making. In order to safeguard the continuation of the other four divisions and in view of the fact that CCS had guaranteed the obligations of the loss-making division, CCS entered into voluntary receivership in November 2002. As a result, Mr Eykel ceased to be a member of the supervisory board.
- 5.5 John Cook acts as the Yorkshire Fund Managers Limited representative non-executive director in a number of investee companies. In this capacity he was a non-executive director of Don Construction Chemicals Limited, which was placed in Administrative Receivership on 3 January 1997 and from which he resigned on 4 January 1996, and he was a non-executive director of Fairwood Sports Limited, which was placed in Administrative Receivership on 1 September 1997 and from which he resigned on 20 December 1996.
- 5.6 Colin Glass was a non-executive director of Zynergy Orthopaedics Limited from which he resigned in November 2001. The company was sold on 18 April 2002. On 19 July 2002 administrators were appointed to the company and a Company Voluntary Arrangement (“CVA”) approved by creditors on 17 December 2002. The CVA failed on 7 February 2003 and the administrators propose to take steps to place the company into liquidation.

5.7 *Directors’ and Proposed Directors’ interests in shares*

As at the close of business on 27 March 2003 (being the latest practicable date prior to the date of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors in the issued share capital of the Company, which have been notified to the Company pursuant to sections 324 or 328 of the Act or which are required to be entered in the register maintained pursuant to section 325 of the Act or which are interests of a connected person of a Director (within the meaning of section 346 of the Act) which would, if the connected person were a Director, be required to be disclosed as aforesaid or which are interests of the Proposed Directors or a connected person of a Proposed Director and would be required to be disclosed, and the existence of which is known to, or could with reasonable diligence be ascertained by, the Directors and Proposed Directors, are set out below:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of existing share capital</i>	<i>Number of New Ordinary Shares on Admission*</i>	<i>% of issued share capital on Admission*</i>	<i>Number of New Ordinary Shares on Admission**</i>	<i>% of issued share capital on Admission**</i>
D. Eykel	1,344,230	0.2	16,130	0.1	26,884	0.2
J.W. Molyneux	3,700	0.0	44	0.0	74	0.0
C. Glass†	–	–	407,022	3.3	407,022	3.3
M. F. Marriage†	–	–	407,022	3.3	407,022	3.3
B. Wadsworth†	–	–	264,565	2.1	264,565	2.1
J. B. Cook†	–	–	24,421	0.2	24,421	0.2

* Assuming the Tender Offer is taken up in full and that the Directors tender their Guaranteed Entitlement.

** Assuming the Tender Offer is taken up in full and that the Directors do not participate in it and so showing the maximum possible holdings of the Directors at Admission.

† Proposed Director.

- 5.8 Details of all share options over Ordinary Shares which have been granted to the Directors or connected persons of the Directors (within the meaning of section 346 of the Act) pursuant to the Existing Share Option Schemes which remain outstanding as at the date of this document are as follows:

<i>Name</i>	<i>1999 Scheme</i>	<i>Date of grant</i>	<i>Number of Ordinary Shares subject to options</i>	<i>Exercise price (pence)</i>	<i>Exercise Period</i>
J.W. Molyneux	Unapproved	18/03/99	2,500,000	30.00*	18/03/02 to 19/11/03
J.W. Molyneux	Unapproved	17/01/00	1,500	156.75	17/01/03 to 19/11/03
J.W. Molyneux	Unapproved	01/09/00	1,000,000	127.25	01/09/03 to 19/11/03

* The exercise price is effectively 25p, as the optionholder will be paid a cash bonus of 5p per share on the exercise of the option.

No consideration was payable to the Company in respect of the grant of any option under the Existing Share Option Schemes.

- 5.9 Save as disclosed in paragraphs 5.7 and 5.8 above, none of the Directors or Proposed Directors nor any person connected with them (within the meaning of section 346 of the Act) has any interest in any relevant securities.
- 5.10 No Director or Proposed Director of the Company has dealt for value in any relevant securities during the 12 months prior to the date of this document.
- 5.11 No subsidiary of the Company, no pension fund of the Group and no adviser to the Company (excluding any exempt market makers) owns, controls or is interested in any relevant securities.
- 5.12 There are no relevant securities managed on a discretionary basis by fund managers connected with the Company.
- 5.13 There are no outstanding loans granted by the Company or any member of the Group to any of the Directors or Proposed Directors nor has any guarantee been provided by the Company or any member of the Group for the benefit of any Director or Proposed Director.

5.14 *Directors' and Proposed Directors' interests in transactions*

No Director or Proposed Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group and which were effected by any member of the Group during the current or immediately preceding financial year or which were effected during an earlier financial year and remain in any respect outstanding or unperformed.

5.15 *Other interests*

As at 27 March 2002 (being the latest practicable date prior to the date of this document) the Company had been notified of, or was otherwise aware of the following person(s) who were, directly or indirectly, interested in three per cent. or more of the existing share capital of the Company and as they will be following Admission (assuming the Tender Offer is taken up in full):

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of existing share capital</i>	<i>Number of New Ordinary Shares on Admission*</i>	<i>% of issued share capital on Admission*</i>	<i>Maximum Number of New Ordinary Shares on Admission**</i>	<i>Maximum % of issued share capital on Admission**</i>
Vivendi Univeral S.A	153,761,031	21.2	1,845,132	14.9	3,075,220	24.8
Banque de Gestion Financiere	48,698,411	6.7	584,380	4.7	973,968	7.9
Laxey Investors	45,692,949	6.3	548,315	4.4	913,858	7.4
Mr. R. Zimet	32,000,000	4.4	384,000	3.1	640,000	5.2
Gall and Eke Limited	29,903,728	4.1	358,844	2.9	598,074	4.8
Charles Schwab (UK)	24,064,343	3.3	288,772	2.3	481,286	3.9

* Assuming the Tender Offer is taken up in full and that these shareholders tender their Guaranteed Entitlement.

** Assuming the Tender Offer is taken up in full and that these shareholders do not participate in it and so showing the maximum possible resultant holdings.

5.16 Save as disclosed in paragraphs 5.7 and 5.15 above, the only additional interests (for the purposes of section 198 of the Act), which so far as the Directors and the Proposed Directors are aware will represent 3 per cent. or more of the Enlarged Share Capital following the Acquisition will be as follows:

<i>Name</i>	<i>Number of Ordinary Shares following Admission*</i>	<i>% of Enlarged Share Capital</i>
Yorkshire Enterprise Limited	1,221,068	9.8%
Peter Krovina Settlement Trust	470,803	3.8%
Fibrehub Europe Limited	470,803	3.8%
M. Waddington	407,022	3.3%

* Assuming the Tender Offer is taken up in full.

5.17 Save as disclosed in this paragraph 5, the Company is not aware of any person who as at 27 March 2003 (being the latest practicable date prior to the date of this document), directly or indirectly, has an interest in the Company which represents 3 per cent. or more of its issued share capital. The Company is not aware of any persons who as at 27 March 2003 (being the latest practicable date prior to the date of this document), directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

5.18 Neither the Company nor any Director has or has had any interest, direct or indirect, in COE.

5.19 Vivendi has not dealt for value in any relevant securities during the 12 months prior to the date of this document.

5.20 Save for the purchase of 253,018 Ordinary Shares at a price of 1.27p on 23 April 2002, Ronald Zimet has not dealt for value in any relevant securities during the 12 months prior to the date of this document.

6. Directors' service contracts

The terms of the Directors' service contracts are as follows:

6.1 Dick Eykel entered into an agreement with the Company to act as Executive Chairman on 26 October 2001. Dick Eykel's employment commenced on 26 June 2001. Dick Eykel receives an annual salary of £34,000 payable by equal monthly instalments in arrears. Dick Eykel has entered into a conditional agreement with the Company dated 27 March 2003 to resign as executive Chairman on Completion and be appointed as non-executive Chairman with effect from Completion. This agreement will continue unless terminated by Mr Eykel giving one month's notice or by the Company at any time in accordance with its articles of association or following a resolution of its Shareholders or in the event of a conflict of interest. Mr Eykel will receive an annual fee of £30,000 payable in equal monthly instalments in arrears. This fee will be reviewed annually and any increase will be entirely at the discretion of the Company. The Company will reimburse Mr Eykel in respect of out of pocket expenses incurred in providing services to the Company. He will not be entitled to compensation for loss of office if the appointment is terminated in accordance with the provisions of the agreement.

6.2 Jon Molyneux entered into an agreement with the Company to act as a non-executive Director dated 19 November 2001. This agreement will continue unless terminated by either party giving one month's written notice. Jon Molyneux receives an annual fee of £24,000 payable in equal monthly instalments in arrears. This fee will be renewed annually and any increase will be entirely at the discretion of the Company. The Company will reimburse Jon Molyneux in respect of out of pocket expenses incurred in providing services to the Company. He will not be entitled to any compensation for loss of office if the appointment is terminated by summary notice in writing in accordance with provisions of the agreement. Jon Molyneux will resign from the Board following Completion.

6.3 Brian Wadsworth entered into a conditional service agreement with the Company to act as Chief Executive Officer with effect from Completion dated 27 March 2003. The agreement is terminable on giving 12 months' notice by the Company or 6 months notice by Mr Wadsworth. Mr Wadsworth will

receive an annual salary of £100,000 payable in equal monthly instalments in arrears, reviewable annually. In addition, Mr Wadsworth is entitled to private medical cover for him and his close family, life assurance cover at 3 times salary, contributions to a private pension plan of 10 per cent. of basic salary, an allowance and reimbursement of business mileage in lieu of a fully expensed company car, payment of up to 6 months' salary during sick leave in any 12 month period and 27 days' holiday per annum. Mr Wadsworth will be entitled to a bonus at the discretion of the Remuneration Committee of up to 40% of annual basic salary. The service agreement contains detailed provisions regarding confidentiality, intellectual property and other matters and post-termination restrictive covenants applicable for 12 months following termination of employment.

- 6.4 Mark Marriage entered into a conditional service agreement with the Company to act as Technical Director with effect from Completion dated 27 March 2003. The agreement is terminable on giving 12 months' notice by the Company and 6 months notice by Mr Marriage. Mr Marriage will receive an annual salary of £58,150 payable in equal monthly instalments in arrears, reviewable annually. In addition, Mr Marriage is entitled to private medical cover, life assurance cover at 3 times salary, contributions to a private pension plan of 10 per cent. of basic salary, an allowance and reimbursement of business mileage in lieu of a fully expensed company car, payment of up to 6 months' salary during sick leave in any 12 month period and 25 days' holiday per annum. Mr Marriage will be entitled to a bonus at the discretion of the Remuneration Committee of up to 40% of annual basic salary. The service agreement contains detailed provisions regarding confidentiality, intellectual property and other matters and post-termination restrictive covenants applicable for 12 months following termination of employment.
- 6.5 John Cook entered into a conditional agreement with the Company to act as a non-executive director with effect from Completion dated 27 March 2003. This agreement will continue unless terminated by Mr Cook giving one month's notice or by the Company at any time in accordance with its articles of association, following a resolution of its shareholders or in the event of a conflict of interest. Mr Cook will receive an annual fee of £15,000 payable in equal monthly instalments in arrears. This fee will be reviewed annually and any increase will be entirely at the discretion of the Company. The Company will reimburse Mr Cook in respect of out of pocket expenses incurred in providing services to the Company. He will not be entitled to compensation for loss of office if the appointment is terminated in accordance with the provisions of the agreement.
- 6.6 Colin Glass entered into a conditional agreement with the Company to act as a non-executive director with effect from Completion dated 27 March 2003. This agreement will continue unless terminated by Mr Glass giving one month's notice or by the Company at any time in accordance with its articles of association, following a resolution of its shareholders or in the event of a conflict of interest. Mr Glass will receive an annual fee of £15,000 payable in equal monthly instalments in arrears. This fee will be reviewed annually and any increase will be entirely at the discretion of the Company. The Company will reimburse Mr Glass in respect of out of pocket expenses incurred in providing services to the Company. He will not be entitled to compensation for loss of office if the appointment is terminated in accordance with the provisions of the agreement. Winburn Glass Norfolk ("WGN"), the accountancy firm with whom Mr Glass is a partner, has entered into a conditional consultancy agreement with the Company dated 27 March 2003 under which WGN has agreed to provide additional consultancy services to the Company and for which WGN will receive a consultancy fee of £120 plus VAT for every hour Mr Glass is provided to the Company subject to provision of an invoice. At the request of the Ongoing Directors, WGN may also provide the services of its other partners and staff at rates then to be agreed. The consultancy agreement is terminable on one month's notice by either party.
- 6.7 Save as set out in paragraphs 6.1 to 6.6 above, none of the Directors and the Proposed Directors has an existing or proposed service contract with the Company, nor has there been any change in the last six months.
- 6.8 The remuneration paid including pension contributions and benefits in kind granted by any member of the Group to the directors of the Company during the year ended 31 December 2002 was £258,000.

- 6.9 It is estimated that the aggregate remuneration of the Directors and, from Completion, the Proposed Directors including pension contributions and benefits in kind payable by any member of the Enlarged Group for the current financial year to 31 December 2003 will amount to £175,000.

7. Material contracts

7.1 Group

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the Group within the period of two years immediately preceding the date of this document and are, or may be, material or were entered into at any time and contain a provision under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this document (copies of which are available for inspection in accordance with paragraph 15 below):

- 7.1.1 The following contracts referred to in paragraph 9 of Part V of the listing particulars of the Company dated 27 June 2001, being:
- (a) An agreement for a reduction of consideration between the Company and the Loot Vendors dated 22 June 2001.
 - (b) The Debentures and related subscription agreement dated 27 June 2001.
 - (c) The Equity Line Agreement dated 23 March 2001.
- 7.1.2 Those contracts regarding the sale of the Company's interest in the Scoot Europe Joint Venture and referred to in paragraph 3 of Part V of the supplementary listing particulars of the Company dated 1 August 2001, being:
- (a) A share sale and purchase agreement dated 26 July 2001 made between (1) Scoot International B.V. and (2) Vivendi.
 - (b) A trade mark agreement dated 26 July 2001 made between (1) the Company and (2) Scoot Europe N.V.
 - (c) A trade mark assignment dated 26 July 2001 made between (1) the Company and (2) Scoot Europe N.V.
 - (d) A domain name deed dated 26 July 2001 made between (1) the Company and (2) Scoot Europe N.V.
 - (e) A deed of indemnity dated 26 July 2001 made between (1) the Scoot.com Group (as defined in such deed of indemnity), (2) Scoot Europe N.V., (3) Scoot Benelux B.V., (4) Quod Bonum and Freepages v.o.f., (5) Scoot France S.A. and (6) Vivendi.
 - (f) A funding and settlement agreement dated 26 July 2001 made between (1) the Scoot.com Group (as defined in such agreement), (2) Scoot Europe N.V., (3) Scoot France S.A., (4) Scoot Benelux B.V. (5) Quod Bonum and Freepages v.o.f. and (6) Vivendi.
 - (g) A deed of settlement agreement dated 31 July 2001 between (1) the Company, (2) MCI Worldcom and (3) Scoot Europe N.V.
 - (h) A loan agreement dated 26 July 2001 between (1) the Company and (2) Scoot Europe N.V. This has been repaid in full.
 - (i) An amending agreement dated 26 July 2001 between (1) the Company, (2) Scoot Technology Limited and (3) Scoot Europe N.V. making various amendments to a software licence agreement dated 14 January 2000.
 - (j) A termination agreement dated 26 July 2001 in relation to the trade mark licence dated 14 January 2000 between (1) the Company and (2) Scoot Europe N.V.

- (k) A termination agreement dated 26 July 2001 in relation to the shareholders' agreement dated 5 April 2000 made between (1) the Company, (2) Vivendi, (3) Scoot International B.V. and (4) Scoot Europe N.V.
 - (l) A termination agreement dated 26 July 2001 in relation to the services agreement dated 14 January 2000 made between (1) the Company, (2) Scoot Technology Limited and (3) Scoot Europe N.V.
 - (m) A termination agreement dated 26 July 2001 in relation to the framework agreement dated 14 January 2000 made between (1) the Company and (2) Vivendi.
 - (n) A side letter dated 26 July 2001 between (1) the Company and (2) Scoot Europe N.V. in relation to the umbrella agreement dated 14 January 2000 made between (1) the Company, (2) Scoot Europe N.V. and (3) Comareg S.A.
 - (o) A jurisdiction and arbitration agreement dated 26 July 2001.
- 7.1.3 The further agreement relating to the Debentures and the further agreement relating to the Equity Line Agreement as summarised in paragraph 3 of Part V of the supplementary listing particulars of the Company dated 29 August 2001, being:
- (a) A further agreement relating to the Debentures entered into on 28 August 2001 between (1) the Company and (2) Fisher Capital Limited, Wingate Capital limited and Leonardo LP.
 - (b) A further agreement relating to the Equity Line Agreement entered into on 28 August 2001 made between (1) the Company and (2) Caislean Investments Limited (formerly known as Caislean Capital Limited) and Smithfield Fiduciary Limited.
- 7.1.4 The Loot Business sale agreement and related documents summarised in paragraph 3, Part V of the supplementary listing particulars of the Company dated 29 August 2001, being:
- (a) A conditional offer agreement between (1) the Company, (2) Scoot (UK) Limited, (3) Loot International Limited, (4) Scoot Limited, (5) Loot Enterprise Limited (collectively "the Loot Business Vendors") and (6) DMG Niche Publications Limited.
 - (b) A deed of guarantee between the Loot Business Vendors and DMGT dated 16 August 2001.
 - (c) A commercial agreement between DMG Niche Publications Limited and Scoot (UK) Limited dated 16 August 2001.
 - (d) A bridge facility letter dated 16 August 2001 from DMG Finance Limited to the Company. This loan has been repaid in full.
 - (e) Deeds of guarantee
 - (i) a deed of guarantee entered into between Scoot Limited and DMG Finance Limited on 16 August 2001.
 - (ii) a deed of guarantee entered into between Scoot (UK) Limited and DMG Finance Limited on 16 August 2001.
 - (iii) a deed of guarantee entered into between Loot Enterprises Limited and DMG Finance Limited on 16 August 2001.
 - (f) Mortgage debentures
 - (i) a mortgage debenture dated 16 August 2001 entered into between the Company and DMG Finance Limited.
 - (ii) a mortgage debenture dated 16 August 2001 entered into between Scoot (UK) Limited and DMG Finance Limited.

- (iii) a mortgage debenture dated 16 August 2001 entered into between Scoot Limited and DMG Finance Limited.
- (iv) a mortgage debenture dated 16 August 2001 entered into between Loot Enterprises Limited and DMG Finance Limited.
- (g) A property transfer agreement dated 16 August 2001 made between Scoot Limited, Loot Enterprises Limited and DMG Niche Publications Limited.
- (h) A stamp duty agreement made between the Loot Business Vendors and DMG Niche Publications Limited dated 16 August 2001.

7.1.5 The Scoot Business sale agreement and related documents summarised in Part IV of the Circular to shareholders dated 5 July 2002 being:

- (a) A conditional business sale agreement between (1) Scoot (UK) Limited, (2) Company, (3) Scoot Limited and (4) BT
- (b) Undertaking from Vivendi
- (c) Undertaking from Ronald Zimet
- (d) Directors undertakings
- (e) Broadview Agreement. This agreement terminated following the sale of Scoot to BT on 1 August 2002.

7.1.6 The Acquisition Agreement and related documents, as summarised in Part VIII of this document.

7.2 *COE*

The following contract is the only contract (not being a contract entered into in the ordinary course of business) that has been entered into by COE within the period of two years immediately preceding the date of this document that is, or that may be, material or that was entered into at any time and that contains a provision under which COE has an obligation or entitlement which is material to COE as at the date of this document (a copy of which is available for inspection in accordance with paragraph 15 below):

By an Agreement dated 27 March 2003 Uberior Trading Limited (“Uberior”) agreed conditionally on Completion to waive any right it may have to exercise the option granted to it under an Option Agreement between COE, Uberior and others dated 18 June 1999, and to waive any prior breaches of such Option Agreement, in consideration of which COE agreed to pay Uberior £50,000 payable in two equal instalments on Completion and 31 March 2004, and on 31 October 2005 a further £1,250 for each one per cent. of Deferred Consideration Shares paid to the Vendors under the Acquisition Agreement up to a maximum payment of £50,000.

8. **Litigation**

8.1 *Group*

No member of the Group is or has been engaged in any legal or arbitration proceedings and the Company is not aware that any legal or arbitration proceedings are pending or threatened by or against any member of the Group which may have, or have had during the twelve months immediately preceding the date of this document, a significant effect on the financial position of the Group.

8.2 *COE*

COE is not and has not been engaged in any legal or arbitration proceedings and COE is not aware that any legal or arbitration proceedings are pending or threatened by or against COE which may have, or have had during the twelve months immediately preceding the date of this document, a significant effect on the financial position of COE.

9. Significant changes

9.1 *Timeload Group*

There has been no significant or material change in the financial or trading position of the Group since 31 December 2002, the date to which the latest preliminary statement of audited results of the Group were prepared.

9.2 *COE*

Save for the increase in the overdraft to approximately £1.3 million as at 28 February 2003 and the expected reduction in current year sales below turnover achieved in the year ended 30 June 2002 as disclosed in paragraph 3 of Part I of this document, there has been no significant or material change in the financial or trading position of COE since 30 June 2002, the date to which the Accountants' Report in Part III was made up.

10. Group Companies

10.1 *Timeload*

10.1.1 The Company is the holding company of a group of companies.

10.1.2 The Company has the following subsidiaries, none of which are trading:

<i>Name</i>	<i>Place of incorporation</i>
Diva Solutions Ltd	England and Wales
Timeload Holdings Ltd	England and Wales
Timeload Technology Ltd	England and Wales
Timeload Content Ltd	England and Wales
Timeload International B.V.	The Netherlands
Timeload.com Ltd	England and Wales
Timeload (UK) Ltd	England and Wales
FreeAds Ltd	England and Wales
Old Timeload Ltd	England and Wales
Timeload Local Ltd	England and Wales
Timeload Enterprises Ltd	England and Wales
Timeload Version 1 Ltd	England and Wales
Old Timeload London Ltd	England and Wales
Timeload (UK) Version 1 Ltd	England and Wales
Insidemarket Ltd	England and Wales
Auction Ads Ltd	England and Wales
Basement Database Marketing Ltd	Mauritius

10.2 *COE*

10.2.1 COE's sole subsidiary is Flexinet Systems Limited, a company incorporated in England and Wales, which is dormant.

10.2.2 Other than as set out in this document, COE has made no investments, including interests such as shares, debt securities etc., in other undertakings over the last three financial years or during the current financial year.

11. Working capital

The Directors and Proposed Directors are of the opinion that, whether or not the Tender Offer is taken up in full, the working capital available to the Enlarged Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

12. Concert Party

This paragraph contains information required by the Panel concerning the interests of the Vendors who may be regarded as acting in concert for the purposes of Rule 9 of the City Code. Reference in this paragraph to “relevant securities” means Ordinary Shares (New Ordinary Shares following Admission) and securities convertible into such shares, rights to subscribe thereof, options in respect thereof and derivatives referenced thereto.

12.1 Following the completion of the Acquisition and assuming full acceptance of the Tender Offer, the interests of the Concert Party in relevant securities will be:

<i>Name</i>	<i>*Number of New Ordinary Shares following Admission</i>	<i>*Percentage of Enlarged Share Capital</i>	<i>*Number of New Ordinary Shares following issue of maximum Deferrred Consideration Shares</i>	<i>*Percentage of Enlarged Share Capital</i>
Yorkshire Enterprise Limited	1,221,068	9.8%	6,648,033	23.0%
Grant Thornton Stonehage Limited	470,803	3.8%	2,563,260	8.9%
Fibrehub Europe Limited	470,803	3.8%	2,563,260	8.9%
C. Glass	407,022	3.3%	2,216,011	7.7%
M. F. Marriage	407,022	3.3%	2,216,011	7.7%
M. Waddington	407,022	3.3%	2,216,011	7.7%
B. Wadsworth	264,566	2.1%	1,440,407	5.0%
M. Bird	24,421	0.2%	132,961	0.5%
J. B. Cook	24,421	0.2%	132,961	0.5%
N. Pocard	24,421	0.2%	132,961	0.5%
	<u>3,721,569</u>	<u>30.0%</u>	<u>20,261,876</u>	<u>70.0%</u>

*Assuming the Tender Offer is taken up in full.

12.2 Pursuant to the Proposed Share Option Schemes, certain of the Proposed Directors and the employees of COE may be eligible to be granted options over New Ordinary Shares up to 10 per cent. of the issued ordinary share capital of the Company following Admission. If all such options were exercised and in the event that all Deferred Consideration Shares are granted, the Concert Party could hold up to approximately 72.7 per cent. of the issued ordinary share capital and voting rights of the Enlarged Group (assuming no Existing Share Options are exercised and no additional options are granted and exercised). In the event that no Deferred Consideration Shares are granted this percentage would fall to 36.4 per cent.

12.3 The address of each of the Vendors, excluding Yorkshire Enterprise Limited, Peter Krovina Settlement Trust and Fibrehub Europe Limited is Photon House, Percy Street, Leeds LS12 1EG.

12.4 M. F. Marriage, M. Waddington, B. Wadsworth, M. Bird and N. Pocard are employees of COE. C. Glass and J. B. Cook are non-executive directors of COE.

12.5 Yorkshire Enterprise Limited (“YEL”) provides venture capital, development capital, consultancy services and leases small industrial units to small and medium sized enterprises. YEL’s registered address is Saint Martins House, 210-212 Chapeltown Road, Leeds LS7 4HZ.

12.6 Grant Thornton Stonehage Limited is the trustee for Peter Krovina Settlement Trust of which Peter Krovina is the sole beneficiary. Peter Krovina is a director of COE and is Managing Director of Communications Centre International Limited (“CCI”). CCI is a UK distributor of COE products. CCI’s registered address is 5 Woodhill Park, Pembury, Nr. Tunbridge Wells, Kent TN2 4NN. Grant Thornton Stonehage Limited’s registered address is Ground Floor, Sir Walter Raleigh House, 48/50 Esplanade, St. Helier JE1 4HH, Jersey, Channel Islands.

12.7 Fibrehub Europe Limited (“Fibrehub”) is an independent company, wholly owned by Leslie W. Carter who is also the Managing Director, and a COE accredited value added reseller of COE products in the UK. Ian Edmiston is the Fibrehub Director of Operations and also a director of COE. Fibrehub’s registered address is 12 St Catherine’s Street, Cupar, Fife KY15 4HN.

12.8 Save as disclosed in paragraph 12.1 above, no member of the Concert Party nor persons in concert with any of the Concert Party owns or controls or is interested in any relevant securities or has dealt for value therein during the 12 months prior to the publication of this document.

12.9 The directors of COE are J. B. Cook, C. Glass, B. Wadsworth, P. Krovina and I. Edmiston.

13. Middle market quotations for Ordinary Shares

The table below lists the closing middle market quotations for Ordinary Shares as derived from the Daily Official List of the London Stock Exchange for the first dealing day in each of the six months prior to the date of this document, for 17 February 2003 (the last business day before the commencement of the Offer Period (for the purposes of the City Code)) and for the last day before the posting of this document:

<i>Date</i>	<i>Share price Pence</i>
1 October 2002	0.35
1 November 2002	0.30
2 December 2002	0.40
2 January 2003	0.35
3 February 2003	0.31
17 February 2003*	0.35
18 February 2003*	0.35
3 March 2003*	0.35
27 March 2003*	0.35

* Ordinary Shares suspended on 18 February 2003

14. Other information

14.1 Deloitte & Touche Corporate Finance has given and not withdrawn its written consent to the issue of this document including references to its name in the form and context in which they appear.

14.2 BDO Stoy Hayward has given and not withdrawn its written consent to the inclusion in this document of its reports in Parts III and V of this document and to the issue of this document and the references to its name in the form and context in which they appear.

14.3 Durlacher Limited has given and not withdrawn its written consent to the issue of this document including its recommendation and the references to its name in the form and context in which they appear.

14.4 No person directly or indirectly (other than the Company’s professional advisers and trade suppliers or save as disclosed in this document) has in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or has entered into any contractual arrangements to receive the same in the form of any other benefit from the Company at the date of Admission.

14.5 Save as disclosed in this document, the Directors and Proposed Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company’s or COE’s business.

14.6 Save as disclosed in this document, the Directors and Proposed Directors are not aware of any exceptional factors which have influenced the Company’s or COE’s activities.

- 14.7 The total expenses of the Proposals payable by the Company are estimated to amount to approximately £1.3 million (exclusive of any value added tax) of which approximately £37,500 is payable to Winburn Glass Norfolk (“WGN”). These fees are due to WGN in relation to services provided by Colin Glass, a director of COE, to COE in respect of the Acquisition and other corporate advisory matters. Payment of £65,000 of the total expenses will be deferred, dependent upon the issue of the Deferred Consideration Shares.
- 14.8 Save as disclosed herein, no agreement, arrangement or understanding exists between any of the Concert Party and any of the Directors, recent directors, shareholders or recent shareholders of Timeload having any connection with or dependence on the Acquisition.
- 14.9 Save as disclosed herein, there is no agreement, arrangement or understanding whereby the beneficial ownership of any New Ordinary Shares acquired by any of the Concert Party pursuant to the Acquisition Agreement or on the exercise of options under the Proposed Share Option Scheme will be transferred to any person.
- 14.10 Save as disclosed herein the Group has no investments in progress which are or may be significant.
- 14.11 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles of Association of the Company permit the holding and transfer of New Ordinary Shares under CREST. The Directors have applied for the New Ordinary Shares to be admitted to CREST and it is expected that the New Ordinary Shares will be so admitted and accordingly able for settlement in CREST as soon as practicable after Admission.

15. Documents available for inspection

Copies of the following documents will be available for inspection at the office of Charles Russell, 8-10 New Fetter Lane, London, EC4A 1RS, during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including 22 April 2002 and in the case of the documents referred to in 15.16 and 15.17 for at least 15 minutes prior to and during the Extraordinary General Meeting. The documents will also be available for inspection at the Extraordinary General Meeting:

- 15.1 the memorandum and articles of association of the Company and COE;
- 15.2 the audited consolidated accounts of the Group for the 15 months ended 31 December 2000 and year ended 31 December 2001;
- 15.3 the preliminary statement of the results of the Group for the year ended 31 December 2002;
- 15.4 the audited accounts of COE for the year ended 30 June 2001 and the year ended 30 June 2002;
- 15.5 the accountants report by BDO on COE at Part III of this document;
- 15.6 the statement of adjustment to the Accountant’s Report on COE for the year ended 30 June 2000;
- 15.7 the listing particulars dated 27 June 2001, the supplementary listing particulars dated 1 August 2001, the further supplementary listing particulars dated 29 August 2001 and the circular dated 5 July 2002;
- 15.8 the Acquisition Agreement summarised in Part VIII of this document;
- 15.9 the Shareholder and Director voting undertakings referred to in paragraph 15 of Part I of this document;
- 15.10 the Directors’ service contracts referred to in paragraph 6 above;
- 15.11 the material contracts referred to in paragraph 7 above;
- 15.12 the letters of consent referred to in paragraph 14 above;
- 15.13 the letter contained in Part V of this document;
- 15.14 the lock-in agreements summarised in Part VIII of this document;

15.15 the undertakings summarised in Part VIII of this document;

15.16 the rules of the Timeload plc (formerly Scoot.com plc) 1999 approved share option scheme marked to show the proposed amendments;

15.17 the rules of the Timeload plc (formerly Scoot.com plc) 1999 unapproved share option scheme marked to show the proposed amendments; and

15.18 this circular dated 28 March 2003.

Dated 28 March 2003

TIMELOAD plc
(“the Company”)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 10.30 a.m. on 22 April 2003 at the offices of Charles Russell, 8-10 New Fetter Lane, London EC4A 1RS for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1-3 will be proposed as ordinary resolutions and Resolutions 4-9 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. THAT the proposed acquisition (“**the Acquisition**”) by the Company of the entire issued share capital of COE Limited, on the terms and subject to the conditions of the agreement (“**the Acquisition Agreement**”) described in the circular to shareholders of the Company dated 28 March 2003 be and is hereby approved and that the board of directors of the Company (or a duly constituted committee of that board) be and is hereby authorised to waive, amend, vary or extend any of the terms and conditions of the Acquisition or the Agreement (but not to any material extent) and do all such things as it may consider necessary or desirable in connection with the Acquisition and THAT the waiver by the Panel on Takeovers and Mergers of the obligations on the Concert Party (as defined in the circular) to make a general cash offer for the whole of the Company’s issued share capital as a result of the issue of new ordinary shares in the Company to the Concert Party pursuant to the Acquisition (which, assuming that the maximum number of ordinary shares is issued under the Acquisition Agreement and the maximum number of share options available were issued to and exercised by the Concert Party, could give the Concert Party up to approximately 72.7 per cent. of the issued ordinary share capital and voting rights of the Company) be and is hereby approved.
2. THAT conditional upon admission of the New Ordinary Shares to trading on AIM, the rules of the Timeload plc (formerly Scoot.com plc) 1999 approved share option scheme be amended by the deletion of rule 3.1 thereof and the substitution in its place of the following rule:

“3.1 Subject to any adjustment made by the Board with the prior approval by ordinary resolution of the members of the Company in general meeting, the number of Shares in respect of which Options to subscribe for Shares may be granted under the Scheme shall not, when added to the number of Shares issued or capable of being issued by way of subscription on the exercise of Options granted by the Company during the previous 10 years and with the number of Shares which have been issued or which remain issuable pursuant to rights granted under any Other Scheme during the previous 10 years (but excluding any options which have been granted prior to Admission or which have either lapsed or been surrendered and excluding any Shares issued prior to, or which remain issuable pursuant to rights granted prior to, Admission) exceed 10 per cent. of the Shares in issue on the last Dealing Day before the Date of Grant.

For this purpose, “Admission” shall mean the admission of the Company’s ordinary shares to the Alternative Investment Market of the London Stock Exchange becoming effective in accordance with the rules of that market”.

Provided that this amendment shall not have effect until approved by the Board of the Inland Revenue.

3. THAT conditional upon Admission of the New Ordinary Shares to trading on AIM, the rules of the Timeload plc (formerly Scoot.com plc) 1999 unapproved share option scheme be amended by:
 1. the deletion of rule 3.1 thereof and the substitution in its place of the following rule:

“3.1 Subject to any adjustment made by the Board with the prior approval by ordinary resolution of the members of the Company in general meeting, the number of Shares in respect of which Options to subscribe for Shares may be granted under the Scheme shall not, when added to the number of Shares issued or capable of being issued by way of subscription on the exercise of Options granted by the Company during the previous 10 years and with the

number of Shares which have been issued or which remain issuable pursuant to rights granted under any Other Scheme during the previous 10 years (but excluding any options which have been granted prior to Admission or which have lapsed or been surrendered and excluding any Shares issued prior to, or which remain issuable pursuant to rights granted prior to, Admission) exceed 10 per cent. of the Shares in issue on the last Dealing Day before the Date of Grant.

For this purpose, "Admission" shall mean the admission of the Company's ordinary shares to the Alternative Investment Market of the London Stock Exchange becoming effective in accordance with the rules of that market"; and

2. the deletion of rule 3.2 thereof in its entirety.

SPECIAL RESOLUTIONS

4. THAT, conditional on the passing of Resolution 1 in the notice of this meeting:
 - 4.1 the share premium account of the Company be cancelled;
 - 4.2 the share capital of the Company be reduced:
 - 4.2.1 by the cancellation of the deferred shares of £1.00 each in the capital of the Company; and
 - 4.2.2 by cancelling capital paid up to the extent of 1.9 pence on each of the issued ordinary shares of 2 pence and by reducing the nominal value of each ordinary share, whether issued or unissued, from 2 pence to 0.1 pence.

5. THAT, subject to and conditional upon the reduction of capital set out in paragraph 4.2 of Resolution 4 in the notice of this meeting becoming effective, the Articles of Association of the Company be altered by the deletion of Article 3 and the substitution of the following:

"SHARE CAPITAL

The authorised share capital at the date of the adoption of this Article 3 is £1,312,550 divided into 1,312,550,000 ordinary shares of 0.1 pence each ("Ordinary Shares")."

6. THAT, conditional upon the completion of the Acquisition (as defined in the circular to shareholders of the Company dated 28 March 2003) the name of the Company be changed to COE Group plc.
7. THAT:
 - 7.1 subject to and conditional upon the reduction of capital set out in paragraph 4.2 of Resolution 4 in the notice of this meeting becoming effective, the Company be and is hereby generally authorised for the purposes of section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares in accordance with the terms of the tender offer as described in the circular to the shareholders of the Company dated 28 March 2003, as amended from time to time in accordance with the terms thereof, provided that, unless previously varied or revoked, the authority hereby conferred shall expire on 30 June 2003; and
 - 7.2 the purchase by the Company of ordinary shares from the directors of the Company, pursuant to the tender offer authorised by this resolution is hereby approved pursuant to section 320 of the Act.
8. THAT, forthwith upon completion of the tender offer described in the circular to the shareholders of the Company dated 28 March 2003:
 - 8.1 every 50 ordinary shares of 0.1 pence each in the capital of the Company be consolidated into one new ordinary share with a nominal value of 5 pence;
 - 8.2 the authorised share capital of the Company be increased from £1,312,550 to £2,750,000 by the creation of an additional 28,749,000 Ordinary Shares of 5 pence each in the capital of the Company; and

8.3 the Articles of Association of the Company (as altered by Resolution 5 in the notice of this meeting) be altered by the deletion of Article 3 and the substitution of the following:

“SHARE CAPITAL

The authorised share capital at the date of adoption of this Article 3 is £2,750,000 divided into 55,000,000 ordinary shares of 5 pence each (“Ordinary Shares”).”

9. THAT:

9.1 in addition to the power conferred on the directors pursuant to paragraph 9.2 below of this Resolution the directors are authorised for a period of three years from the date of the adoption of this resolution to exercise all of the powers of the Company to allot relevant securities in respect of all shares for the time being unallotted, but the maximum aggregate nominal amount of ordinary shares which may be allotted pursuant to this authority shall be £1,671,605 and this authority may be varied or revoked by an ordinary resolution of the Company. This authority is given for the purpose of allotting shares pursuant to the Acquisition (as defined in Resolution 1 in the notice of this meeting).

9.2 in addition to and without prejudice to the authority conferred on the directors pursuant to paragraph 9.1 above of this Resolution, the authority conferred on the directors by Article 5(B) of the Company’s articles of association be renewed for the period ending on the date of the Annual General Meeting of the Company in 2004 or the period of 15 months after the date of the passing of this resolution, whichever is the earlier, and for this period the Section 80 Amount (as defined in the articles of association) shall be £186,078;

9.3 the power conferred on the directors in Article 5(C) of the Company’s articles of association, be renewed for the period ending on the date of the Annual General Meeting of the Company in 2004 or the period of 15 months after the date of the passing of this resolution, whichever is the earlier, and for such period the Section 89 Amount shall be £31,013 (representing approximately 5 per cent. of the issued ordinary share capital of the Company after the issue of the Initial Consideration Shares (as defined in the circular to shareholders of the Company dated 28 March 2003 (“the Circular”) and assuming the Tender Offer (as defined in the Circular) is taken up in full).

Registered Office
Bakers House
Bakers Road
Uxbridge
Middlesex UB8 1RG

By order of the Board
Suzanna Temple Morris
Company Secretary

28 March 2003

NOTES:

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- 2 To be valid a form of proxy, together with the power of attorney or other authority, if any, under which it is executed or a notarially certified copy thereof, must be deposited at Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3ZZ not less than 48 hours before the time for holding the meeting or adjourned meeting. A form of proxy is enclosed with this notice.
- 3 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- 4 In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
- 5 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 5.00 p.m. on 20 April 2003 shall be entitled to attend and vote, whether in person or by proxy, at the Extraordinary General Meeting, in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries in the register of members after 5.00 p.m. on 20 April 2003 shall be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting.
- 6 Completion and return of the form of proxy will not preclude members from attending or voting in person at the meeting if they so wish.
7. Copies of the rules of the Timeload plc (formerly Scoot.com plc) 1999 approved share option scheme and of the Timeload plc (formerly Scoot.com plc) 1999 unapproved share option scheme marked to show the proposed amendments will be available for inspection at the offices of Charles Russell, 8-10 New Fetter Lane, London EC4A 1RS during usual business hours on any weekday (Saturdays, Sundays and Bank holidays excluded) from the date of this notice until the Extraordinary General Meeting and at the place of the meeting for at least 15 minutes prior to and during the meeting.