

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

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

Application will be made to the London Stock Exchange for the issued Ordinary Shares, including those to be issued pursuant to the Placing, to be admitted to trading on AIM. The Ordinary Shares are not dealt on any other investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange. It is expected that the Ordinary Shares will be admitted to trading on AIM on 20 May 2005.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.**

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

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## **InterQuest Group plc**

*(incorporated and registered in England and Wales under number 04298109)*

### **Placing by**

**Panmure Gordon**

*Nominated Adviser and Broker*

**of 5,454,550 ordinary shares of 1p each at 55p per share**

*and*

### **Admission to Trading on AIM**

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#### **SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING**

| <i>Authorised</i> |          |                            | <i>Issued and fully paid</i> |             |
|-------------------|----------|----------------------------|------------------------------|-------------|
| Number            | Amount   |                            | Number                       | Amount      |
| 80,000,000        | £800,000 | ordinary shares of 1p each | 25,336,133                   | £253,361.33 |

The Placing is conditional, *inter alia*, on Admission taking place on or before 20 May 2005 (or such later date as the Company and Panmure Gordon may agree, being not later than 30 June 2005).

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

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

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

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Panmure Gordon, Moorgate Hall, 155 Moorgate, London, EC2M 6XB from the date of this document and for a period of one month from Admission.

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# Definitions

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

|   |  |
|---|--|
| “Act”                                   | the Companies Act 1985, as amended   |
| “Admission”                             | admission of the issued Ordinary Shares (including the Placing Shares) to trading on AIM becoming effective pursuant to paragraph 6 of the AIM Rules   |
| “AIM”                                   | AIM, a market operated by the London Stock Exchange  |
| “AIM Rules”                             | the rules for AIM listed companies and their nominated advisers published by the London Stock Exchange governing admission to, and the operation of, AIM   |
| “Articles of Association” or “Articles” | the articles of association of the Company   |
| “Business Day”                          | a day on which banks in the City of London are open for a full range of banking transactions   |
| “Combined Code”                         | the code of best practice, including the principles of good governance, titled the “Combined Code on Corporate Governance” published by the Financial Reporting Council in July 2003 and appended to, but not forming part of, the Listing Rules of the UKLA |
| “CREST”                                 | the relevant system (as defined in the CREST Regulations) operated by CRESTCo in accordance with which securities may be held or transferred in uncertificated form  |
| “CRESTCo”                               | CRESTCo Limited, a company incorporated under the laws of England and Wales and the operator of CREST  |
| “Directors” or “Board”                  | the board of directors of InterQuest whose names are set out on page iii of this document  |
| “EIS”                                   | the Enterprise Investment Scheme and related reliefs as detailed in Chapter III, Part VII of the Income and Corporation Taxes Act 1988 and in sections 150A to 150C and Schedule 5B and 5BA of the Taxation of Chargeable Gains Act 1992 (as amended)        |
| “Enlarged Issued Share Capital”         | the Ordinary Shares in issue immediately following the Placing   |
| “Executive Directors”                   | the executive directors of the Company from time to time   |
| “Existing Ordinary Shares”              | the 19,881,583 ordinary shares in issue at the date of this document   |
| “FSA”                                   | Financial Services Authority   |
| “FSMA”                                  | the Financial Services and Markets Act 2000  |
| “Genesis”                               | Genesis Computer Resources Limited   |
| “Insight”                               | a division of Interquest Group Limited, the trade of which was previously Insight Computer Recruitment Limited   |
| “Interquest (UK)”                       | a division of Interquest Group Limited, the trade of which was previously Interquest (UK) Limited  |
| “InterQuest” or “Company”               | InterQuest Group plc, a company incorporated in England and Wales with registered number 04298109  |
| “InterQuest Group” or “Group”           | InterQuest and its subsidiary undertakings   |

## Definitions

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|   |  |
|---|--|
| “ITmail”                                | ITmail Limited (formerly mightymatch Limited and mightymatch plc)  |
| “London Stock Exchange”                 | London Stock Exchange plc  |
| “Official List”                         | the Official List of the UK Listing Authority (“Officially Listed” shall be construed accordingly)   |
| “Ordinary Shares”                       | ordinary shares of 1p each in the capital of InterQuest  |
| “Ordinary Share Capital”                | the fully diluted issued ordinary share capital of the Company including taking account of all other Ordinary Shares under option or warrants as if the options or warrants have been exercised and the resulting Ordinary Shares in issue |
| “Osiris”                                | Osiris Connections Limited   |
| “Panel”                                 | the Panel on Takeovers and Mergers   |
| “Panmure Gordon”                        | Panmure Gordon (UK) Limited  |
| “Placing”                               | the conditional placing of the Placing Shares at the Placing Price by Panmure Gordon on behalf of the Company, pursuant to the Placing Agreement as described in this document   |
| “Placing Agreement”                     | the conditional agreement dated 17 May between InterQuest, the Directors and Panmure Gordon, details of which are set out in paragraph 10 of Part V of this document   |
| “Placing Price”                         | 55p per Ordinary Share   |
| “Placing Shares”                        | the 5,454,550 new Ordinary Shares to be allotted and issued by the Company and subscribed for pursuant to the Placing  |
| “POS Regulations”                       | the Public Offers of Securities Regulations 1995 (SI 1995/1537), as amended  |
| “SBS”                                   | SBS (UK) Limited   |
| “SDRT”                                  | stamp duty reserve tax   |
| “Share Option Schemes”                  | the InterQuest Group Limited Savings Related Share Option Scheme and the InterQuest Group Unapproved Share Option Scheme   |
| “Shareholders”                          | holders of Ordinary Shares   |
| “subsidiary”                            | as defined in section 736 and 736A of the Act  |
| “Uncertificated Securities Regulations” | the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any modification thereof or any regulations in substitution therefore made under section 207 of the Companies Act 1989 and for the time being in force             |
| “UK”                                    | United Kingdom of Great Britain and Northern Ireland   |
| “UK Listing Authority”                  | the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA   |
| “United States” or “US” or “USA”        | the United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction   |
| “VCT”                                   | a Venture Capital Trust for the purposes of section 842AA and Schedule 28B of the Income and Corporation Taxes Act 1988  |

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# Directors, Secretary and Advisers

|   |   |
|---|---|
| Directors:  | Gary Peter Ashworth, <i>Executive Chairman</i><br>Ross David Eades, <i>Chief Executive Officer</i><br>Michael Robert Sean Joyce, <i>Finance Director</i><br>George Reresby Sacheverell Sitwell, <i>Corporate Development Director</i> |
|   | Luke Oliver Johnson, <i>Non-executive Director</i><br>Alan William Found, <i>Non-executive Director</i>   |
| Company secretary and Registered and head office: | Michael Joyce<br>20 – 23 Greville Street<br>London EC1N 8SS   |
| Nominated adviser and stockbroker:                | Panmure Gordon<br>Moorgate Hall<br>155 Moorgate<br>London EC2M 6XB  |
| Solicitors to the Company:                        | Pinsent Masons<br>Dashwood House<br>69 Old Broad Street<br>London EC2M 1NR  |
| Solicitors to the Placing:                        | Hammonds<br>7 Devonshire Square<br>Cutlers Gardens<br>London EC2M 4YH   |
| Auditors and Reporting Accountants:               | Grant Thornton UK LLP<br>Grant Thornton House<br>Melton Street<br>London NW1 2EP  |
| Registrars:                                       | Capita Registrars<br>Northern House<br>Woodsome Park<br>Fenay Bridge<br>Huddersfield<br>HD8 0LA   |
| Principal bankers:                                | Barclays Bank plc<br>London Business Banking<br>1 <sup>st</sup> Floor<br>99 Hatton Garden<br>London EC1N 8DN  |

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## Placing Statistics

|   |                |
|---|----------------|
| Placing Price   | 55p            |
| Number of Existing Ordinary Shares  | 19,881,583     |
| Number of Ordinary Shares the subject of options and warrants on Admission              | 4,993,891      |
| Number of Ordinary Shares in issue on Admission   | 25,336,133     |
| Market capitalisation following the Placing at the Placing Price                        | £13.9 million  |
| Number of Placing Shares being placed   | 5,454,550      |
| Percentage of Enlarged Issued Share Capital subject to the Placing                      | 21.5 per cent. |
| Gross proceeds of the Placing   | £3.0 million   |
| Net proceeds of the Placing to be received by the Company (exclusive of applicable VAT) | £2.4 million   |

## Expected Timetable of Principal Events

|  |             |
|--|-------------|
| Publication of this document   | 17 May 2005 |
| Admission and commencement of dealings in the Ordinary Shares on AIM | 20 May 2005 |
| CREST stock accounts credited for the Placing Shares                 | 20 May 2005 |
| Despatch of definitive share certificates for the Placing Shares     | 27 May 2005 |

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# Part I — Information on the Group

## Introduction and History

InterQuest Group is an IT recruitment business, specialising in the placement of contract and permanent staff. The Group was founded by Gary Ashworth in October 2001 with the aim of developing a group of multi-branded IT staffing businesses, each focused on a specific niche area of the UK IT staffing market.

InterQuest has an experienced management team with a proven ability to identify, transact and integrate acquisitions and run larger businesses. Since incorporation, the Group has grown principally by acquisition having bought six businesses which together provide IT staffing services to a range of blue chip clients. The Placing will facilitate the Group's growth strategy.

## Business Activities of the Group

The Group has grown largely through the acquisition of IT staffing businesses which service niche markets and operates as a group of independently branded divisions, each with a specific market or candidate skill set focus. Each division operates on a day-to-day basis with a large degree of autonomy but is supported by head office in key areas such as accounting, legal and IT functions, as well as benefitting from Group wide sales and management training programmes.

The Group currently consists of four operating divisions which have the following focus:

| <i>Division</i> | <i>Focus</i>  |
|-----------------|---|
| Genesis         | Financial institutions, largely in the City of London;                    |
| Insight         | Specific technical niches rather than within a particular industry group; |
| InterQuest (UK) | Retail and the FMCG market; and   |
| SBS             | Central and local government offices.                                     |

In addition, the Group operates ITmail which was established in 2000 and acquired in March 2002. ITmail provides an online candidate database search service, to which each of the operating divisions has access. This database consists of approximately 235,000 CV's and is an additional support tool for all the Group's recruitment consultants.

Further details of the business activities of each division are set out below.

The Group's two principal revenue streams are derived from the placement of contract and permanent staff where InterQuest operates as an intermediary between IT candidates looking for contract work or a permanent role and clients who are seeking to engage IT personnel.

In the year to December 2004, approximately 65 per cent of the Group's gross profit was derived from contract placements with approximately 35 per cent from permanent placements. In the same period, approximately 94 per cent of the Group's turnover was derived from contract placements with approximately 6 per cent from permanent placements.

Contract placements generate recurring revenues for the Group for the duration of the period where the candidate provides services to the client. In many instances, the initial service periods are extended, enabling InterQuest to generate further recurring revenue from that placement. In addition, a contractor can subsequently take on a permanent role resulting in a further one-off fee being chargeable to that client.

The balance of gross profits is derived from permanent placement where a one-off fee is charged, based on a percentage of the total remuneration of the candidate who is hired by the client. Unlike contract placements, there is no recurring income.

## Operating Divisions

### *Genesis*

Established in 1994 and acquired by the Group in October 2003, Genesis focuses on servicing the City of London's financial institutions, particularly investment banks, securities houses and fund managers. Its client base includes Fidelity Investment, Nomura International plc, Credit Suisse First Boston, Hudson Global Resources Limited and JPMorgan.

Genesis is located in East Grinstead and at the Group's headquarters in London. For the year ended December 2004, Genesis accounted for £1.5 million (or approximately 33 per cent) of gross profit.

## **Part I — Information on the Group**

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Genesis has a database of over 15,000 candidates. It provides candidates for various investment banking IT functions including regulatory reporting, continuous linked settlements, electronic trading, connectivity and data warehousing and IT services such as networking, systems and infrastructure and project management. A typical Genesis contractor undertakes high-value specialist work at premium rates.

In the year to December 2004, approximately 63 per cent. of the division's gross profit was derived from contract placements with around 37 per cent. from permanent placements.

In May 2002, the Group acquired Osiris Connections Limited. Trade ceased in this company in September 2004 when staff and residual contracts were transferred to Genesis.

### **Insight Computer Recruitment**

Established in 1990 and acquired by the Group in July 2002, Insight focuses on providing IT contractors and permanent staff having specific technical IT skills, instead of focussing on clients in specific business sectors. This is reflected by Insight's client base which is made up of businesses in a variety of sectors, including Pfizer, Dixons, Citibank and Swiss Re Health & Life Limited.

Insight is located in Bexleyheath. For the year ended December 2004, Insight accounted for £1.0 million (or approximately 22 per cent.) of gross profit.

Insight has a database of over 24,000 candidates from which it places candidates with technical skills such as PC, network and technical support, design and implementation, web development and design, operations and systems administration, trading floor and market data support and voice and data communications.

In the year to December 2004, approximately 48 per cent. of the division's gross profit was derived from contract placements with 52 per cent. from permanent placements.

### **InterQuest (UK)**

Established in 1995 and acquired by the Group in November 2001, InterQuest (UK) is focused on servicing the retail sector, in particular fast moving consumer goods businesses. Its clients include John Lewis plc, Screwfix Direct, Hephire Group plc and Vivista Limited. The Group took on the InterQuest name in 2002.

InterQuest (UK) is located at the Group's headquarters in London. For the year ended December 2004, InterQuest (UK) accounted for £1.0 million (or approximately 22 per cent) of gross profit.

InterQuest (UK) has a database of over 86,000 candidates. Demand for IT personnel in the retail sector is largely project or contract driven, with IT contractors hired to implement specific projects for clients. Accordingly, much of the revenue from InterQuest (UK) is derived from contract placement work.

In the year to December 2004, approximately 66 per cent. of the division's gross profit was derived from contract placements with around 34 per cent. from permanent placements.

InterQuest (UK) continues to service its historic sector specialisations such as financial and business services, and accordingly its clients also include organisations such as Morley Fund Managers and KPMG.

### **SBS**

Established in 1969 and acquired by the Group in September 2003, SBS focuses on the public sector, in particular, central and local government offices. Its clients include the Office of the Deputy Prime Minister and the London Borough of Camden.

SBS is located at the Group's headquarters in London. For the year ended December 2004, SBS accounted for £0.95 million (or approximately 21 per cent.) of gross profit.

SBS has a database of over 82,000 candidates, with the majority of SBS's revenues derived from contractors who specialise in SAP implementation and customer relationship management (CRM) systems. These systems are also used by certain banking and financial businesses, and consequently SBS also has clients in these sectors, including the Bank of England and the Financial Services Authority.

In the year to December 2004, approximately 85 per cent. of the division's gross profit was derived from contract placements with around 15 per cent. from permanent placements.

### **Markets and Competition**

The UK IT recruitment market is large and highly fragmented. Independent research indicates that the market is worth approximately £5 billion and consists of at least 1,200 staffing businesses, ranging from small

## **Part I — Information on the Group**

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owner-managed IT specialist companies to large multinational recruitment firms. The IT market consists of approximately 800,000 IT professionals, of which approximately 80,000 are contractors.

The Group competes with both large companies and the large number of much smaller, usually owner managed, firms. In the Directors' experience, each division of the Group has a number of different competitors within its particular niche.

The Directors believe that the InterQuest business model gives it a number of competitive strengths. Each division capitalises on its established brand and associated relationships, offering a knowledge and understanding of its sector; at the same time, it can benefit from the advantages of being part of a larger group. In the Directors' experience, size and status are an increasingly important consideration for the larger clients who manage their agency relationships through preferred supplier lists.

The IT recruitment market has seen some consolidation since 2000, caused mostly by a number of smaller companies going out of business. The Directors consider that smaller companies are less likely to now re-enter the market as they believe that compliance with new employment legislation and the developing preference of clients to deal with larger agencies has raised the barriers to entry.

The Directors believe that the market will continue to consolidate and InterQuest will seek to acquire further businesses following Admission.

### **Key Strengths**

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

- The Group has a strong management team with long term experience in the recruitment sector, a proven ability to identify, transact and integrate acquisitions and run larger organisations, and a track record of creating shareholder value.
- InterQuest has a multi-brand strategy which permits each division to specialise either by market sector or by specific niche, reflecting the specialist nature of the IT sector, rather than servicing the IT market as a whole with one unified brand.
- Each division has developed strong client relationships having traded over a number of years.
- InterQuest's acquisition strategy has delivered a group of businesses that operate in a diversity of markets and, as a result, the Group is not over exposed to any one sector.
- InterQuest is now a sufficiently large group to meet the requirements of larger clients, many of which will only deal with recruitment companies which can demonstrate sufficient size and stability.

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

### **Growth Strategy**

The Directors are seeking to consolidate and strengthen the Group's market position in the IT recruitment sector through a mixture of acquisition-led and organic growth.

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

#### *Expansion through acquisition*

Since November 2001, the Group has acquired six businesses.

Typically, the strategy has been to target underperforming companies that operate in complementary niches. Acquisition candidates have been identified from a number of sources, including intermediaries such as specialist M&A boutiques, accountancy firms and lawyers, and the Group's own marketing initiatives.

These acquisitions have been financed with cash funded by equity and loan subscription from the Board, with most of the consideration being deferred over one or two years and calculated on a multiple of profit.

To date, the acquired businesses have either been smaller businesses which could be relocated to the Group's existing head office or larger businesses capable of benefiting from the provision of the Group's head office support functions. These benefits include the financial stability of being part of a larger group together with the ability for each division to demonstrate itself being part of a larger concern when tendering for business and to access the Group's training academy. Post acquisition, the Group centralises financial controls and implements a package of internal controls and disciplines.

## Part I — Information on the Group

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Following Admission, using its collective experience in the sector and contacts, InterQuest will continue to identify and assess potential targets for acquisition. The Directors intend to retain key members of either the senior or second tier management team of businesses acquired and to incentivise them to grow the business.

### *Expansion through organic growth*

Following Admission, the Group intends to continue the market penetration of each division and to capitalise on current market conditions through strengthening existing client relationships, particularly where the division is a preferred supplier, and winning new clients. Emphasis will be placed upon identifying and exploiting candidate skill sets that are in particular demand.

The Directors intend to increase the number of recruitment consultants within the Group and expand the regional coverage of service offerings. In addition, the Group will seek to maximise the cross selling opportunities that exist between the divisions, encouraging each division's sales force to work more closely together.

### **Financial Information**

The following summary financial information, relating to the Group's activities for the period from incorporation on 3 October 2001 to 31 December 2004, has been extracted from the Accountants' Report set out in Part III of this document.

|  | <b>15 months to<br/>31 December<br/>2002</b> | <b>12 months to<br/>31 December<br/>2003</b> | <b>12 months to<br/>31 December<br/>2004</b> |
|--|--|--|--|
|  | £'000  | £'000  | £'000  |
| <b>Turnover</b>  | 7,218  | 11,916                                       | 24,390                                       |
| <b>Gross profit</b>  | 1,733  | 2,559  | 4,530  |
| <b>Operating profit</b>  | 456  | 12   | 1,093  |
| <b>Profit/(loss) on ordinary activities before<br/>taxation</b>      | 530  | (119)  | 927  |
| <b>Taxation on profit/(loss) on ordinary activities</b>              | (63)   | (9)  | (241)  |
| <b>Profit/(loss) retained and transferred to/(from)<br/>reserves</b> | 467  | (128)  | 686  |

### **Current trading and prospects for the Group**

The Directors believe that, since 31 December 2004, the market conditions for the Group's services continues to improve, with permanent placements in particular showing strong growth, demonstrating confidence in the IT recruitment cycle. InterQuest has recently been appointed to the preferred supplier list of Citigroup, and it continues to exploit opportunities to cross sell to existing clients.

The outlook for the Group's businesses remains positive and the Board views the future with confidence.

### **Reasons for Admission and Placing and Use of Proceeds**

The Placing will raise approximately £2.4 million, net of expenses, for the Company.

The proceeds of the Placing will raise new capital for the Company to facilitate the Group's acquisition and organic growth strategy. In addition, the funds will be used to strengthen the balance sheet of the Group and provide funding for general working capital requirements.

## Part I — Information on the Group

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The Directors believe that Admission will:

- raise the profile of the InterQuest Group to potential acquisition candidates;
- enhance its status to clients, helping the Group to win new business and in particular to achieve preferred supplier status;
- assist in attracting, retaining and incentivising key employees through the use of the share option awards that are based on publicly traded shares and through the Share Option Schemes;
- provide the Company with a wider shareholder base; and
- facilitate the expansion of the business by acquisition through offering new sources of equity financing for such acquisitions.

### **Directors, Senior Management and Employees**

The Directors of the Company are:

#### ***Gary Ashworth, (Executive Chairman) – aged 45,***

Gary is the co-founder and majority shareholder of InterQuest. Prior to founding the InterQuest business, Gary founded Abacus Recruitment plc, a group of recruitment agencies, including two in the IT recruitment sector. Abacus Recruitment plc was floated on AIM in September 1995, before being sold to Carlisle Holdings plc for £16.8 million in 1999 with the initial investors achieving a ten fold multiple on their investment.

Gary is a Fellow and past President of the Institute of Employment Consultants and has worked in recruitment since 1980.

#### ***Ross Eades, (Chief Executive Officer) – aged 43***

Ross joined InterQuest as the Group's CEO in August 2003. Ross began his career in IT recruitment in 1988 with Hunterskil. In 1997, he was appointed CEO of MPS Group International plc, a group of IT and Professional Services recruitment companies, which included such brands as Modis and Badenoch & Clark. Between 1997 and 2002, Ross Eades was responsible for both organic and acquisitive growth, and over that period the group increased sales revenue from £72 million to £286 million and EBIT from £3 million to £21 million.

#### ***Michael Joyce, ACA (Finance Director) – aged 35***

Michael joined InterQuest in February 2004. He was previously group financial controller of Rebus Group Limited. He also has experience of the recruitment industry, having worked as part of the finance team at Robert Walters plc. Michael qualified as a chartered accountant with Coopers & Lybrand, where he spent seven years prior to joining Robert Walters plc.

#### ***George Sitwell, (Corporate Development Director) – aged 38***

George co-founded InterQuest in October 2001. From 1990 to 1998, he worked in corporate finance, both in London and New York, during which he participated in a wide range of public and private company transactions, including a number of UK public company takeovers.

In 1999 he co-founded ITmail, the online IT recruitment service which was acquired by the Group in March 2002. For two years prior to that, he had a senior management role at J&M Entertainment Limited, a leading independent film company and he subsequently assisted in the company's sale to IN Motion AG.

In addition to his work for InterQuest, George is a Director of Screen Investors Limited, which provides services to a series of film partnerships that trade as Motion Picture Partners International, and Crossover Capital Limited, a provider of alternative investment products.

#### ***Luke Johnson, (Non-Executive Director) – aged 43***

A co-founder of InterQuest, Luke has served as a director of a number of public companies since 1988. Luke is currently chairman of Channel 4 Television Corporation and Signature Restaurants, as well as holding a number of non-executive directorships.

Luke graduated in medicine from Oxford University and subsequently worked for Kleinwort Benson Securities as an equity analyst.

#### ***Alan Found, (Non-Executive Director) – aged 43***

Alan was appointed non executive director in May 2002. Alan runs his own business, Alan Found Associates, which has been providing team and management development services to clients for over eleven years. His clients include Morgan Stanley, the Intercontinental Hotels Group, Yorkshire Bank and Holiday Inn.

## **Part I — Information on the Group**

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Alan's major focus is in team development and he has a long standing interest in the recruitment sector, having spoken on a number of related topics at various conferences.

### **Senior Management**

The Board is supported by the following three divisional sales directors:

#### ***Matt Crawcour – InterQuest (UK) Sales Director – aged 35***

Matt began in the IT recruitment industry as a consultant in 1996 and helped grow the InterQuest (UK) business from inception. He became a director of the business in 1999 and assisted in the merger of operations into the current InterQuest Group, subsequently being appointed divisional managing director.

He is responsible for the operational and financial performance of the division including running the sales team and recruitment of staff. He is also responsible for ITmail.

#### ***Beverley Phillips – Genesis Sales Director – aged 43***

Beverley joined Manpower Recruitment as a branch manager in 1994, joining Genesis as a recruitment consultant in 1995. Since the acquisition by InterQuest Group, Beverley has taken on additional responsibility for the running of the division, focussing on growing the business.

#### ***Lisa Montague – SBS and Insight Sales Director – aged 33***

Lisa began working as a sales consultant in the Insight business in 1994, progressing to sales manager with responsibility for the sales team. Following the acquisition of Insight by InterQuest, Lisa became the divisional director. Additionally, Lisa took over responsibility for the SBS division in October 2004.

### **Share Option Schemes**

The Directors recognise the need to attract, incentivise and retain key people and, to this end, the Company has established share option arrangements. Following Admission, the Remuneration Committee will have responsibility for supervising the operation of the Share Option Schemes. The Remuneration Committee will consider the performance criteria to be applied, where appropriate. Save in exceptional circumstances, discretionary share options will not be granted at an exercise below market value. However, it is currently intended that options may be granted after Admission at an exercise price equal to the Placing Price, which may then be less than the market value of an Ordinary Share. Further details of the Shares Option Schemes are set out in paragraph 4 of Part V of this document.

### **A Warrants and B Warrants**

Pursuant to the acquisition of ITmail in 2002, the sellers of shares in ITmail received, *inter alia*, 835,189 A Warrants and 323,302 B Warrants.

Under the terms of the each warrant instrument constituting the A Warrants and B Warrants respectively, each holder of A Warrants and B Warrant is entitled to subscribe for Ordinary Shares within a period of 30 days following the date immediately prior to when Admission becomes effective (the “**Exercise Period**”). The subscription price, in respect of the A Warrants, is 85 per cent. of the Placing Price and in respect of the B Warrants, is 90 per cent. of the Placing Price.

The Company is required to, and intends to, give notice to the holders of A Warrants and B Warrants that they are entitled to subscribe for Ordinary Shares within a period of 7 days from the date of Admission. If the warrants are not exercised by the end of the Exercise Period, then such warrants will lapse.

Gary Ashworth and George Sitwell holding in aggregate 208,134 A Warrants and 52,945 B Warrants have each confirmed that they will be exercising the A Warrants and B Warrants that they hold. Gary Ashworth and George Sitwell have agreed to indemnify the Company in relation to any liabilities to income tax and NICs (including, to the extent permitted by law, employer's secondary Class 1 NICs) which may arise on the exercise of the A Warrants and the B Warrants.

### **Corporate Governance**

The Directors recognise the value and importance of high standards of corporate governance and confirm that, following Admission, they intend to comply, as far as practicable having regard to the size and stage of development of the Company, with the principles of the Combined Code and will take such measures as are

## **Part I — Information on the Group**

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necessary to ensure that the Company complies with the Combined Code. Accordingly, the Company has established an Audit Committee, a Remuneration Committee and a Nominations Committee, each with formal terms of reference.

The Audit Committee comprises both non-executive Directors and Gary Ashworth, and will be chaired by Luke Johnson. It is responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for reviewing the auditor's reports relating to accounts and internal control systems.

The Remuneration Committee comprises both non-executive Directors and Gary Ashworth and will be chaired by Alan Found. It is responsible for determining and agreeing with the Board the framework for the remuneration of the executive Directors, the Chairman of the Company (if an executive Director), the Company Secretary and such other members of the executive management as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options. The Remuneration Committee will also liaise with the Nominations Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy.

The Nominations Committee comprises both non-executive Directors and Gary Ashworth and will be chaired by Gary Ashworth. It is responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

The Directors intend to appoint one further independent non-executive Director to the Board in due course. It is expected that this individual will be appointed to each of the Audit, Remuneration and Nomination Committees at which point Gary Ashworth will resign from each of these committees.

The Company has adopted a share dealing code for Directors and relevant employees and will take proper steps to ensure compliance by the Directors and those employees.

### **CREST**

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

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

### **Dividend Policy**

Following Admission, the Directors have no plans to pay a dividend to shareholders in the foreseeable future as it is their intention to re-invest any surplus funds in the future development of the business. However as the Group evolves the Directors will consider adopting a policy to distribute surplus cash to shareholders.

### **The Placing**

On Admission, the Company will have 25,336,133 Ordinary Shares in issue. The 5,454,550 Ordinary Shares which are the subject of the Placing represent approximately 21.5 per cent. of the Enlarged Issued Share Capital and will raise approximately £2.4 million, net of expenses. Panmure Gordon has agreed to fully underwrite the Placing under the Placing Agreement.

Particulars of the Placing Agreement are set out in paragraph 10 of Part V of this document. The Placing Shares will be in registered form and, on Admission, will rank *pari passu* in all respects with the other issued Ordinary Shares and will rank in full for dividends and other distributions declared, paid or made following Admission in respect of the ordinary share capital of the Company.

The Placing is subject to the satisfaction of the conditions set out in the Placing Agreement, including Admission occurring on or before 20 May 2005 (or such later date that may be agreed between Panmure Gordon and the Company, being not later than 8.00 a.m. on 30 June 2005).

## **Part I — Information on the Group**

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Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on 20 May 2005. It is expected that definitive title to the Placing Shares will be delivered either under CREST on the date of Admission, where delivery is requested in uncertificated form, or by first class post by no later than 7 days from such date, where delivery is requested in certificated form. No temporary documents of title will be issued.

### **Lock-in Arrangements**

Each of the Directors, who, following Admission, will have, in aggregate, an interest in approximately 72 per cent. of the share capital of the Company, have undertaken to Panmure Gordon (subject to certain limited exceptions) not to dispose of any Ordinary Shares held by them or in respect of which they have any interests for a period of 12 months from Admission without the prior written consent of Panmure Gordon and the Company and, for a further six months thereafter, only to dispose of Ordinary Shares which they hold immediately following the Placing through Panmure Gordon and taking into account Panmure Gordon's reasonable representations with a view to obtaining an orderly market in the Company's shares.

### **Taxation**

Information regarding United Kingdom taxation with regard to the Placing is set out in paragraph 14 of Part V of this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

### **EIS and VCT Investment Reliefs**

Provisional approval has been received from the Inland Revenue that the Company qualifies as a qualifying company for the purposes of EIS and VCT provisions. Further information is set out in paragraph 14 of Part V of this document. Any person who is in any doubt as to their taxation position should consult their professional taxation adviser.

No guarantee is given that the future activities of the Company will be such as to retain any qualifying company status for EIS or VCT purposes.

### **Further Information**

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

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## **Part II — Risk factors**

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

### **Competitive and market environment**

The recession in the sector from 2000 to 2003 caused a large number of IT staffing companies to fail and triggered some consolidation amongst the larger players. The IT recruitment market is cyclical and could disproportionately suffer from any economic downturn.

### **Legislative environment**

New employment legislation has increased the burden of compliance upon staffing companies and their clients. Future employment legislation could have a negative impact upon the UK recruitment market and the IT contractor market in particular. Future tax legislation or rulings could have a negative impact upon the financial status of IT contractors' personal service companies.

### **Shortage of candidates and skills**

The Group's clients require large numbers of staff, both permanent and temporary. To meet this demand, the Group has developed increasingly sophisticated and flexible recruitment and consultancy services, and is also seeking to capitalise on the expansion of the European labour market following the recent enlargement of the European Union. However, it cannot guarantee that it will be able to supply sufficient numbers of, or suitably skilled, candidates to meet the future demand of its clients. This may adversely affect the Group's business.

### **Dependence on third party technology systems and services**

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

### **The Company may need additional access to capital in the future**

The Company cannot give any assurance that further equity capital or further funding will not be required. If required, the Directors cannot be sure that such capital or funding will be available in the future. However, the Directors consider that the proceeds of the Placing, together with the debt facilities available to the Group are sufficient for the Group's needs over the next twelve months.

### **Management of Growth**

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

### **Availability of acquisition opportunities**

The Group's strategy is reliant on the availability of suitable acquisition opportunities at realistic prices. Whilst management are confident over their ability to identify, transact and execute acquisitions, there can be no guarantee that such acquisitions will be available.

## Part II — Risk Factors

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### Dependence on key personnel and staff turnover

The Group's success depends to a significant extent upon a limited number of key employees. No assurances can be given that the loss of any executive officer or key employee of the Company would not have a material adverse effect on the business, financial condition or results of operations of the Group, particularly within any business recently acquired by the Group. In addition, the Group may be adversely affected by staff turnover at more junior levels. The Group has endeavoured to ensure that the employees at all levels are incentivised, but the retention of such staff cannot be guaranteed.

### Share price volatility and liquidity

The share price of publicly traded companies can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect the quoted recruitment company sector, or quoted companies generally. These factors could include the performance of the Group, large purchases or sales of the shares, currency fluctuations, legislative changes in the employment or financial services environment, general economic conditions and publication of research reports prepared by analysts.

### AIM

The value of the Ordinary Shares may go down as well as up. Investors may, therefore, realise less than the original amount subscribed pursuant to the Placing and could lose their entire investment. Furthermore, an investment in a share that is traded on AIM is likely to carry a higher risk than an investment in a share listed on the Official List.

The market price of the Ordinary Shares may not reflect the underlying value of the assets of the Company. The market in the Ordinary Shares may be illiquid or subject to sudden or large fluctuations and it may be difficult for investors to sell their Ordinary Shares and they may receive less than the amount originally invested.

### EIS/VCT

Provisional approval has been received from the Inland Revenue that the Company qualifies as a qualifying company for the purposes of EIS and VCT provisions. Neither the Company nor the Company's advisers give any warranties or undertakings that EIS relief or VCT qualifying status will not be withdrawn. Should the law regarding EIS or VCT change then any reliefs or qualifying status previously obtained may be lost.

If the Company ceases to carry on the business outlined in this document during the three-year period from the last allotment of Ordinary Shares, this could prejudice the qualifying status of the Company under EIS and VCT schemes. This situation will be closely monitored with a view to preserving the Company's qualifying status but this cannot be guaranteed.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves EIS relief (including Capital Gains Tax) or VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status and all EIS tax reliefs of investors would be withdrawn.

If the Company does not employ at least 80 per cent. of the proceeds of an EIS/VCT share issue (and other shares of the same class issued on the same day) for qualifying trading purposes within 12 months of the Company starting its trade, and the remainder within 24 months of this date, EIS shares would cease to be eligible shares and all EIS tax reliefs of investors would be withdrawn.

In respect of share subscriptions made by a VCT, the funds invested by the VCT would be apportioned pro rata and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holding.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

**AN INVESTMENT IN INTERQUEST MAY NOT BE SUITABLE FOR ALL RECIPIENTS OF THIS DOCUMENT. POTENTIAL INVESTORS ARE ACCORDINGLY ADVISED TO CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISES IN INVESTMENT OF THIS KIND, OR AN APPROPRIATELY QUALIFIED TAXATION ADVISER, PRIOR TO INVESTING.**

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# Part III — Accountants' report on the Group

Grant Thornton 

The Directors  
InterQuest Group Plc  
20-23 Greville Street  
LONDON  
EC1N 8SS

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
LONDON  
NW1 2EP

The Directors  
Panmure Gordon (UK) Limited  
Moorgate Hall  
155 Moorgate  
LONDON  
EC2M 6XB

17 May 2005

## **INTERQUEST GROUP PLC (“THE COMPANY”) AND ITS SUBSIDIARY UNDERTAKINGS (TOGETHER “THE GROUP”)**

### **1 INTRODUCTION**

We report on the financial information set out in sections 3 to 7 below. This financial information has been prepared for inclusion in the Company's document dated 17 May 2005 relating to its admission to trading on AIM, a market operated by London Stock Exchange plc (“the AIM Admission Document”).

#### ***Basis of preparation***

The financial information set out in sections 3 to 7 below is based on the audited consolidated financial statements of the Group for the period from incorporation on 3 October 2001 to 31 December 2002, the year ended 31 December 2003 and the year ended 31 December 2004 and has been prepared on the basis set out in section 3 to which no adjustments were considered necessary.

Due to the materiality of the Genesis Computer Resources Limited acquisition on 6 October 2002, additional financial information in relation to this company is included in Note 7.20, which is based on the audited financial statements of that company for the year ended 31 October 2002 and the 14 month period ended 31 December 2003 to which no adjustments were considered necessary.

#### ***Responsibility***

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

The directors of the Company are responsible for the contents of the AIM Admission Document 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 previous auditors who audited the consolidated financial statements of the Group for the period from incorporation on 3 October 2001 to 31 December 2002 and the previous auditors who audited the financial statements of Genesis Computer Resources Limited for the year ended 31 October 2002 and evidence recorded by us relating to the audit of the consolidated financial statements of the Group for the two years ended 31 December 2004 and the audit of the financial statements of Genesis Computer Resources Limited for the 14 month period ended 31 December 2003 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.

## Part III — Accountants' report on the Group

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 AIM Admission Document, a true and fair view of:

- the results and cash flows of the Group for the period from incorporation on 3 October 2001 to 31 December 2002, the year ended 31 December 2003 and the year ended 31 December 2004 and the state of affairs of the Group at the end of each of those periods; and
- the results and cash flows of Genesis Computer Resources Limited for the year ended 31 October 2002 and the 14 month period ended 31 December 2003 and the state of affairs of Genesis Computer Resources Limited at the end of each of those periods as presented within Note 7.20.

### *Consent*

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

## 2 STATUTORY INFORMATION

The Company was incorporated on 3 October 2001 as Pinco 1688 Limited before changing its name to Mightyquest Limited on 21 November 2001 and subsequently to InterQuest Group Limited on 29 October 2002.

On 13 May 2005 the Company was re-registered a plc.

The Company has the following six wholly-owned direct subsidiaries and one wholly-owned indirect subsidiary with two wholly owned subsidiaries, all of which are incorporated in the United Kingdom:

| Name of subsidiary undertaking   | Acquisition date | Holding of Ordinary Shares | Nature of business |
|--|------------------|----------------------------|--------------------|
| InterQuest (UK) Limited  | November 2001    | 100%                       | Non trading        |
| ITmail Limited (formerly Mightymatch plc and Mightymatch Limited)                | March 2002       | 100%                       | IT recruitment     |
| Corporate Dynamics Limited*  | March 2002       | 100%                       | Non trading        |
| Mightymatch.com Limited**  | March 2002       | 100%                       | Non trading        |
| Mightymatch.net Limited**  | March 2002       | 100%                       | Non trading        |
| Osiris Connections Limited   | May 2002         | 100%                       | IT recruitment     |
| Insight Computer Recruitment Limited   | July 2002        | 100%                       | Non trading        |
| SBS (UK) Limited (formerly Pinco 1733 and then InterQuest Consulting Limited)*** | September 2003   | 100%                       | IT recruitment     |
| Genesis Computer Resources Limited   | October 2003     | 100%                       | IT recruitment     |

\* Indirect shareholding through ITmail Limited

\*\* Indirect shareholding through Corporate Dynamics Limited

\*\*\* InterQuest Consulting Limited acquired the trade and assets of SBS Group (UK) Limited and JCC (UK) Limited and was then renamed SBS (UK) Limited

## 3 PRINCIPAL ACCOUNTING POLICIES

### *Basis of preparation*

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies of the Group have remained unchanged across the period from incorporation on 3 October 2001 to 31 December 2004 and are set out below.

## **Part III — Accountants’ report on the Group**

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### ***Basis of consolidation***

The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings using the acquisition method of accounting.

### ***Goodwill***

Consolidated goodwill and purchased goodwill arising on the acquisition of subsidiary undertakings and other businesses is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors’ estimate of its useful economic life, which is 20 years. Impairment tests on the carrying value of goodwill are undertaken:

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

### ***Turnover***

Turnover, which excludes VAT, is derived from the Group’s provision of IT recruitment solutions.

Turnover for temporary contract assignments is recognised over the contract period for the services of the temporary contractor and includes the amount paid to the temporary contractor. Turnover anticipated, but not invoiced at the balance sheet date, is correspondingly accrued on the balance sheet within “Prepayments and accrued income”.

Turnover from permanent placements, which is based on a percentage of the candidate’s remuneration package, is derived from both retained assignments (income recognised on completion of defined stages of work) and non-retained assignments (income is recognised at the time the candidate accepts an offer of full time employment and where a start date has been determined).

Provision is made for the expected cost of meeting obligations where employees do not work for the specified contractual period.

### ***Tangible fixed assets and depreciation***

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

|                                |                      |
|--------------------------------|----------------------|
| Leasehold improvements         | 20% straight line    |
| Office furniture and equipment | 20% straight line    |
| Motor vehicles                 | 25% reducing balance |

### ***Deferred taxation***

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### ***Liquid resources***

For the purposes of the cash flow statement, liquid resources are defined as short term deposits which may not be accessed without penalty at less than 24 hours notice.

### ***Operating leases***

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the lease term.

### ***Retirement benefits schemes - Personal pension plans***

Group companies contribute to defined contribution pension plans of some employees at rates agreed between the companies and the employees. Contributions are recognised as they become payable.

## Part III — Accountants' report on the Group

### Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account.

### 4 CONSOLIDATED PROFIT AND LOSS ACCOUNTS

|  | Note | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended 31<br>December 2004<br>£'000 |
|--|------|--|---|---|
| <b>Turnover</b>  | 7.1  | 7,218  | 11,916                                  | 24,390                                  |
| Cost of sales  |      | <u>(5,485)</u>                               | <u>(9,357)</u>                          | <u>(19,860)</u>                         |
| <b>Gross profit</b>  |      | 1,733  | 2,559                                   | 4,530                                   |
| Goodwill amortisation  |      | (116)  | (177)                                   | (261)                                   |
| Administrative expenses  |      | <u>(1,161)</u>                               | <u>(2,370)</u>                          | <u>(3,176)</u>                          |
|  |      | (1,277)                                      | (2,547)                                 | (3,437)                                 |
| <b>Operating profit</b>  |      | 456  | 12                                      | 1,093                                   |
| Net interest receivable/(payable)                                | 7.2  | <u>74</u>                                    | <u>(131)</u>                            | <u>(166)</u>                            |
| <b>Profit/(loss) on ordinary activities before taxation</b>      | 7.1  | 530  | (119)                                   | 927                                     |
| Taxation on profit/(loss) on ordinary activities                 | 7.4  | <u>(63)</u>                                  | <u>(9)</u>                              | <u>(241)</u>                            |
| <b>Profit/(loss) retained and transferred to/(from) reserves</b> | 7.12 | <u>467</u>                                   | <u>(128)</u>                            | <u>686</u>                              |

All transactions arose from continuing operations.

There were no recognised gains or losses other than the profit/(loss) for the financial periods.

### 5 CONSOLIDATED BALANCE SHEETS

|  | Note | As at<br>31 December 2002<br>£'000 | As at<br>31 December 2003<br>£'000 | As at<br>31 December 2004<br>£'000 |
|--|------|------------------------------------|------------------------------------|------------------------------------|
| <b>Fixed assets</b>  |      |                                    |                                    |                                    |
| Intangible assets  | 7.5  | 2,812                              | 4,960                              | 4,745                              |
| Tangible assets  | 7.6  | <u>161</u>                         | <u>238</u>                         | <u>199</u>                         |
|  |      | 2,973                              | 5,198                              | 4,944                              |
| <b>Current assets</b>  |      |                                    |                                    |                                    |
| Debtors  | 7.7  | 1,529                              | 3,591                              | 3,618                              |
| Cash at bank and in hand                                       |      | <u>115</u>                         | <u>248</u>                         | <u>611</u>                         |
|  |      | 1,644                              | 3,839                              | 4,229                              |
| <b>Creditors: amounts falling due within one year</b>          | 7.8  | <u>(2,400)</u>                     | <u>(4,231)</u>                     | <u>(4,539)</u>                     |
| <b>Net current liabilities</b>                                 |      | <u>(756)</u>                       | <u>(392)</u>                       | <u>(310)</u>                       |
| <b>Total assets less current liabilities</b>                   |      | 2,217                              | 4,806                              | 4,634                              |
| <b>Creditors: amounts falling due after more than one year</b> | 7.9  | <u>—</u>                           | <u>(1,100)</u>                     | <u>—</u>                           |
|  |      | <u>2,217</u>                       | <u>3,706</u>                       | <u>4,634</u>                       |
| <b>Capital and reserves</b>                                    |      |                                    |                                    |                                    |
| Called up share capital  | 7.11 | 127                                | 191                                | 199                                |
| Share premium account  | 7.12 | 1,623                              | 3,176                              | 3,410                              |
| Profit and loss account  | 7.12 | <u>467</u>                         | <u>339</u>                         | <u>1,025</u>                       |
| <b>Equity shareholders' funds</b>                              | 7.13 | <u>2,217</u>                       | <u>3,706</u>                       | <u>4,634</u>                       |

## Part III — Accountants' report on the Group

### 6 CONSOLIDATED CASH FLOW STATEMENTS

|  | Note | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended 31<br>December 2004<br>£'000 |
|--|------|--|---|---|
| <b>Net cash inflow from operating activities</b>               | 7.14 | 566  | 306                                     | 1,480                                   |
| <b>Returns on investment and servicing of finance</b>          |      |  |   |   |
| Interest paid  |      | (21)   | (131)                                   | (166)                                   |
| Interest received  |      | 95   | —                                       | —                                       |
|  |      | 74   | (131)                                   | (166)                                   |
| <b>Taxation</b>  |      | (233)  | (118)                                   | (179)                                   |
| <b>Capital expenditure and financial investment</b>            |      |  |   |   |
| Payments to acquire tangible fixed assets                      |      | (133)  | (78)                                    | (23)                                    |
| Receipts from sales of tangible fixed assets                   |      | —  | 14                                      | 4                                       |
|  |      | (133)  | (64)                                    | (19)                                    |
| <b>Acquisitions</b>  |      |  |   |   |
| Purchase of subsidiary undertakings and assets and liabilities |      | (4,565)                                      | (2,135)                                 | (46)                                    |
| Net cash acquired with subsidiary undertakings                 |      | 1,732  | 127                                     | —                                       |
|  |      | (2,833)                                      | (2,008)                                 | (46)                                    |
| <b>Management of liquid resources</b>                          |      | 116  | —                                       | —                                       |
| <b>Financing</b>   |      |  |   |   |
| Issue of ordinary share capital                                |      | 1,451  | 1,618                                   | 242                                     |
| Increase/(decrease) in shareholder loans                       |      | 438  | (175)                                   | (263)                                   |
| Increase/(decrease) in trade debtors finance facilities        |      | 667  | 707                                     | (686)                                   |
|  |      | 2,556  | 2,150                                   | (707)                                   |
| <b>Increase in cash</b>  | 7.15 | 113  | 135                                     | 363                                     |

### 7 NOTES TO THE FINANCIAL INFORMATION

#### 7.1 Turnover and profit/(loss) on ordinary activities before taxation

Turnover is wholly attributable to the provision of IT recruitment solutions within the United Kingdom.

The profit/(loss) on ordinary activities before taxation is stated after:

|  | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended<br>31 December 2004<br>£'000 |
|--|--|---|---|
| Amortisation of intangible fixed assets      | 116  | 177                                     | 261                                     |
| Depreciation                                 | 32   | 60                                      | 58                                      |
| Impairment loss                              | 16   | —                                       | —                                       |
| Auditors remuneration                        |  |   |   |
| — audit services                             | 12   | 23                                      | 27                                      |
| — non audit services (taxation advice)       | —  | 11                                      | 14                                      |
| Operating lease rentals - land and buildings | 110  | 138                                     | 138                                     |

## Part III — Accountants' report on the Group

### 7.2 Net interest receivable/(payable)

|   | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended<br>31 December 2004<br>£'000 |
|---|--|---|---|
| Bank interest receivable                          | 95   | —                                       | —                                       |
| Interest payable on shareholder loans             | —  | (39)                                    | (5)                                     |
| Interest payable on trade debtor finance facility | (21)   | (92)                                    | (161)                                   |
|   | <u>74</u>                                    | <u>(131)</u>                            | <u>(166)</u>                            |

### 7.3 Directors and employees

|  | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended<br>31 December 2004<br>£'000 |
|--|--|---|---|
| Staff costs during the year were as follows: |  |   |   |
| Wages and salaries                           | 693  | 1,379                                   | 2,180                                   |
| Social security costs                        | 68   | 149                                     | 237                                     |
| Other pension costs                          | —  | 10                                      | 18                                      |
|  | <u>761</u>                                   | <u>1,538</u>                            | <u>2,435</u>                            |

The average number of employees during the year was:

|                         |           |           |           |
|-------------------------|-----------|-----------|-----------|
| Recruitment consultants | 32        | 33        | 45        |
| Administration          | <u>3</u>  | <u>9</u>  | <u>13</u> |
|                         | <u>35</u> | <u>42</u> | <u>58</u> |

Remuneration in respect of directors was as follows:

|            |            |           |            |
|------------|------------|-----------|------------|
| Emoluments | <u>145</u> | <u>61</u> | <u>244</u> |
|------------|------------|-----------|------------|

The amounts set out above include remuneration in respect of the highest paid director as follows:

|            |          |          |            |
|------------|----------|----------|------------|
| Emoluments | <u>—</u> | <u>—</u> | <u>164</u> |
|------------|----------|----------|------------|

No directors have participated in any of the Group's pension schemes since incorporation.

### Part III — Accountants' report on the Group

#### 7.4 Taxation on profit/(loss) on ordinary activities

|   | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended<br>31 December 2004<br>£'000 |
|---|--|---|---|
| The tax charge is based on the profit/(loss) for the period and represents:   |  |   |   |
| United Kingdom corporation tax at 30%<br>(2003:30%, 2002:30%)   | 63   | 16                                      | 263                                     |
| Adjustments in respect of prior years   | <u>—</u>                                     | <u>(6)</u>                              | <u>(28)</u>                             |
| Total current tax   | 63   | 10                                      | 235                                     |
| Deferred taxation   | <u>—</u>                                     | <u>(1)</u>                              | <u>6</u>                                |
|   | <u>63</u>                                    | <u>9</u>                                | <u>241</u>                              |
| Profit/(loss) on ordinary activities before taxation  | 530  | (119)                                   | 927                                     |
| Profit/(loss) on ordinary activities multiplied by<br>standard rate of corporation tax in the UK of 30%<br>(2003: 30%, 2002: 30%) | 159  | (36)                                    | 278                                     |
| Effect of:  |  |   |   |
| Expenses not deductible for tax purposes  | 2  | 5                                       | 33                                      |
| Goodwill amortisation   | 35   | 53                                      | 44                                      |
| Capital allowances for the period in excess of<br>depreciation  | (124)  | (20)                                    | (72)                                    |
| Write back of provision   | (18)   | —                                       | —                                       |
| Marginal relief   | (8)  | —                                       | (5)                                     |
| Tax losses arising/(utilised) in year   | —  | 12                                      | (8)                                     |
| Unrelieved tax losses carried forward   | 17   | —                                       | —                                       |
| Over provision in prior years   | —  | (6)                                     | (28)                                    |
| Profits credited/(charged) at lower rate of tax   | <u>—</u>                                     | <u>2</u>                                | <u>(7)</u>                              |
| Current tax charge for period   | <u>63</u>                                    | <u>10</u>                               | <u>235</u>                              |

There are trading losses in the Group totalling approximately £2,680,000 (2003: £2,480,000, 2002: £2,360,000) which are available for offset against future profits of that subsidiary from the same trade.

## Part III — Accountants' report on the Group

### 7.5 Intangible fixed assets

|                        | Purchased goodwill<br>£'000 | Goodwill on consolidation<br>£'000 | Total<br>£'000 |
|------------------------|-----------------------------|------------------------------------|----------------|
| <b>Cost</b>            |                             |                                    |                |
| Incorporation          | —                           | —                                  | —              |
| Additions              | —                           | 2,928                              | 2,928          |
| At 31 December 2002    | —                           | 2,928                              | 2,928          |
| Additions              | 801                         | 1,524                              | 2,325          |
| At 31 December 2003    | 801                         | 4,452                              | 5,253          |
| Additions              | —                           | 46                                 | 46             |
| At 31 December 2004    | 801                         | 4,498                              | 5,299          |
| <b>Amortisation</b>    |                             |                                    |                |
| Incorporation          | —                           | —                                  | —              |
| Charge for the period  | —                           | 116                                | 116            |
| At 31 December 2002    | —                           | 116                                | 116            |
| Charge for the year    | 12                          | 165                                | 177            |
| At 31 December 2003    | 12                          | 281                                | 293            |
| Charge for the year    | 40                          | 221                                | 261            |
| At 31 December 2004    | 52                          | 502                                | 554            |
| <b>Net book amount</b> |                             |                                    |                |
| At 31 December 2002    | —                           | 2,812                              | 2,812          |
| At 31 December 2003    | 789                         | 4,171                              | 4,960          |
| At 31 December 2004    | 749                         | 3,996                              | 4,745          |

Included within goodwill additions in 2003 and 2004 are hindsight fair value adjustments in respect of the acquisitions of Insight Computer Recruitment Limited and Genesis Computer Resources Limited respectively totalling £21,000 and £46,000, relating to unprovided acquisition costs.

## Part III — Accountants' report on the Group

### 7.6 Tangible fixed assets

|                           | Leasehold<br>improvements<br>£'000 | Office furniture<br>and equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---------------------------|------------------------------------|--|----------------------------|----------------|
| <b>Cost</b>               |                                    |  |                            |                |
| Incorporation             | —                                  | —  | —                          | —              |
| Acquisition of subsidiary | —                                  | 182  | 45                         | 227            |
| Additions                 | <u>46</u>                          | <u>87</u>                                  | <u>—</u>                   | <u>133</u>     |
| At 31 December 2002       | 46                                 | 269  | 45                         | 360            |
| Additions                 | —                                  | 78   | —                          | 78             |
| Acquisition of subsidiary | —                                  | 73   | —                          | 73             |
| Disposals                 | <u>—</u>                           | <u>(2)</u>                                 | <u>(26)</u>                | <u>(28)</u>    |
| At 31 December 2003       | 46                                 | 418  | 19                         | 483            |
| Additions                 | —                                  | 23   | —                          | 23             |
| Write off/disposals       | <u>—</u>                           | <u>(16)</u>                                | <u>(10)</u>                | <u>(26)</u>    |
| At 31 December 2004       | <u>46</u>                          | <u>425</u>                                 | <u>9</u>                   | <u>480</u>     |
| <b>Depreciation</b>       |                                    |  |                            |                |
| Incorporation             | —                                  | —  | —                          | —              |
| Acquisition               | —                                  | 135  | 16                         | 151            |
| Charge for the period     | 9                                  | 20   | 3                          | 32             |
| Impairment loss           | <u>—</u>                           | <u>16</u>                                  | <u>—</u>                   | <u>16</u>      |
| At 31 December 2002       | 9                                  | 171  | 19                         | 199            |
| Charge for the year       | 9                                  | 45   | 6                          | 60             |
| Disposal                  | <u>—</u>                           | <u>—</u>                                   | <u>(14)</u>                | <u>(14)</u>    |
| At 31 December 2003       | 18                                 | 216  | 11                         | 245            |
| Charge for the year       | 10                                 | 46   | 2                          | 58             |
| Write offs/disposal       | <u>—</u>                           | <u>(16)</u>                                | <u>(6)</u>                 | <u>(22)</u>    |
| At 31 December 2004       | <u>28</u>                          | <u>246</u>                                 | <u>7</u>                   | <u>281</u>     |
| <b>Net book amount</b>    |                                    |  |                            |                |
| At 31 December 2002       | <u>37</u>                          | <u>98</u>                                  | <u>26</u>                  | <u>161</u>     |
| At 31 December 2003       | <u>28</u>                          | <u>202</u>                                 | <u>8</u>                   | <u>238</u>     |
| At 31 December 2004       | <u>18</u>                          | <u>179</u>                                 | <u>2</u>                   | <u>199</u>     |

### 7.7 Debtors

|                                | As at<br>31 December 2002<br>£'000 | As at 31<br>December 2003<br>£'000 | As at<br>31 December 2004<br>£'000 |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Trade debtors                  | 1,468                              | 3,130                              | 3,256                              |
| Other debtors                  | 29                                 | 57                                 | 11                                 |
| Prepayments and accrued income | 32                                 | 403                                | 351                                |
| Deferred tax asset             | <u>—</u>                           | <u>1</u>                           | <u>—</u>                           |
|                                | <u>1,529</u>                       | <u>3,591</u>                       | <u>3,618</u>                       |

Included within trade debtors is a discounted debt amount of £688,000 (2003: £1,374,000, 2002: £667,000). The corresponding liabilities are included within creditors: amounts falling due within one year.

## Part III — Accountants' report on the Group

### 7.8 Creditors: amounts falling due within one year

|                                    | As at<br>31 December 2002<br>£'000 | As at<br>31 December 2003<br>£'000 | As at<br>31 December 2004<br>£'000 |
|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Bank overdraft                     | 2                                  | —                                  | —                                  |
| Shareholder loans                  | 438                                | 263                                | —                                  |
| Trade debtor finance facilities    | 667                                | 1,374                              | 688                                |
| Trade creditors                    | 484                                | 947                                | 1,250                              |
| Corporation tax                    | 180                                | 178                                | 234                                |
| Other taxation and social security | 105                                | 397                                | 464                                |
| Accruals and deferred income       | 276                                | 854                                | 585                                |
| Other creditors                    | 248                                | 218                                | 213                                |
| Deferred contingent consideration  | —                                  | —                                  | 1,100                              |
| Deferred tax liability             | —                                  | —                                  | 5                                  |
|                                    | <u>2,400</u>                       | <u>4,231</u>                       | <u>4,539</u>                       |

The trade debtor finance facilities are secured by fixed and floating charges over all the Group's assets and have a maximum facility of £4.0 million (2003: £4.0 million, 2002: £2.0 million). Interest is charged at 1.25% over the prevailing bank base rate.

The deferred contingent consideration was in respect of the acquisition of Genesis Computer Resources Limited and was paid in cash during January 2005.

### 7.9 Creditors: amounts falling due after more than one year

|                                   | As at<br>31 December 2002<br>£'000 | As at<br>31 December 2003<br>£'000 | As at<br>31 December 2004<br>£'000 |
|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Deferred contingent consideration | —                                  | <u>1,100</u>                       | —                                  |

### 7.10 Deferred taxation

|   | £'000      |
|---|------------|
| At incorporation                              | —          |
| Provided in the period                        | —          |
| At 31 December 2002                           | —          |
| Provided in the period (deferred tax asset)   | <u>1</u>   |
| At 31 December 2003                           | 1          |
| Provided in the year (deferred tax liability) | <u>(6)</u> |
| At 31 December 2004 (deferred tax liability)  | <u>(5)</u> |

In 2003 a deferred tax asset was recognised in relation to short-term timing differences as it was considered that it could be regarded as more likely than not that there will be suitable profits against which the deferred tax asset could be realised.

In 2004 provision was made at current tax rates (30%) for taxation deferred in respect of accelerated capital allowances in excess of depreciation.

## Part III — Accountants' report on the Group

### 7.11 Share capital

|  |  | As at<br>31 December 2002<br>£'000 | 31 December 2003 | As at<br>31 December 2003<br>£'000                   | 31 December 2004 | As at<br>31 December 2004<br>£'000 |
|--|--|------------------------------------|------------------|--|------------------|------------------------------------|
| <b>Authorised</b>                          |  |                                    |                  |  |                  |                                    |
| 80,000,000 Ordinary shares of 1 pence each |  | <u>800</u>                         |                  | <u>800</u>   |                  | <u>800</u>                         |
| <b>Allotted, called up and fully paid</b>  |  |                                    |                  |  |                  |                                    |
| Ordinary shares of 1 pence each            |  | <u>127</u>                         |                  | <u>191</u>   |                  | <u>199</u>                         |
| <b>Date</b>                                |  | <b>Authorised<br/>Number</b>       | <b>£'000</b>     | <b>Allotted, called-up and fully paid<br/>Number</b> |                  | <b>£'000</b>                       |
| Incorporation                              | Ordinary shares of £1 each                 | 1,000                              | 1                | 1  |                  | —                                  |
| 23 Nov 2001                                | Authorised share capital increased         | <u>9,000</u>                       | <u>9</u>         | —  |                  | —                                  |
|  |  | <u>10,000</u>                      | <u>10</u>        | <u>1</u>   |                  | <u>—</u>                           |
| 23 Nov 2001                                | Share split into 1 pence shares            | 1,000,000                          | 10               | 100  |                  | —                                  |
| 23 Nov 2001                                | New Ordinary shares of 1 pence issued      | —                                  | —                | 99,900   |                  | 1                                  |
| 26 Nov 2001                                | Acquisition of InterQuest (UK) Limited     | —                                  | —                | 2,983  |                  | —                                  |
| 15 Feb 2002                                | Authorised share capital increased         | 19,000,000                         | 190              | —  |                  | —                                  |
| 15 Feb 2002                                | Bonus issues of Ordinary shares of 1 pence | —                                  | —                | 8,249,007  |                  | 83                                 |
| 20 Mar 2002 to 19 Aug 2002                 | Acquisition of Mightymatch Plc             | —                                  | —                | 835,199  |                  | 8                                  |
| 10 May 2002                                | Acquisition of Osiris Connections Limited  | —                                  | —                | 2,222  |                  | —                                  |
| 12 July 2002                               | New Ordinary shares of 1 pence issued      | —                                  | —                | 3,461,000  |                  | 35                                 |
| 28 Oct 2002                                | Authorised share capital increased         | <u>60,000,000</u>                  | <u>600</u>       | —  |                  | —                                  |
| <b>As at 31 December 2002</b>              |  | 80,000,000                         | 800              | 12,650,411   |                  | 127                                |
| 15 May 2003                                | Rights issue                               | —                                  | —                | 5,750,172  |                  | 57                                 |
| 16 June 2003                               | Subscription                               | —                                  | —                | 2,000  |                  | —                                  |
| 16 Dec 2003                                | Subscription                               | —                                  | —                | 600,000  |                  | 6                                  |
| 16 Dec 2003                                | Subscription                               | —                                  | —                | <u>120,000</u>                                       |                  | <u>1</u>                           |
| <b>As at 31 December 2003</b>              |  | 80,000,000                         | 800              | 19,122,583   |                  | 191                                |
| 17 June 2004                               | Subscription                               | —                                  | —                | 244,000  |                  | 3                                  |
| 9 Aug 2004                                 | Subscription                               | —                                  | —                | <u>515,000</u>                                       |                  | <u>5</u>                           |
| <b>As at 31 December 2004</b>              |  | <u>80,000,000</u>                  | <u>800</u>       | <u>19,881,583</u>                                    |                  | <u>199</u>                         |

Details of the Group's share options and warrants are set out below:

| Scheme           | Date granted  | Number        | Exercise price         | Date from which exercisable | Expiry date            |
|------------------|---------------|---------------|------------------------|-----------------------------|------------------------|
| EMI options      | 22 Jan 2004   | 585,000       | 36 pence               | 22 Jan 2006                 | 22 Jan 2014            |
|                  | 28 May 2004   | 230,000       | 25 pence               | 22 May 2006                 | 22 May 2014            |
|                  | 23 June 2004  | 400,000       | 25 pence               | 22 June 2006                | 22 June 2014           |
|                  | 5 Jan 2005    | 90,000        | 35 pence               | 5 Jan 2007                  | 5 Jan 2015             |
|                  | 5 Jan 2005    | <u>10,000</u> | 36 pence               | 5 Jan 2007                  | 5 Jan 2015             |
|                  |               | 1,315,000     |                        |                             |                        |
| Founder warrants | 28 Aug 2004   | 2,394,400     | 25 pence               | 28 August 2004              | 31 Dec 2010            |
| Other options    | 13 Jan 2004   | 60,000        | 25 pence               | 13 January 2004             | 13 Jan 2014            |
|                  | 28 April 2005 | 66,000        | 25 pence               | 28 April 2005               | 28 April 2015          |
| A Warrants       | 19 Feb 2002   | 835,189       | 85% of the float price | Flotation                   | 30 days post flotation |
| B Warrants       | 19 Feb 2002   | 323,302       | 90% of the float price | Flotation                   | 30 days post flotation |

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The A and B Warrants were issued as part of the deferred contingent consideration for the acquisition of Mightymatch plc (renamed ITmail Limited). Both the A and B Warrants are exercisable within 30 days from the date of a flotation or reverse takeover at 85% and 90% of the float price respectively and, if they are not exercised within 30 days, they lapse. All warrants expire on 18 February 2009. Given the uncertainty as to whether these warrants will be exercised, the directors do not consider a provision to be necessary.

#### 7.12 Share premium account and reserves

|                            | Share premium<br>account<br>£'000 | Profit and<br>loss account<br>£'000 | Total<br>£'000 |
|----------------------------|-----------------------------------|-------------------------------------|----------------|
| Incorporation              | —                                 | —                                   | —              |
| Issue of share capital     | 1,706                             | —                                   | 1,706          |
| Bonus issue                | (83)                              | —                                   | (83)           |
| Profit for the period      | <u>—</u>                          | <u>467</u>                          | <u>467</u>     |
| <b>At 31 December 2002</b> | 1,623                             | 467                                 | 2,090          |
| Issue of share capital     | 1,553                             | —                                   | 1,553          |
| Loss for the year          | <u>—</u>                          | <u>(128)</u>                        | <u>(128)</u>   |
| <b>At 31 December 2003</b> | 3,176                             | 339                                 | 3,515          |
| Issue of share capital     | 234                               | —                                   | 234            |
| Profit for the year        | <u>—</u>                          | <u>686</u>                          | <u>686</u>     |
| <b>At 31 December 2004</b> | <u>3,410</u>                      | <u>1,025</u>                        | <u>4,435</u>   |

During the period from incorporation on 3 October 2001 to 31 December 2002 the difference between the aggregate nominal value of Ordinary shares issued of £127,000 and the consideration of £1,833,000 was credited to the share premium account (£1,706,000) except for a bonus issue of £83,000 which was made on 15 February 2002 to Park House Investments Limited.

During the year to 31 December 2003 the difference between the nominal value of Ordinary shares issued of £64,000 and the consideration of £1,617,000 was credited to the share premium account (£1,553,000).

During the year to 31 December 2004 the difference between the nominal value of Ordinary shares issued of £8,000 and the consideration of £242,000 was credited to the share premium account (£234,000).

#### 7.13 Reconciliation of movement in equity shareholders' funds

|  | As at<br>31 December 2002<br>£'000 | As at<br>31 December 2003<br>£'000 | As at<br>31 December 2004<br>£'000 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Profit/(loss) for the period               | 467                                | (128)                              | 686                                |
| Issue of share capital                     | <u>1,750</u>                       | <u>1,617</u>                       | <u>242</u>                         |
| Net increase in shareholders' funds        | 2,217                              | 1,489                              | 928                                |
| Equity shareholders' funds brought forward | <u>—</u>                           | <u>2,217</u>                       | <u>3,706</u>                       |
| Equity shareholders' funds carried forward | <u>2,217</u>                       | <u>3,706</u>                       | <u>4,634</u>                       |

## Part III — Accountants' report on the Group

### 7.14 Net cash flow from operating activities

|   | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended<br>31 December 2004<br>£'000 |
|---|--|---|---|
| Operating profit                          | 456  | 12                                      | 1,093                                   |
| Depreciation                              | 32   | 60                                      | 58                                      |
| Impairment loss                           | 16   | —                                       | —                                       |
| Amortisation of intangible assets         | <u>116</u>                                   | <u>177</u>                              | <u>261</u>                              |
|   | 620  | 249                                     | 1,412                                   |
| Decrease/(increase) in debtors            | 547  | (649)                                   | (28)                                    |
| (Decrease)/increase in creditors          | <u>(601)</u>                                 | <u>706</u>                              | <u>96</u>                               |
| Net cash inflow from operating activities | <u><u>566</u></u>                            | <u><u>306</u></u>                       | <u><u>1,480</u></u>                     |

### 7.15 Reconciliation of net cash flow to movement in net debt

|   | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended<br>31 December 2004<br>£'000 |
|---|--|---|---|
| Increase in cash in the year  | 113  | 135                                     | 363                                     |
| Cash flow from (increase)/decrease in trade debtor finance facilities | (667)  | (707)                                   | 686                                     |
| Cash flow from (increase)/decrease in shareholder loans               | <u>(438)</u>                                 | <u>175</u>                              | <u>263</u>                              |
| Movement in net debt in the year                                      | (992)  | (397)                                   | 1,312                                   |
| Net debt brought forward  | <u>—</u>                                     | <u>(992)</u>                            | <u>(1,389)</u>                          |
| Net debt at 31 December   | <u><u>(992)</u></u>                          | <u><u>(1,389)</u></u>                   | <u><u>(77)</u></u>                      |

### 7.16 Analysis of changes in net debt

|                                 | As at<br>31 December 2002<br>£'000 | Cashflow<br>£'000   | As at<br>31 December 2003<br>£'000 | Cashflow<br>£'000   | As at<br>31 December 2004<br>£'000 |
|---------------------------------|------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|
| Cash in hand                    | 115                                | 133                 | 248                                | 363                 | 611                                |
| Bank overdraft                  | <u>(2)</u>                         | <u>2</u>            | <u>—</u>                           | <u>—</u>            | <u>—</u>                           |
|                                 | 113                                | 135                 | 248                                | 363                 | 611                                |
| Shareholders' loans             | (438)                              | 175                 | (263)                              | 263                 | —                                  |
| Trade debtor finance facilities | <u>(667)</u>                       | <u>(707)</u>        | <u>(1,374)</u>                     | <u>686</u>          | <u>(688)</u>                       |
| Net debt                        | <u><u>(992)</u></u>                | <u><u>(397)</u></u> | <u><u>(1,389)</u></u>              | <u><u>1,312</u></u> | <u><u>(77)</u></u>                 |

### 7.17 Capital commitments

The Group had no capital commitments at 31 December 2002, 31 December 2003 or 31 December 2004.

### 7.18 Contingent liabilities

There were no contingent liabilities at 31 December 2002, at 31 December 2003 or 31 December 2004.

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### 7.19 Leasing commitments

The Group has operating lease payments amounting to £138,300 (2003: £138,300, 2002: £110,000) payable within one year. The leases to which these amounts relate expire as follows:

|                            | As at<br>31 December 2002<br>£'000 | As at<br>31 December 2003<br>£'000 | As at<br>31 December 2004<br>£'000 |
|----------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>Land and buildings</b>  |                                    |                                    |                                    |
| Within one year            | —                                  | 12                                 | 12                                 |
| Between one and five years | <u>110</u>                         | <u>126</u>                         | <u>126</u>                         |
|                            | <u>110</u>                         | <u>138</u>                         | <u>138</u>                         |

### 7.20 Acquisitions

#### *Acquisitions from 3 October 2001 to 31 December 2002*

We summarise in the table below the book and fair values of the assets and liabilities of the acquisitions and their contributions to Group profit after tax and cash flows during the period from 3 October 2001 to 31 December 2002:

| Acquisition date                                    | InterQuest (UK)<br>Limited<br>26.11.01<br>£'000 | Mightymatch<br>plc<br>12.03.02<br>£'000 | Osiris<br>Connections<br>Limited<br>10.05.02<br>£'000 | Insight Computer<br>Recruitment<br>Limited<br>12.07.02<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|----------------|
| Tangible fixed assets                               | 3   | 38                                      |   | 35  | 76             |
| Debtors   | 1,161   | 250                                     | —   | 461   | 1,872          |
| Current asset investments                           | —   | 116                                     | —   | —   | 116            |
| Cash in hand and at bank                            | 987   | 107                                     | 1   | 637   | 1,732          |
| Creditors due within one year                       | <u>(877)</u>                                    | <u>(454)</u>                            | <u>(2)</u>  | <u>(527)</u>  | <u>(1,860)</u> |
| <b>Net assets</b>                                   | 1,274   | 57                                      | (1)   | 606   | 1,936          |
| Goodwill arising on acquisition                     | <u>1,520</u>                                    | <u>267</u>                              | <u>7</u>  | <u>1,134</u>  | <u>2,928</u>   |
|   | <u>2,794</u>                                    | <u>324</u>                              | <u>6</u>  | <u>1,740</u>  | <u>4,864</u>   |
| <b>Discharged by:</b>                               |   |   |   |   |                |
| Ordinary shares                                     | 73  | 225                                     | 1   | —   | 299            |
| Cash  | 277   | —                                       | —   | 1,240   | 1,517          |
| Loan notes  | 2,100   | —                                       | —   | 455   | 2,555          |
| Costs associated with the acquisition               | 42  | 99                                      | 5   | 45  | 191            |
| Deferred consideration                              | <u>302</u>                                      | <u>—</u>                                | <u>—</u>  | <u>—</u>  | <u>302</u>     |
|   | <u>2,794</u>                                    | <u>324</u>                              | <u>6</u>  | <u>1,740</u>  | <u>4,864</u>   |
| <b>Contribution to Group profit after taxation:</b> |   |   |   |   |                |
| Pre acquisition profit after taxation               | 241   | —                                       | —   | 136   | 377            |
| Post acquisition profit after taxation              | <u>—</u>  | <u>183</u>                              | <u>17</u>   | <u>—</u>  | <u>200</u>     |
|   | <u>241</u>                                      | <u>183</u>                              | <u>17</u>   | <u>136</u>  | <u>577</u>     |
| <b>Contribution to Group cash flows:</b>            |   |   |   |   |                |
| Net operating cash flows                            | —   | (238)                                   | 2   | —   | (236)          |
| Net returns on investments and servicing of finance | —   | 73                                      | —   | —   | 73             |
| Capital expenditure and financial investment        | —   | (59)                                    | —   | —   | (59)           |
| Management of liquid resources                      | <u>—</u>  | <u>116</u>                              | <u>—</u>  | <u>—</u>  | <u>116</u>     |
|   | <u>—</u>  | <u>(108)</u>                            | <u>2</u>  | <u>—</u>  | <u>(106)</u>   |

### **Part III — Accountants' report on the Group**

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#### ***InterQuest (UK) Limited (“InterQuest UK”)***

On 26 November 2001, the Company acquired InterQuest UK for consideration of £2,450,000 satisfied by the issue of 2,983 ordinary shares of 1 pence each, cash of £277,000 and loan notes of £2,100,000. On 30 November 2002, additional deferred consideration totalling £302,000 was paid in cash.

#### ***Mightymatch Plc (“Mightymatch”) (renamed ITMail Limited in April 2004)***

On 12 March 2002, the Company acquired Mightymatch for consideration of £225,000 satisfied by the issue of 835,199 ordinary shares of 1 pence each and 835,189 “A” Warrants and 323,320 “B” Warrants as described in note 7.11.

Corporate Dynamics Limited (“CDL”) is a wholly owned subsidiary of Mightymatch. The trade of CDL was transferred to Mightymatch on 31 December 2002 and thereafter the company has not traded.

#### ***Osiris Connections Limited (“Osiris”)***

On 10 May 2002, the Company acquired Osiris for consideration of £1,000 satisfied by the issue of 2,222 ordinary shares of 1 pence.

#### ***Insight Computer Recruitment Limited (“Insight”)***

On 12 July 2002, the Company acquired Insight for consideration of £1,695,000 satisfied by cash of £1,240,000 and loan notes of £455,000 which were repaid in the period.

## Part III — Accountants' report on the Group

### *Acquisitions during the year ended 31 December 2003*

We summarise in the table below the book and fair values of the assets and liabilities of the acquisitions and their contributions to Group profit after tax and cash flows during the year ended 31 December 2003:

| Acquisition date                                    | 12.09.03                     | 6.10.03  |                     | Fair value<br>£'000 | Total<br>£'000 |
|---|------------------------------|--|---------------------|---------------------|----------------|
|   | SBS (UK)<br>Limited<br>£'000 | Genesis Computer<br>Resources Limited<br>Book value<br>£'000 | Adjustment<br>£'000 |                     |                |
| Intangible fixed assets                             | —                            | 600  | (600)               | —                   | —              |
| Tangible fixed assets                               | 66                           | 7  | —                   | 7                   | 73             |
| Debtors   | 679                          | 938  | —                   | 938                 | 1,617          |
| Current asset investments                           | —                            | —  | —                   | —                   | —              |
| Cash in hand and at bank                            | —                            | 127  | —                   | 127                 | 127            |
| Creditors due within one year                       | (100)                        | (681)  | (105)               | (786)               | (886)          |
| <b>Net assets</b>                                   | 645                          | 991  | (705)               | 286                 | 931            |
| Goodwill arising on acquisition                     | 801                          | —  | —                   | 1,503               | 2,304          |
|   | <u>1,446</u>                 |  |                     | <u>1,789</u>        | <u>3,235</u>   |
| <b>Discharged by:</b>                               |                              |  |                     |                     |                |
| Cash  | 1,200                        | —  | —                   | 600                 | 1,800          |
| Costs associated with the acquisition               | 246                          | —  | —                   | 89                  | 335            |
| Deferred consideration                              | —                            | —  | —                   | 1,100               | 1,100          |
|   | <u>1,446</u>                 |  |                     | <u>1,789</u>        | <u>3,235</u>   |
| <b>Contribution to Group profit after taxation:</b> |                              |  |                     |                     |                |
| Pre acquisition profit after tax                    | (15)                         | —  | —                   | 166                 | 151            |
| Post acquisition profit after tax                   | —                            | —  | —                   | 82                  | 82             |
|   | <u>(15)</u>                  |  |                     | <u>248</u>          | <u>233</u>     |
| <b>Contribution to Group cash flows:</b>            |                              |  |                     |                     |                |
| Net operating cash flows                            | —                            | —  | —                   | 93                  | 93             |
| Net returns on investments and servicing of finance | —                            | —  | —                   | (5)                 | (5)            |
| Capital expenditure and financial investment        | —                            | —  | —                   | —                   | —              |
| Management of liquid resources                      | —                            | —  | —                   | —                   | —              |
|   | <u>—</u>                     |  |                     | <u>88</u>           | <u>88</u>      |

#### ***SBS (UK) Limited (previously known as InterQuest Consulting Limited) (“SBS”)***

On 12 September 2003, SBS acquired the assets and liabilities of SBS Group (UK) Limited and JCC (UK) Limited for consideration of £1,200,000 satisfied in cash.

#### ***Genesis Computer Resources Limited (“Genesis”)***

On 6 October 2003, the Company acquired Genesis for initial consideration of £600,000 satisfied in cash and £1,100,000 of deferred contingent consideration was paid in full in cash in January 2005.

Due to the materiality of the Genesis Computer Resources Limited acquisition on 6 October 2003, additional financial information in relation to this company is included below which is based on the audited financial statements of this company for the year ended 31 October 2002 and the 14 month period ended 31 December 2003 to which no adjustments were considered necessary. We note that the results and cash flows of Genesis from 6 October 2003 to 31 December 2003 are included in the Group consolidation along with the balance sheet at 31 December 2003.

### Part III — Accountants' report on the Group

The financial results of Genesis for the year ended 31 October 2002 and 14 month period ended 31 December 2003 are as follows:

|  | Year ended<br>31 October 2002<br>£'000 | 14 month period ended<br>31 December 2003<br>£'000 |
|--|--|--|
| <b>Turnover</b>                                      | 10,001                                 | 8,328  |
| Cost of sales  | <u>(8,788)</u>                         | <u>(7,261)</u>                                     |
| <b>Gross profit</b>                                  | 1,213                                  | 1,067  |
| Administrative expenses                              | <u>(846)</u>                           | <u>(661)</u>                                       |
| <b>Operating profit</b>                              | 367                                    | 406  |
| Interest payable                                     | —                                      | (42)   |
| Interest receivable                                  | <u>15</u>                              | <u>4</u>   |
| <b>Profit on ordinary activities before taxation</b> | 382                                    | 368  |
| Taxation   | <u>(117)</u>                           | <u>(120)</u>                                       |
| <b>Profit on ordinary activities after taxation</b>  | <u>265</u>                             | <u>248</u>   |

The balance sheets of Genesis as at 31 October 2002 and 31 December 2003 are as follows:

|  | At 31 October 2002<br>£'000 | At 31 December 2003<br>£'000 |
|--|-----------------------------|------------------------------|
| <b>Fixed assets</b>  |                             |                              |
| Intangible assets  | 676                         | 588                          |
| Tangible assets  | <u>12</u>                   | <u>5</u>                     |
|  | 688                         | 593                          |
| <b>Current assets</b>  |                             |                              |
| Debtors  | 1,345                       | 1,325                        |
| Cash at bank and in hand                                       | <u>418</u>                  | <u>25</u>                    |
|  | 1,763                       | 1,350                        |
| <b>Creditors: amounts falling due within one year</b>          | <u>(1,175)</u>              | <u>(969)</u>                 |
| <b>Net current assets</b>                                      | <u>588</u>                  | <u>381</u>                   |
| <b>Total assets less current liabilities</b>                   | 1,276                       | 974                          |
| <b>Creditors: amounts falling due after more than one year</b> | <u>(550)</u>                | <u>—</u>                     |
|  | <u>726</u>                  | <u>974</u>                   |
| <b>Capital and reserves</b>                                    |                             |                              |
| Called up share capital  | 80                          | 80                           |
| Share premium account  | 40                          | 40                           |
| Profit and loss account  | <u>606</u>                  | <u>854</u>                   |
| <b>Shareholders' funds</b>                                     | <u>726</u>                  | <u>974</u>                   |

### Part III — Accountants' report on the Group

The cash flows of Genesis for the year ended 31 October 2002 and 14 month period ended 31 December 2003 are as follows:

|  | Year ended<br>31 October 2002 | 14 month period ended<br>31 December 2003 |
|--|-------------------------------|---|
| <b>Net cash (outflow)/inflow from operating activities</b> | (384)                         | 195                                       |
| <b>Returns on investment and servicing of finance</b>      |                               |   |
| Interest paid  | —                             | (42)                                      |
| Interest received  | <u>15</u>                     | <u>4</u>                                  |
|  | 15                            | (38)                                      |
| <b>Taxation</b>  | 200                           | (117)                                     |
| <b>Capital expenditure and financial investment</b>        |                               |   |
| Payments to acquire tangible fixed assets                  | (2)                           | (3)                                       |
| Payments to acquire intangible fixed assets                | <u>(750)</u>                  | <u>—</u>                                  |
|  | (752)                         | (3)                                       |
| <b>Financing</b>   |                               |   |
| Purchase of own shares                                     | (446)                         | —   |
| Invoice discounting  | —                             | 120                                       |
| Long term loans  | <u>550</u>                    | <u>(550)</u>                              |
|  | 104                           | (430)                                     |
| <b>Decrease in cash</b>                                    | <u>(817)</u>                  | <u>(393)</u>                              |

#### 7.21 Transactions with directors and other related parties

##### *Transactions with directors*

The following amounts were owed to directors which related to unsecured shareholder loans with interest at 1.25% above LIBOR:

| Name of director | As at<br>31 December<br>2002<br>£'000 | As at<br>31 December<br>2003<br>£'000 | As at<br>31 December<br>2004<br>£'000 | As at<br>31 December<br>2002<br>£'000 | As at<br>31 December<br>2003<br>£'000 | As at<br>31 December<br>2004<br>£'000 |
|------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|                  | Amount outstanding                    |                                       |                                       | Interest payable                      |                                       |                                       |
| G P Ashworth     | 263                                   | 263                                   | —                                     | 18                                    | 17                                    | 6                                     |
| G R S Sitwell    | 39                                    | —                                     | —                                     | —                                     | 1                                     | —                                     |
| L O Johnson      | 80                                    | —                                     | —                                     | 2                                     | 1                                     | —                                     |

##### *Transactions with other related parties*

| Related party                                    | Nature of business                | 15 months ended<br>31 December 2002<br>£'000 | Year ended<br>31 December 2003<br>£'000 | Year ended<br>31 December 2004<br>£'000 |
|--|-----------------------------------|--|---|---|
| Vail Securities Limited (GP Ashworth owns 100%)  | Underwriting fee                  | —  | 100                                     | —                                       |
| Vail Securities Limited (GP Ashworth owns 100%)  | Consultancy services              | —  | 60                                      | —                                       |
| Vail Securities Limited (GP Ashworth owns 100%)  | Secretarial services and expenses | —  | —                                       | 5                                       |
| Doble Consulting Limited (GRS Sitwell owns 100%) | Consultancy services              | 20   | 60                                      | —                                       |
| A W Found  | Consultancy services              | —  | 15                                      | 18                                      |

All transactions were conducted on an arms length basis. No amounts were outstanding at 31 December 2002, 31 December 2003 or 31 December 2004.

Yours faithfully

GRANT THORNTON UK LLP

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# Part IV — Unaudited Pro Forma Statement of Net Assets

Grant Thornton 

The Directors  
Interquest Group plc  
20-23 Greville Street  
LONDON  
EC 1N 8SS

**Grant Thornton UK LLP**  
**Grant Thornton House**  
**Melton Street**  
**Euston Square**  
**LONDON**  
**NW1 2EP**

The Directors  
Panmure Gordon (UK) Limited  
Moorgate Hall  
155 Moorgate  
LONDON  
EC2M 6XB

17 May 2005

Dear Sirs

## **PRO FORMA STATEMENT OF NET ASSETS**

We report on the pro forma statement of net assets set out in Part IV of the AIM Admission Document dated 17 May 2005, which has been prepared, for illustrative purposes only, to provide information about how the admission to AIM and related placing might have affected the financial information presented.

## **RESPONSIBILITIES**

It is the responsibility solely of the directors of InterQuest Group 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 the reports were addressed by us at the dates 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 financial information 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 of InterQuest Group plc.

## **OPINION**

In our opinion:

- the pro forma statement of net assets has been properly compiled on the basis stated
- such basis is consistent with the accounting policies of InterQuest Group plc
- the adjustments are appropriate for the purposes of the pro forma statement of net assets as disclosed

Yours faithfully

GRANT THORNTON UK LLP

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## PRO FORMA STATEMENT OF NET ASSETS

The following is an unaudited pro forma statement of net assets of the InterQuest Group which has been prepared on the basis set out in the notes below. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only to show the effects on the net assets of the InterQuest Group as if the admission to AIM and related Placing had taken place on 31 December 2004. Because of its nature the unaudited pro forma statement of net assets may not give a true picture of the financial position of the InterQuest Group.

|   | <i>InterQuest<br/>Group<br/>(Note 1)</i><br>£'000 | <i>Adjustments<br/>(Note 2) (Note 3)</i><br>£'000 |              | <i>Pro-forma<br/>InterQuest Group</i><br>£'000 |
|---|---|---|--------------|--|
| <b>Fixed assets</b>                                       |   |   |              |  |
| Intangible assets   | 4,745   | —   | —            | 4,745  |
| Tangible assets   | 199   | —   | —            | 199  |
|   | <u>4,944</u>                                      | <u>—</u>  | <u>—</u>     | <u>4,944</u>                                   |
| <b>Current assets</b>                                     |   |   |              |  |
| Debtors   | 3,618   | —   | —            | 3,618  |
| Cash at bank and in hand                                  | 611   | 3,000   | (640)        | 2,971  |
|   | <u>4,229</u>                                      | <u>3,000</u>                                      | <u>(640)</u> | <u>6,589</u>                                   |
| <b>Creditors: amounts falling due<br/>within one year</b> | <u>(4,539)</u>                                    | <u>—</u>  | <u>—</u>     | <u>(4,539)</u>                                 |
| <b>Net current (liabilities)/assets</b>                   | <u>(310)</u>                                      | <u>3,000</u>                                      | <u>(640)</u> | <u>2,050</u>                                   |
|   | <u>4,634</u>                                      | <u>3,000</u>                                      | <u>(640)</u> | <u>6,994</u>                                   |

### Notes

1. Net assets of the InterQuest Group at 31 December 2004 as extracted from the Accountants' Report presented in Part III of the AIM Admission Document.
2. Placing of 5,454,550 Ordinary shares of 1 pence each at 55 pence per share
3. InterQuest Group's net costs in relation to the admission of its shares to trading on AIM.
4. This pro forma statement of net assets does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985
5. No adjustment has been made for trading or changes in the InterQuest Group's working capital since 31 December 2004.

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## Part V — Additional information

### 1. Responsibility Statement

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

### 2. Incorporation and Status of the Company

- 2.1 The Company was incorporated and registered in England and Wales on 3 October 2001 with the name Pinco 1688 Limited as a private limited company under the Act with registered number 04298109. The Company changed its name to Mightyquest Limited and InterQuest Group Limited on 21 November 2001 and 29 October 2002 respectively.
- 2.2 The principal legislation under which the Company operates is the Act and regulations made thereunder.
- 2.3 The Company was re-registered as a public company under Section 43 of the Act on 13 May 2005.
- 2.4 The Company's principal activity is that of a general commercial company.
- 2.5 The liability of the members of the Company is limited.
- 2.6 The Company's registered office is located at 20-23 Greville Street, London EC1N 8SS.

### 3. Share Capital of the Company

- 3.1 At the date of its incorporation, the Company had an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, of which one ordinary share of £1 each was in issue nil paid.
- 3.2 On 23 November 2001, pursuant to resolutions of the shareholders of the Company:
  - 3.2.1 the authorised share capital was increased to £10,000 divided into 10,000 ordinary shares of £1 each; and
  - 3.2.2 each of the issued and unissued ordinary shares of £1 each was sub-divided into 100 ordinary shares of £0.01 each.
- 3.3 On 15 February 2002, pursuant to resolutions of the shareholders of the Company, the authorised share capital was increased to £200,000 divided into 20,000,000 ordinary shares of £0.01 each.
- 3.4 On 28 October 2002, pursuant to resolutions of the shareholders of the Company, the authorised share capital was increased to £800,000 divided into 80,000,000 ordinary shares of £0.01 each.
- 3.5 On 13 May pursuant to resolutions of the shareholders of the Company:
  - 3.5.1 in substitution for all existing authorities, the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £600,184.17 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever first occurs but the Company may make an offer or agreement prior to expiry of this authority which would or might require relevant securities to be allotted after expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement;
  - 3.5.2 in substitution for all existing authorities, the Directors were generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by resolution 3.5.1 above as if section 89(1) of the Act did not apply to the allotment. This power:-
    - (a) expires 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this

## Part V — Additional Information

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resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the directors may allot equity securities in pursuance of that offer or agreement; and

(b) is limited to:-

(i) the allotment of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be) to their holdings of Ordinary Shares but subject to the Directors having the right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory; and

(ii) (other than pursuant to paragraph (i)) up to an aggregate nominal amount of £185,000 and

3.5.3 conditional upon Admission, new Articles of Association of the Company were adopted.

3.6 As at the date of this document, the Company has an authorised share capital of £800,000 divided into 80,000,000 Ordinary Shares and a fully paid up or credited as fully paid up issued share capital of £198,815.83 divided into 19,881,583 Ordinary Shares.

3.7 Immediately following the Placing and Admission, the authorised share capital of the Company will be £800,000 divided into 80,000,000 Ordinary Shares and the issued share capital will be £253,361.33 divided into 25,336,133 Ordinary Shares each fully paid or credited as fully paid.

3.8 Immediately following the Placing and Admission, the Directors will have authority pursuant to section 80 of the Act to allot relevant securities up to an aggregate amount of £600,184.15.

3.9 Save as disclosed in this document, the Directors have no present intention of issuing any part of the authorised but unissued share capital.

3.10 The provisions of section 89(1) of the Act confer on Shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash and upon Admission will apply to the whole of the authorised but unissued share capital of the Company except to the extent disapplied by the resolutions referred to in paragraph above.

3.11 Save as disclosed in this document:

3.11.1 no unissued share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for consideration other than cash;

3.11.2 there have been no listed or unlisted securities issued by the Company not representing share capital and there are no convertible securities issued by the Company;

3.11.3 no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;

3.11.4 there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises; and

3.11.5 no commission, discount, brokerage or other special terms have been granted by the Company or are now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.

3.12 The Placing Shares that are being issued by the Company under the Placing are being issued at a price of 55p per share, representing a premium of 54p over their nominal value. The Placing Price is payable in full in cash on application. No applications for Placing Shares have been or will be accepted other than under the terms of the Placing Agreement and the contract note sent to prospective placees under the Placing. All Placing Shares have been conditionally placed.

3.13 None of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for Admission.

## Part V — Additional Information

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- 3.14 The Ordinary Shares in issue at the date of this document are in registered form. The Ordinary Shares issued on Admission will be represented by definitive certificates and will be freely transferable in registered form. It is expected that definitive certificates will be despatched by 27 May 2005.

### 4. Share Option Schemes

#### The InterQuest Group Limited Savings-Related Share Option Scheme (the “SAYE Scheme”)

1. **General** – The SAYE Scheme provides for the grant of tax-favoured options, linked to Inland Revenue approved fixed-term savings contracts for 3, 5 or 7 years (“**Savings Contracts**”). Upon expiry of the Savings Contract the participant may elect either to apply the proceeds together with a tax-free bonus to exercise his option or to withdraw the monies for his own use.
2. **Eligibility** – All UK resident or ordinarily resident employees and full-time directors of any participating company (being a member of the InterQuest Group which has been nominated as such by the directors), and any other employees nominated by the directors.
3. **Invitations** – Invitations to apply for options and enter into a Savings Contract making monthly savings contributions of a fixed amount of not less than £10 or more than £250 may be issued within a period of 4 weeks beginning with the fourth day following an announcement of the Company’s results or at any other time in exceptional circumstances. No invitations may be issued after 6 May 2014.
4. **Limit on Grant of Options** – There is a limit, of 15% of the Company’s issued share capital, on the grant of Options and the issue of shares in any 10-year period, under the SAYE Scheme and any other employees’ share scheme established by the Company. Options granted and shares issued in satisfaction of Options granted prior to Admission will not count towards this limit.
5. **Grant of Options** – SAYE options may only be granted by the board of directors.
6. **Exercise Price** – The price per share payable upon exercise of SAYE options is determined by the directors but shall not be less than 80 per cent of the market value of a share as agreed with Inland Revenue Shares Valuation.
7. **Exercise of Options** – Options may normally be exercised only within six months of the expiry of the relevant Savings Contract. Earlier exercise is permitted within six months of leaving employment by reason of injury, disability, redundancy, retirement on or after reaching age 60, or if the optionholder’s employer ceases to be within the Group or an associated company. If an optionholder dies, his personal representatives may exercise an option within twelve months thereafter. Early exercise is also permitted in the event of a take-over, amalgamation, reconstruction or voluntary winding-up of the Company, or if the participant reaches age 60 but remains in employment. The Option may only be exercised to the extent of funds already held in the employee’s Savings Contract.
8. **Amendments** – The directors may amend the rules in any respect, except that no amendment may be made which would prejudice the rights of existing optionholders. No amendment may be made to the terms on which options may be granted to make them more generous, without the prior approval of shareholders. No amendments may be made to a key feature of the SAYE Scheme without the prior approval of the Inland Revenue.

#### The InterQuest Group Unapproved Share Option Scheme (the “New Scheme”)

1. **General** – The New Scheme provides for the grant of performance related share options which are either unapproved for tax purposes (“Unapproved Options”) or tax favoured enterprise management incentive (“EMI”) options.
2. **Eligibility** – An EMI option may only be granted to an employee (including a director) who either works full-time or devotes at least 75% of his or her working time to the Group. The directors have discretion as to the selection of employees (including directors) to whom options are granted.
3. **Limit on Grant of Options** – There is a limit, of 15% of the Company’s issued share capital, on the grant of options and the issue of shares in any 10-year period, under the New Scheme and any other employees’ share scheme established by the Company. Options granted and shares issued in satisfaction of options granted prior to Admission will not count towards this limit.

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4. **Grant of Options** – Options may be granted either by the Company or another grantor such as an employees' trust at any time not prohibited by the AIM Rules. EMI options are granted by way of share option contract executed by the optionholder and the grantor.
5. **Exercise Price** – The exercise price is determined by the Directors but will normally be at least the market value of a share as agreed with Inland Revenue Shares Valuation. It is currently intended that options may be granted after Admission at an exercise price equal to the Placing Price, which may then be less than market value of an Ordinary Share.
6. **Exercise of Options** – An option may not normally be exercised before the exercise date specified at the date of grant and/or before any applicable performance target has been met. No option may be exercised more than ten years after the date of grant. If an optionholder leaves employment by reason of injury, disability, redundancy, retirement on or after reaching age 60 or the optionholder's employer ceases to be within the group or an associated company before the option vests, then unless the directors otherwise determine the option may only be exercised when any relevant performance condition has been met and then only in respect of such proportion of the option shares that become vested as relates to the proportion of the performance period for which the optionholder remains in employment. If an optionholder dies, his personal representatives may exercise an option within 12 months thereafter. If he leaves in any other circumstances options are only exercisable to the extent that the directors in their absolute discretion determine and notify to the optionholder within three months of cessation.

Early exercise is also permitted in the event of a takeover, amalgamation, reconstruction or voluntary winding-up of the Company or (in certain circumstances) in the case of a demerger.

7. **Amendments** – The directors may amend the rules in any respect, except that no amendment may be made which would prejudice the rights the existing optionholders and no amendment may be made to the advantage of present or future optionholders without the prior approval of shareholders other than minor amendments necessary to improve the administration of the New Scheme or to take account of changes in legislation or enable favourable tax treatment to be obtained or maintained for optionholders, the Company or the Group. Any amendment to an individual option contract requires the approval of the optionholder.

### Features common to each of the SAYE Scheme and the New Scheme (together, the “Schemes”)

1. **Non-transferability of options** – Options granted under the Schemes are not transferable (except in the case of the death of the optionholder to the optionholder's personal representatives) and are not pensionable benefits.
2. **Variation of share capital** – In the event of a variation of share capital, the Directors may adjust the number, amount or description of shares subject to any option and/or the exercise price. In the case of any variation other than a sub-division, consolidation or capitalisation issue, then the Company's auditors must confirm in writing that any adjustment proposed is fair and reasonable.
3. **Rights attaching to the Shares** – Shares issued or transferred on the exercise of an option shall rank equally with all other ordinary shares in the capital of the Company for the time being in issue, save as regards any rights attaching to shares by reference to a record date prior to the allotment or transfer of such shares.

### The InterQuest Group EMI Share Option Plan (the “EMI Plan”)

1. **General** – The share option contracts granted pursuant to the EMI Plan contain all the exercise and other provisions applicable to such options. As no further options will be granted under the EMI Plan, only the relevant provisions in the extant share option contracts are detailed below.
2. **Exercise and Lapse of Options** – Options are normally exercisable only following the later of 1 May 2005 and Admission within such one or more other periods as the Directors determine and notify to optionholders within 30 days after Admission. The Directors have determined that, following Admission, the period for exercise of options will commence 2 years after the date of grant and will end on the day preceding the 10<sup>th</sup> anniversary of the date of grant. An Option lapses immediately if the Optionholder ceases to be employed within the Group. No option may be exercised more than 10 years after its date of grant.

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3. **Reconstruction, winding-up, takeover or assets sale of the Company** – Options may be exercised in the event of a demerger or statutory reconstruction of the company within specified periods. If notice is given to shareholders of a resolution for the voluntary winding up of the company, Options may be exercised at any time before the winding up commences or within such other period as is notified to optionholders. All options will lapse on the commencement of a winding up of the Company. If shareholders accept a takeover offer for the Company, Options may be exercised during the period of 3 months following the change of control.
4. **Amendments** – The Directors may at any time for any reason amend the EMI Plan. No amendment shall be made which benefits optionholders, to specified key features of the EMI Plan without shareholder approval, except to the extent that the amendment is either a minor amendment which is necessary or appropriate to benefit the administration of the EMI Plan or is to take account of a change in legislation or is to obtain or maintain favourable tax, exchange control or regulatory treatment for optionholders or for the Company or any Group company. Any amendment to an Option under the EMI Plan requires the approval of the optionholder.

### The MightyMatch Employee Benefit Trust (the “Trust”)

#### Discretionary Trust

1. The Trust is a discretionary settlement for the benefit of employees and former employees of companies within the ITMail group of companies (ITMail Limited (formerly MightyMatch plc) and its subsidiaries from time to time). The Trust was established by ITMail Limited (formerly MightyMatch plc) and Atlas Trust Company (Jersey) Limited (the “Trustee”) under Jersey law and is controlled and managed outside the UK. The Trustee is a single corporate trustee which is an independent offshore trustee services organisation.
2. **Voting** – The Trustee has the power to exercise voting rights in relation to any securities forming part of the trust fund.
3. **Appointment of Trustees** – The Trustee has the power to appoint additional or new trustees, and to remove trustees. ITMail Limited has the power to appoint a Protector who is required to consent to the exercise by the Trustee of its power of appointment of trustees. To date, ITMail has not appointed a Protector.
4. **Trust Powers** – Funds contributed or lent to the Trust by members of the ITMail Group must be applied in providing benefits to any one or more beneficiaries of the Trust. The Trustee has broad discretionary powers including the power to grant options or other awards over shares or securities forming part of the trust fund or to make cash payments or distributions of other assets to any beneficiary in connection with termination of employment by reason of disablement or death of any beneficiary.

It is proposed, subject to the agreement of the Trustee, that the Trust assets should be distributed and the Trust wound up.

### Deed Poll for Issue of Founder Warrants to Subscribe for Shares in InterQuest Group Limited

1. **General** – The Deed Poll evidences the creation and issue of warrants to subscribe for shares. The warrants in issue are in respect of an aggregate 2,394,400 shares, representing approximately 9.5 per cent. of the issued share capital of the Company on Admission. Details of the Directors who have been granted Founder Warrants are set out in paragraph 6 below. With effect from Admission no further warrants will be issued.
2. **Subscription Price** – The exercise price under the warrants is 25p per ordinary share.
3. **Shareholder Consent** – It is a term of the warrants that the Company seeks shareholder approval for the necessary increase in its share capital, for authority for the directors to allot shares to warrant holders on the exercise of their subscription rights and for the disapplication, pursuant to section 95 Companies Act 1985 of pre-emption rights under section 89 of the Act.
4. **Exercise of Subscription Rights** – The warrants may be exercised at any time during the period ending on 10 December 2010. If a takeover, amalgamation, reconstruction or repurchase of shares occurs or an order or resolution for the winding-up of the Company is passed, then the warrant holder may exercise his subscription rights within specified periods, and the warrants will lapse at the end of such

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periods. The holders of Founder Warrants have agreed to indemnify the Company in respect of any income tax or NICs (including employer's secondary Class I NICs) arising on the exercise of their Founder Warrants. The Company has the right to withhold the issue or transfer of shares on the exercise of any Founder Warrants unless and until the relevant holder of Founder Warrants has made satisfactory arrangements to meet such liability.

5. **Adjustments** – If there is a consolidation, sub-division, capitalisation or capital distribution, the subscription price shall be adjusted in accordance with the terms of the Deed Poll, provided that any such adjustment shall be certified by the Company's auditors to be fair and reasonable.

### **Alan Found Options**

On 13 January 2004, the Company granted to Alan Found a right to subscribe for 60,000 Ordinary Shares at a price of 25p per share, subject to terms similar to the terms of the Share Option Deed detailed below. On 28 April 2005, Mr Found was granted a further 66,000 at a price of 25p per share, subject to the terms of a Share Option Deed.

Unless the Directors determine otherwise, the option granted on 28 April 2005 may only be exercised if, within a period of 30 days after the date of grant, Mr Found executes and returns to the Company a form of acceptance of the terms of the Share Option Deed.

Under the terms of the Share Option Deed, each option is exercisable immediately, and will remain exercisable until the day preceding the 10<sup>th</sup> anniversary of the date of grant. In the event that Mr Found ceases to hold any office within the Group, the options will lapse. The options also lapse if not exercised within certain specified periods following a takeover, demerger, reconstruction or winding-up of the Company.

It is a term of the options that Mr Found indemnifies the Company in respect of any income tax or NICs (including employer's secondary Class 1 NICs) arising on the exercise of any option. The Company has the right to withhold the issue or transfer of shares on the exercise of any option unless and until Mr Found has made satisfactory arrangements to meet such liability.

### **5. Memorandum and Articles of Association**

- 5.1 The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.
- 5.2 The Articles which were adopted on 13 May 2005, and conditional upon Admission, *inter alia*, include provisions to the following effect:

#### **5.2.1 Voting Rights**

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

#### **Transfer of Shares**

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

A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the Uncertificated Securities Regulations, which includes CREST. The Directors may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations. If the Directors refuse to register a transfer of an uncertificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

All transfers of certificated shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the

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transferee. The Directors may refuse to register any transfer of a partly paid share held in certificated form and may also refuse to register any transfer of a certificated share unless the instrument of transfer is:-

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

### **Dividends**

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

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

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

### **Disclosure of interests in shares**

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in section 212 of the Act, the Directors may, for such period as the default shall continue, impose sanctions upon the relevant shares.

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

### **Distribution of assets on liquidation**

On a winding-up any surplus assets will be divided amongst the holders of the Ordinary Shares according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges (no such shares presently being in issue). The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

### **Changes in share capital**

Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or in the absence of such determination as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.

- (a) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amounts so cancelled or the amount of the reduction.
- (b) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

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### Variation of rights

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

### Directors' interests

A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare in accordance with section 317 of the Act the nature of his interest.

- (a) Provided that he has declared any such interest, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.
- (b) Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (c) A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:-
  - (i) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (ii) the giving to a third party of any guarantee, security or indemnity in respect of any obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) the subscription by him for shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participation in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that the shares in which he is interested do not represent one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
  - (v) any proposal relating to an arrangement in whole or in part for the benefit of the employees of the Group which does not award to him as such any privilege or advantage not awarded to the employees to whom such arrangement relates;
  - (vi) any proposal concerning the purchase or maintenance of insurance against any liability which would otherwise attach to all or any of the Directors.
- (d) Where proposals are under consideration concerning the appointment of two or more Directors to offices or employments with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

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

### 5.2.2 Remuneration of Directors

- (a) The ordinary remuneration of the Directors (other than an executive director) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of the ordinary remuneration of such Directors shall not exceed £250,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company all travelling, hotel and other expenses as they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
- (b) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
- (c) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants, or apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

### 5.2.3 Retirement of Director

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

### 5.2.4 Borrowing Powers

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

The Directors shall restrict the borrowings of the Company and by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings secure that they restrict their borrowings so that the aggregate amount at any time outstanding in respect of money borrowed by the Group (excluding intra-Group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to the greater of two times the adjusted share capital and reserves and £20 million.

## 6. Directors' and other Interests

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

- 6.1.1 which have been notified by each Director to the Company pursuant to section 324 or 328 of the Act;
- 6.1.2 which are required to be shown in the register maintained under section 325 of the Act; or

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6.1.3 are interests of a connected person (within the meaning of section 346 of the Act) of a Director which would, if the connected person were a director, be required to be disclosed under paragraphs 6.1.1 and 6.1.2 above and the existence of which is known to or could with reasonable diligence be ascertained by that Director, were as at 16 May 2005 (being the last practicable date prior to the publication of this document) and will be, immediately following Admission and Placing, as follows:-

|                | <i>Number of Ordinary Shares immediately prior to Admission</i> | <i>Percentage of the issued ordinary share capital immediately prior to Admission</i> | <i>Number of Ordinary Shares following Admission</i> | <i>Percentage of issued ordinary share capital following Admission</i> |
|----------------|---|---|--|--|
| Gary Ashworth  | 12,380,900  | 62.27   | 12,380,900   | 48.87  |
| Luke Johnson   | 3,297,033   | 16.58   | 3,297,033  | 13.01  |
| Ross Eades     | 1,246,000   | 6.27  | 1,246,000  | 4.92   |
| George Sitwell | 1,215,617   | 6.11  | 1,215,617  | 4.80   |
| Michael Joyce  | 115,000   | 0.58  | 115,000  | 0.45   |
| Alan Found     | —   | —   | —  | —  |

6.2 Save as set out in paragraph 6, none of the Directors (nor any person connected with them within the meaning of section 346 of the Act) has or will immediately following Admission have any interest in the share capital of the Company.

6.3 As at the close of business on 16 May 2005 (being the last practicable date prior to the publication of this document), the following options and warrants over Ordinary Shares have been granted to the Directors and remain outstanding:

| <i>Director</i> | <i>Date of Grant</i> |           | <i>Type of Option/Warrant</i> | <i>No. of Ordinary Shares</i> | <i>Option Price (p)</i> | <i>Expiry Date</i>     |
|-----------------|----------------------|-----------|-------------------------------|-------------------------------|-------------------------|------------------------|
|                 | <i>From</i>          | <i>To</i> |                               |                               |                         |                        |
| Gary Ashworth   | 23.06.04             | 31.12.10  | Founder Warrants              | 1,460,000                     | 25                      | 31.12.2010             |
|                 |                      |           | A Warrants                    | 104,067                       | 46.75                   | 30 days from Admission |
|                 |                      |           | B Warrants                    | 52,945                        | 49.5                    | 30 days from Admission |
| George Sitwell  | 23.06.04             | 31.12.10  | Founder Warrants              | 730,000                       | 25                      | 31.12.10               |
|                 |                      |           | A Warrants                    | 104,067                       | 46.75                   | 30 days from Admission |
| Ross Eades      | 23.06.04             | 31.12.10  | Founder Warrants              | 204,400                       | 25                      | 31.12.10               |
|                 | 23.06.04             | 23.06.14  | EMI options                   | 400,000                       | 25                      | 23.06.14               |
| Michael Joyce   | 28.05.04             | 28.05.14  | EMI options                   | 230,000                       | 25                      | 23.05.14               |
| Luke Johnson    | —                    | —         | —                             | —                             | —                       | —                      |
| Alan Found      | 28.04.05             | 28.05.15  | Option deed                   | 66,000                        | 25                      | 28.04.2015             |
|                 | 13.01.04             | 13.01.14  | Option deed                   | 60,000                        | 25                      | 14.01.2014             |

Further details of the warrants and options granted to the directors are set out in paragraph 4 above and in this document.

6.4 As at the close of business on 16 May 2005 (being the last practicable date prior to the publication of this document), in addition to the options and warrants granted to the Directors and connected persons (as defined in paragraph 6.3 above), the Company has granted options and warrants over Ordinary Shares as follows:

| <i>No. of Ordinary Shares</i> | <i>Type of Option/Warrant</i> | <i>Dates of Grant</i> | <i>Exercise Price (p)</i>         | <i>Percentage of the Company's Enlarged Issued Share Capital</i> |
|-------------------------------|-------------------------------|-----------------------|-----------------------------------|--|
| 685,000                       | EMI options                   | 22.01.04 to 05.01.05  | 35 to 36                          | 2.70   |
| 125,000                       | SAYE Scheme                   | 01.07.2004            | Not less than 80% of market value | 0.49   |

6.5 Save as set out in paragraph 6.1, the Directors are not aware of any person who will immediately following Admission, be interested (within the meaning of the Act) directly or indirectly in three per cent. or more of the issued share capital of the Company or of any persons who directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

6.6 Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any

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transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by any member of the Company during the current financial year and which remains in any respect outstanding or unperformed.

- 6.7 There are no loans, warranties or guarantees granted or provided by the Company to or for the benefit of any of the Directors which are now outstanding.
- 6.8 There is no arrangement under which any of the Directors has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.
- 6.9 None of the Directors or persons connected with them within the meaning of section 346 of the Act has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 6.10 *City Code on Takeovers and Mergers*

Pursuant to Rule 9 of the City Code, when any person, or group of persons acting in concert, acquires shares which, when taken together with shares already held by such a person or persons, carry 30 per cent. of more of the voting rights of a company which is subject to the City Code, such person or persons, is or are normally required to make a general offer to all remaining shareholders in that company to acquire their shares.

Further, when any person, or group of persons acting in concert, holds shares which carry not less than 30 per cent., but not more than 50 per cent. of the voting rights of a company which is subject to the City Code, such person or persons, may not normally acquire further shares without making a general offer to all shareholders in that company to acquire their shares.

A general offer under Rule 9 of the City Code must be in cash and at the highest price paid within the preceding twelve months for any shares in the Company by the person required to make the Offer or any person acting in concert with him.

Gary Ashworth's interest in Ordinary Shares on Admission will equate to 48.87 per cent. of the voting rights. In addition, Mr Ashworth has options and warrants over a further 1,617,012 Ordinary Shares at various prices, which, if exercised, will increase Mr Ashworth's interest to a maximum of 51.93 per cent. of the voting rights attaching to the Company's issued ordinary share capital after Admission. These options and warrants are exercisable at various times between the date of this document and 31 December 2010 at prices of between 25 pence and 49.5 pence per Ordinary Share.

A table showing the individual holding of Gary Ashworth on Admission and also following the exercise of the options and warrants on the basis set out above is set out below:

|               | No. of Ordinary Shares on Admission | % of issued share capital on Admission | No. of Ordinary Shares on Admission and exercise of all options and warrants | Maximum % of issued share capital <sup>1</sup> |
|---------------|-------------------------------------|--|--|--|
| Gary Ashworth | 12,380,900                          | 48.87%                                 | 13,997,912   | 51.93  |

Notes

1. Assuming exercise of options and warrants by Gary Ashworth but not by any other optionholders or holders of warrants

Following Admission, Mr Ashworth's interest in the Company's voting rights may rise from 48.87 per cent. up to a maximum of 51.93 per cent. assuming the exercise of all options and warrants held on Admission by Mr Ashworth. The potential increase in Mr Ashworth's aggregate interest in the Company's voting rights would normally oblige him under Rule 9 of the City Code to make a general offer in cash to all Shareholders to acquire the Ordinary Shares held by them. However, the Panel has agreed to waive the obligation to make a general offer that would otherwise arise as a result of the exercise of options and warrants as described above.

### 7. Directors' Service Agreements and Letters of Appointment

- 7.1 Gary Ashworth entered into a service agreement with the Company on 16 May 2005. The service agreement is terminable by either party on the giving of six months' notice. Mr Ashworth's annual salary is £20,000 per annum. The service agreement provides for a holiday entitlement of 25 days per annum (plus public holidays). There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.

## **Part V — Additional Information**

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- 7.2 George Sitwell entered into a service agreement with the Company on 16 May 2005. The service agreement is terminable by either party on the giving of six months' notice. Mr Sitwell's annual salary is £10,000 per annum. The service agreement provides for a holiday entitlement of 25 days per annum (plus public holidays). There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.
- 7.3 Ross Eades entered into a service agreement with the Company on 23 June 2003 as amended on 13 May 2005. The service agreement is terminable by either party on the giving of six months' notice. Mr Eades' annual salary is £105,000 per annum. The service agreement provides for a holiday entitlement of 25 days per annum (plus public holidays). There is also a provision for a bonus payment calculated by reference to the profits of the Company in each financial year. The bonus payment to Mr Eades for the financial year ended 31 December 2004 was £63,875. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.
- 7.4 Michael Joyce entered into a service agreement with the Company on 4 December 2003 as amended on 13 May 2005. The service agreement is terminable by either party on the giving of six months' notice. Mr Joyce's annual salary is £70,000 per annum. The service agreement provides for a holiday entitlement of 25 days per annum (plus public holidays). There is also provision for a bonus payment of up to 40 percent of basic salary, paid twice yearly at the discretion of the Remuneration Committee, dependent on individual and company performance. The bonus payment to Mr Joyce for the financial year ended 31 December 2004 was £23,725. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.
- 7.5 Luke Johnson entered into a non-executive letter of engagement with the Company on 16 May 2005. His remuneration is £10,000 per annum for such number of days as the Company and Mr Johnson may agree. The appointment is terminable by either party on the giving of three months' written notice.
- 7.6 Alan Found entered into a non-executive letter of engagement with the Company on 13 May 2005. His remuneration is £10,000 per annum for such number of days as the Company and Mr Found may agree. The appointment is terminable by either party on the giving of three months' written notice.
- 7.7 Save as disclosed in this paragraph 7, there are no service agreements, existing or proposed, between any Director and the Company.
- 7.8 For the financial period ending 31 December 2005, under the current arrangements in force at the date of this document, it is estimated that the aggregate remuneration and benefits in kind granted to the Directors will be approximately £225,000 excluding bonuses.

### **8. Additional Information on the Board**

- 8.1 The Directors currently hold the following directorships (other than of the InterQuest Group) and have or have held the following directorships within the five years prior to the publication of this document and are currently or have been partners in the following firms within the five years prior to publication of this document.

## Part V — Additional Information

| <b>Name</b>    | <b>Current Directorships</b>   | <b>Past Directorships</b>  |
|----------------|--|--|
| Gary Ashworth  | Assembly Theatre Limited<br>Ebury Films Ltd<br>Keel Haul Limited<br>Third Stage Productions Limited<br>Vail Securities Limited | Abacus Recruitment (Holdings) Limited<br>Abacus Recruitment Services Limited<br>Abacus Search And Selection Ltd<br>Calibre International Limited<br>Capital Credit Management Limited<br>Career Express Limited<br>Delta Personnel Limited<br>GA Advertising Limited<br>Indigo Selection Limited<br>Institute Of Employment Consultants<br>Lionheart Plc<br>Management Bureau Limited<br>Silent Shopping Limited<br>Simon Power Personnel Ltd<br>Ryedale Associates Limited  |
| Ross Eades     | none   | Account-4-It Limited<br>Avalon Systems Development Limited<br>Axcen Consulting Ltd.<br>Badenoch & Clark (IP) Limited<br>Badenoch & Clark (Temporaries) Limited<br>Badenoch And Clark Limited<br>Beeline.Com Limited<br>Howard Computer Sciences Limited<br>Howard Computer Sciences International Limited<br>Howard Computer Technologists Limited<br>Howard Electronic Industries Limited<br>Howard Electronic Industries (Design Services) Limited<br>Howard Engineers Limited<br>Howard Organisation Limited<br>Hutton Consulting Services Limited<br>Hunterskil Howard Projects Limited<br>Hunterskil International Limited<br>Intelligent Solutions (Midlands) Limited<br>IT Link Limited<br>Lawson Bishop Financial Ltd<br>Lion Recruitment Limited<br>Modis Europe Limited<br>Modis International Limited<br>Modis Payment Services Limited<br>MPS Group International Plc<br>Packaged Solution People Limited<br>Resource Control & Management Limited<br>Software Knowledge Limited<br>Software Knowledge Systems Limited<br>Universal Integrated Solutions Limited |
| Michael Joyce  | none   | Heath Lambert Moscow Limited   |
| George Sitwell | Crossover Capital Limited<br>Doble Consulting Limited<br>Screen Investors Limited  | Clifford Film And Television Distribution Limited<br>Clifford Film Distribution Limited<br>Clifford Productions Limited<br>Complicity Productions Limited<br>Corporate Dynamics Limited<br>Forever Mine UK Limited<br>Guilty Productions (U.K.) Limited<br>In-Motion Film Distribution Limited<br>In-Motion Film Productions Limited<br>Mightymatch.Com Limited<br>Serpents Kiss Productions Limited   |

## Part V — Additional Information

| <u>Name</u>  | <u>Current Directorships</u>   | <u>Past Directorships</u>  |
|--------------|--|--|
| Luke Johnson | Assembly Theatre Limited<br>Cedar Pharma Limited<br>Diverse Holdings Limited<br>Diverse Property Investments Limited<br>Elderstreet VCT plc<br>Giraffe Concepts Limited<br>GRA Acquisition Limited<br>Keel Haul Limited<br>Loewy Group Limited<br>Pinco 1771 Limited<br>Risk Capital Partners Limited<br>Signature Restaurants Limited<br>Superbrands Limited<br>The Cobden Club Limited<br>The Riverside Trust<br>Third Stage Productions Limited<br>Mayfair Gaming Limited | 4 Ventures Limited<br>ADVFN plc<br>EO plc<br>Fouberts Place Subsidiary Number 3 Limited<br>Income Tax Professionals Limited<br>Intrinsic Value Partnership Limited<br>J2C plc<br>Just Tyres Holdings Limited<br>Lionheart plc<br>Mediakey plc<br>MLS Business Services (London) Limited<br>Newmedia Spark plc<br>STS Flooring Distributors Limited<br>Tinopolis plc<br>Venice Bidder Limited<br>Whittard of Chelsea plc<br>Westsix Limited |
| Alan Found   | Llangollen Fringe  | Impress Team Limited<br>Indigo Selection Limited<br>Select Assure Limited<br>The Activity Pub Company Limited  |

8.2 Mr Johnson was a director of Sunday Business Newspapers Limited from 19 December 1996 until his resignation on 11 March 1997. Administrative receivers were appointed to Sunday Business Newspapers Limited on 22 July 1997. At the date of the commencement of the winding up there was an estimated shortfall of £2,563,657 due to creditors and there was a realisation of £31,903.10. A final meeting of the company was held on 27 August 2002. A meeting of the creditors was held on 27 August 2002. The company was dissolved on 30 November 2002.

Mr Johnson was director of English Classic Cars Limited until its dissolution on 25 November 1995. English Classic Cars Limited was placed in insolvent liquidation on 6 April 1992. As at the date of the Company's dissolution the shortfall to creditors amounted to approximately £3,110,565.30.

Mr Johnson was a non-executive director of Income Tax Professionals Limited which provided accountancy services when it was placed in voluntary liquidation in May 1999. At the date of commencement of winding up there was an estimated shortfall to creditors of £249,801.93 and there was a realisation of £30,909.09. A general meeting was held on 11 September 2003 and a meeting of creditors was held on 11 September. The company was dissolved on 23 December 2003.

Mr Johnson was a non-executive director of Utility Cable plc from 8 November 1993 until his resignation in May 1998. Utility Cable plc was placed in administrative receivership on 14 September 1998. The administrative receiver's report dated 4 January 1999 does not contain an estimate of the amount of the shortfall to creditors but provides an estimate of the amount owed to secured and preferential creditors as £3,337,262, not including interest and charges. The report states that claims of unsecured creditors will be dealt with by a duly appointed liquidator. An extraordinary resolution was passed on 19 June 2003 to wind up the company and to appoint Lee Antony Manning and Gary Peter Squired as Joint Liquidators. Utility Cable plc is currently in liquidation.

Mr Johnson was a non-executive of Robinbuy Limited from 9 July 1996 until 20 February 1997. Robinbuy Limited was placed into liquidation on 24 February 1997 following its solvent reconstruction and was dissolved on 19 February 2000.

Mr Johnson was a non-executive director of Just Tyres Holdings Limited from 6 May 1998 until 10 October 2001. Just Tyres Holdings Limited was placed in administrative receivership on 11 October 2001. As at 11 October 2001 the estimated shortfall to creditors was £13,668,338. The company was dissolved on 19 January 2005 and restored to the register on 22 April 2005.

Mr Johnson was a director of Venice Bidder Limited from 19 February 2002 until his resignation on 7 August 2003. The company had been set up in respect of the failed bid for PizzaExpress Limited in 2003. On 8 August 2003, the company was placed into voluntary liquidation. At the date of the commencement of winding there was no estimate of the shortfall to creditors and the amount of assets in the Company was £50,000. The company is currently in liquidation.

## Part V — Additional Information

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- 8.3 Save as disclosed above, no Director has:
- 8.3.1 any unspent convictions;
  - 8.3.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
  - 8.3.3 been a director of any company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which has entered into any company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within 12 months preceding such event;
  - 8.3.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months preceding such event;
  - 8.3.5 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - 8.3.6 been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

### 9. Material Contracts

The Company has not entered into any contracts other than in the normal course of business within the two years immediately preceding the date of this document which are or may be material other than those referred to in paragraphs 7 and 10 of Part V of this document and as set out below:

- 9.1 On 6 October 2003, InterQuest entered into a sale and purchase agreement with Paul Redman and Richard Lodge to purchase the entire issued share capital of Genesis for £1,700,000. The sellers gave indemnities to InterQuest in respect of specific liabilities of the business. There is no outstanding consideration due under the agreement from InterQuest.
- 9.2 On 12 September 2003, InterQuest and SBS entered into a sale and purchase agreement with Ring Sound Limited (formerly SBS (UK) Limited), Jump Port Limited (formerly JCC (UK) Limited) and SBS Group plc to purchase the businesses and assets of the sellers for £1,200,000 for cash.

### 10. Placing Arrangements

#### 10.1 Placing Agreement

On 17 May 2005 the Company entered into a placing agreement (the "**Placing Agreement**") with Panmure Gordon and the Directors pursuant to which Panmure Gordon agreed to use its reasonable endeavours to procure subscribers (on behalf of the Company) for 5,454,550 Placing Shares. Panmure Gordon has agreed to fully underwrite the Placing. The Placing Agreement is conditional upon the entire issued and to be issued share capital of the Company being admitted to AIM by no later than 20 May 2005 (or such other date as may be agreed between the parties being no later than 30 June 2005).

The Placing Agreement contains warranties given by the Company and the Directors as to the accuracy of the information contained in this document and other matters relating to the InterQuest Group and its business. In addition, the Company and the Directors have given an indemnity to Panmure Gordon in respect of certain matters. Panmure Gordon is entitled to terminate the Placing Agreement prior to Admission, principally in the event of a breach by the Company or the Directors of the Placing Agreement or of any of the warranties contained in it, which Panmure Gordon considers to be material in the context of the Placing.

In consideration of its services in connection with the Placing and subject to Admission, the Company will pay Panmure Gordon a corporate finance fee of £175,000 and a commission of 5 per cent. of the gross proceeds of those Placing Shares placed on behalf of the Company.

## Part V — Additional Information

### 10.2 Nominated Adviser and Broker Agreement

On 17 May 2005, the Company entered into a nominated adviser and broker agreement with Panmure Gordon pursuant to which the Company, conditional on Admission, has appointed Panmure Gordon to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Panmure Gordon an annual retainer of £50,000 plus VAT payable in advance on 1 January each year. The agreement contains certain undertakings and indemnities by the Company and the Directors. Save in certain circumstances, the agreement is for a fixed period of 12 months from Admission and is thereafter subject to 30 days' written notice by either party.

### 11. Property

Details of the principal properties occupied by the Interquest Group are as follows:

| <u>Location</u>  | <u>Tenure</u> | <u>Rent</u> | <u>Lease Date</u> | <u>Expiry</u>  |
|--|---------------|-------------|-------------------|--|
| 20-23 Greville Street<br>London<br>EC1N 8SS                                  | Lease         | £110,000    | 5 March 2002      | 10 years   |
| Unit F2 Moor Hawes<br>East Grinstead<br>RH19 3NR                             | Licence       | £12,300     | 1 March 2005      | Rolling 6 months contract<br>– current contract terminates<br>31 August 2005 |
| 1st Floor Yorkshire House<br>110-112 Broadway<br>Bexleyheath<br>Kent DA6 7DQ | Lease         | £16,000     | 24 June 1986      | 20 years   |

### 12. Litigation

The Company is not, or has not been, engaged in any legal or arbitration proceedings and, so far as the Directors are aware, there are no such proceedings pending or threatened against or being brought by the Company, which are having or may have or have had during the twelve months preceding the date of this document a significant effect on the Company's financial position save that a claim against InterQuest has been filed by the seller of Insight in respect of which InterQuest has a counterclaim and arises from InterQuest's purchase of the entire issued share capital of Insight on 12 July 2002. The seller claims the payment of additional consideration under the sale and purchase agreement which is represented by the repayment of overpaid debtors. The claim is for £22,092.80 plus interest. InterQuest's counterclaim relates to misrepresentation and breach of warranty under the sale and purchase agreement. At the date immediately prior to publication of this document, the best estimate at present is that InterQuest's claim is valued at equal to or more than the seller's claim. InterQuest has been advised that it has a reasonable defence to the claim brought by Mrs McGovern on the basis that it has a reasonable claim for losses arising out of its acquisition of the shares in Insight. The Directors have fully provided for this contingent liability in the Group accounts.

### 13. Working Capital

The Directors are of the opinion, after making due and careful enquiry, that following Admission and taking account of the proceeds of the Placing and the trade debtor finance facilities available to it, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of Admission.

### 14. Taxation

**The comments set out below are based on existing law and what is understood to be current Inland Revenue practice. They are intended as a general guide only and apply only to Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes (except to the extent that specific reference is made to Shareholders resident outside the United Kingdom), who hold the shares as investments, who are the absolute beneficial owners of those shares, and who are not employees or connected with employees of the Company. Any person who is in any doubt as to their taxation position or who is subject to taxation in any jurisdiction other than the United Kingdom, should consult their own professional advisers immediately.**

## Part V — Additional Information

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### 14.1 Taxation of Dividends

Under current United Kingdom law no taxation will be withheld from dividends paid by the Company.

An individual United Kingdom resident Shareholder is generally entitled to a tax credit in respect of the dividend, which he can set off against his total liability to United Kingdom income tax. The amount of the tax credit is equal to 1/9<sup>th</sup> of the cash dividend. The cash dividend aggregated with the amount of the tax credit (the “**gross dividend**”) will be included in the Shareholder’s income for United Kingdom tax purposes and will be treated as the top slice of the Shareholder’s income. Thus, a Shareholder receiving a dividend of £90 will be treated as having received income of £100 which has a tax credit of £10 attached to it.

An individual United Kingdom resident Shareholder who, after taking into account the gross dividend, pays income tax at the lower rate or basic rate will pay tax on the gross dividend at the Schedule F ordinary rate of 10%, against which he can set the tax credit. Such a Shareholder will have no further liability to account for income tax on the dividend.

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

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

Trustees who are liable to income tax at the rate applicable to trusts (previously 34% but increased to 40% with effect from 6 April 2004) will pay tax on the gross dividend at the Schedule F trust rate (previously 25% but increased to 32.5% with effect from 6 April 2004) against which they can set the tax credit. To the extent that the tax credit exceeds the trustees’ liability to account for income tax the trustees will have no right to claim repayment of the tax credit. Special taxation provisions apply where trustees of discretionary trusts receive payment of dividends and subsequently make a distribution out of the trust. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

A United Kingdom resident corporate Shareholder will not generally be liable to corporation tax on any dividend received.

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

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

### 14.2 Taxation of Chargeable Gains

A subsequent disposal of New Ordinary Shares may result in a liability to United Kingdom taxation of chargeable gains, depending upon individual circumstances.

Shareholders should note that since 6 April 2000 all shares listed on AIM will qualify for “**business assets**” taper relief provided that the company in which the shares are held is a trading company or the holding company of a trading group. The effect of this relief is to reduce the proportion of any capital gain chargeable to tax for each complete year that the shares are held. Maximum relief is obtained once shares have been held for two years.

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

## Part V — Additional Information

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

Special tax provisions may apply to individuals who are employees or connected with employees of the Company. Such individuals who are in any doubt as to their position should contact their own professional advisers immediately.

### 14.3 Stamp Duty and Stamp Duty Reserve Tax

No liability to stamp duty or stamp duty reserve tax should arise on the allotment of Ordinary Shares under the Placing.

#### 14.3.1 *Shares held outside the CREST system*

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

#### 14.3.2 *Shares held within the CREST system*

The transfer of the Ordinary Shares in uncertificated form in the CREST system will generally attract a liability to SDRT at the rate of 0.5% of the amount or value of the consideration. The SDRT is payable on the fourteenth day following the date of the unconditional agreement for the transfer of the Ordinary Shares.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

### 14.4 EIS Tax Relief

The following information provides an outline only of the EIS tax reliefs. It is not an exhaustive summary of EIS and it is strongly recommended that potential investors obtain independent advice from a professional adviser to take into account the effect of the legislation in the context of their particular personal circumstances.

#### 14.4.1 EIS Relief

EIS relief may be available where a qualifying company issues new shares. The purpose of issuing these shares (and any others issued at the same time) must be to raise money for a qualifying business activity. The EIS shares must be subscribed wholly in cash and be fully paid up at the date of issue. The shares must be held for at least three years after issue or if later three years after the company begins to trade.

The EIS relief has four elements:

##### (a) Income tax relief

The individual's income tax liability for the year of the share issue is reduced by 20 per cent. of the amount subscribed. In effect, up to 20 per cent. of the cost of the investment is paid for by the Inland Revenue.

The minimum investment which is eligible for relief is £500 per company. The maximum subscription on which an individual can claim income tax relief in any one tax year is £200,000. Husbands and wives are taxed independently of each other and the £200,000 limit

## Part V — Additional Information

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is available to each of them. This limit has been increased from £150,000 to £200,000 for shares issued after 6 April 2004.

If the Company does not employ at least 80 per cent. of the proceeds of the EIS share issue and other shares of the same class issued on the same day (the “**Share Issue**”) for a qualifying business activity within 12 months of the commencement of the Company’s trade, and the remainder within 24 months of this date (the “**Relevant Time Limits**”), all of the income tax relief of the EIS investors would be clawed back.

### (b) CGT exemption

If the EIS investor does not dispose of his or her shares for at least three years after the shares were issued or, if later, three years after the company begins to carry on a qualifying trade and the EIS income tax relief has not been withdrawn in the meantime any capital gains realised on the disposal of the shares will be tax free. If the proceeds of the Share Issue are not employed for a qualifying business activity within the Relevant Time Limits, any gain on the disposal of EIS shares would not benefit from the capital gains exemption.

### (c) Loss relief

Tax relief is available where there is a loss on a disposal at any time of shares on which EIS income tax relief (see (a) above) or CGT deferral (see (d) below) has been given. The amount of the loss (after taking account of any income tax relief initially obtained) can be set against the individual’s gains or taxable income in the tax year in which disposal occurs.

### (d) CGT Deferral relief

To the extent to which a UK resident investor (including individuals and certain trustees) subscribes in cash for qualifying shares, he can claim to defer tax on all or part of a chargeable gain arising on the disposal of any asset. Although there is a limit of £200,000 for income tax relief and the exemption from CGT (see (a) and (b) above), there is no limit on the amount of gain that can be deferred.

The subscription must be made within one year before or three years after the date of the disposal which gives rise to the gain, or the date when a previously deferred gain crystallises. The gain is deferred until there is a chargeable event such as a disposal of the shares or an earlier breach of the EIS rules.

If the proceeds of the Share Issue are not employed for a qualifying business activity within the Relevant Time Limits, any gains deferred would come back into charge.

#### 14.4.2 “Qualifying Investor” for EIS Income Tax Relief

EIS income tax relief applies only to individuals and not, for example, companies or trusts.

The individual need not be resident and ordinarily resident in the UK for tax purposes when the shares are issued but he will, of course, need to be liable to UK income tax.

There are certain restrictions affecting the EIS investor which apply throughout the investor’s “five-year period”. The investor’s five-year period is from two years before until three years after the EIS shares are issued, or if later three years after the company begins to carry on a qualifying trade.

The main restriction is that the EIS investor must not be “connected” with the company during the “five-year period” referred to above. The EIS legislation specifies a number of ways in which the investor can become connected with the company, for example:-

(a) If his and his “associates” interest in the company exceeds 30 per cent. (and this includes share capital, loan capital, voting rights or assets on a winding up).

(b) If he or any of his “associates” is an employee or partner of the company.

(c) If he or any of his “associates” is a director of a company (although under the EIS, an investor who has not previously been connected with the company or employed in the business can take an active role in its management through becoming a paid director, and receives only reasonable remuneration).

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There are various anti-avoidance measures designed to prevent abuse of the EIS. The rules are very complex and are therefore not set out here. In particular, there are measures to deny relief if the investor or his “associates” receive certain payments or value from the company or any person connected with it during the investor’s three year qualifying period. Other anti-avoidance measures relate to arrangements for a change of control of the company. This is not an exhaustive list of all the anti-avoidance rules, and it is essential that advice is taken at the outset and also before any transactions or arrangements are entered into in the relevant period.

### 14.4.3 Qualifying Company

The company must:

- (a) exist for the purposes of carrying on one or more qualifying trades; or
- (b) be the holding company of a trading group.

Any activities, apart from the qualifying trading activities, must not be significant.

Certain activities are excluded and the trade of the company must not include these activities (to any substantial extent) during the company’s three-year qualifying period. What constitutes “substantial” is not defined but the Inland Revenue interprets this as 20 per cent.

There are complex rules governing the identity of the company carrying on the qualifying activity. There are also conditions which must be met in relation to subsidiaries of EIS companies.

The gross assets of the EIS company must not exceed £15 million before the relevant share issue and £16 million afterwards. At least 80 per cent. of the money raised by the EIS company must be used for the purpose of a “qualifying business activity” carried on wholly or mainly in the UK within 12 months of the shares being issued or, where this activity constitutes preparing to carry on a qualifying trade, 12 months after the date trading starts. The remainder of the money raised must be employed within 2 years after the date the shares were issued or the commencement of the trade, if later.

### 14.4.4 Eligible Shares

EIS relief is available where “eligible shares” are issued in order to raise money for a “qualifying business activity”. Eligible shares are new ordinary shares with no present or future preferential right to income or to assets in a winding up, and with no present or future right to be redeemed. If eligible shares become ineligible during the investor’s holding period (see 14.4.1 above), all EIS reliefs will be lost.

All of the company’s shares qualifying for EIS relief must be fully paid up in cash throughout the company’s “relevant period”. The company’s relevant period starts on the date the EIS shares are issued. It ends either three years after that date or, if later, three years after the company starts to trade. New provisions in the Finance Act 2004 provide that individuals who subscribe wholly in cash for qualifying shares will not be prevented from obtaining EIS relief because the company also issues bonus shares of the same class to them on the same day, or because any other subscribers for the company’s shares which are of the same share class and which are issued on the same day do not subscribe for them wholly in cash.

A company can become listed within its three year relevant period without loss of EIS reliefs. The company only need be unquoted (which includes trading on AIM) at the time the EIS shares are issued *provided that no arrangements exist at that time for the company to cease to be an unquoted company.*

### 14.4.5 Claims

The company completes and submits form EIS1 to the Inland Revenue to the specialist section which deals with EIS. Once the Inland Revenue is satisfied that the claim can be accepted it issues a form EIS2 to the company. The EIS2 authorises the company to issue an EIS3 certificate to the EIS investors confirming that they are entitled to the relief. The investor completes a claim on the back of the form EIS3 and sends this to his own Inspector of Taxes who will then give effect to the income tax relief either by adjusting the investor’s PAYE code, making a tax repayment or agreeing to offset the relief against outstanding tax liabilities, as appropriate.

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The form EIS1 may be submitted by a Company to the Inland Revenue once it has completed four months trading. The form must, however, be submitted no later than two years after the end of the tax year in which the shares were issued or, if the company's four months trading ended after the end of that tax year, no later than two years after the end of that period. The claim for tax reliefs must be made by an investor no later than five years after 31 January following the end of the tax year in which the shares are issued.

### 15. General

- 15.1 There has been no significant change in the trading or financial position of the Group since 31 December 2004, being the date to which the last audited accounts of the Group were prepared.
- 15.2 Panmure Gordon has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.
- 15.3 The auditors and reporting accountants of the Company are Grant Thornton UK LLP.
- 15.4 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which they appear and to the inclusion of its accountants' report on the Group in Part III of this document and it accepts responsibility for its accountants' report for the purposes of the POS Regulations and its letter on the unaudited proforma statement of net assets as contained in Part IV of this document.
- 15.5 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 15.6 Save as disclosed in this document, no person (excluding professional advisers and trade suppliers) has (i) received directly or indirectly from the Company within the 12 months preceding the date of this document or (ii) entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
  - 15.6.1 fees totalling £10,000 or more; or
  - 15.6.2 securities in the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
  - 15.6.3 any other benefit to a value of £10,000 or more on the date of Admission.
- 15.7 The Company's Nominated Adviser and Broker is Panmure Gordon (UK) Limited, whose principal place of business is at Moorgate Hall, 155 Moorgate, London EC2M 6XB.
- 15.8 The accounting reference date of the Company is 31 December.
- 15.9 The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in paragraph 21(a) of Part V of Schedule 1 of the POS Regulations is £3.0 million, and is made up as follows:
  - 15.9.1 the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the Placing - £nil;
  - 15.9.2 any preliminary expenses payable by the Company and any commission payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscription for, any Ordinary Shares – approximately £0.6 million (excluding VAT);
  - 15.9.3 the repayment of any money borrowed by the Company in respect of any of the matters referred to in 15.9.1 and 15.9.2 above – £nil; and
  - 15.9.4 working capital – approximately £2.4 million.
- 15.10 The amount to be provided in respect of each of the matters mentioned in paragraph 15.9 above otherwise than out of the proceeds of the Placing is £nil.
- 15.11 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 15.12 The financial information relating to the Company set out in Part III of this document and otherwise in this document does not comprise statutory accounts as referred to in section 240 of the Act.

## **Part V — Additional Information**

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15.13 The auditors of the Group are Grant Thornton UK LLP of Grant Thornton House, 22 Melton Street, Euston Square, London, NW1 2EP. Grant Thornton UK LLP audited the annual accounts of the Group for the year ended 31 December 2003 and the year ended 31 December 2004. Both sets of accounts have been delivered to the Registrar of Companies in England and Wales and the auditors gave their reports pursuant to section 235 of the Act in respect of these accounts and such reports were unqualified within the meaning of section 262(1) of the Act and did not contain statements under section 237(2) or (3) of the Act.

The previous auditors of the Group were haysmacintyre of Fairfax House, 15 Fulwood Place, London, WC1V 6AY. haysmacintyre audited the accounts of the Group for the period from incorporation on 3 October 2001 to 31 December 2002. This set of accounts has been delivered to the Registrar of Companies in England and Wales and the auditors gave their report pursuant to section 235 of the Act in respect of these accounts and the report was unqualified within the meaning of section 262(1) of the Act and did not contain statements under section 237(2) or (3) of the Act.

15.14 The gross proceeds of the Placing are expected to be £3.0 million. The total costs and expenses in relation to Admission and the Placing (including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting, corporate finance and public relations fees and expenses) are payable by the Company and (assuming subscription in full) are estimated to amount to approximately £0.6 million, excluding value added tax.

15.15 It is expected that definitive share certificates will be despatched by 27 May 2005. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 20 May 2005. No temporary documents of title will be issued.

15.16 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

15.17 The Directors are not aware of any arrangements under which future dividends are waived or agreed to be waived.

15.18 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the application procedures issued by Panmure Gordon until such time as the Placing becomes unconditional in all respects. If the Placing does not become unconditional in all respects by 20 May 2005 (or such later date as Panmure Gordon and the Company may agree), application monies will be returned to applicants as soon as practicable at their own risk and without interest prior to delivery of the Ordinary Shares.

### **16. Availability of this document**

Copies of this document will be available free of charge at the offices of Panmure Gordon, Moorgate Hall, 155 Moorgate, London EC2M 6XB, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document and for a period of one month from the date of Admission.

Dated 17 May 2005

