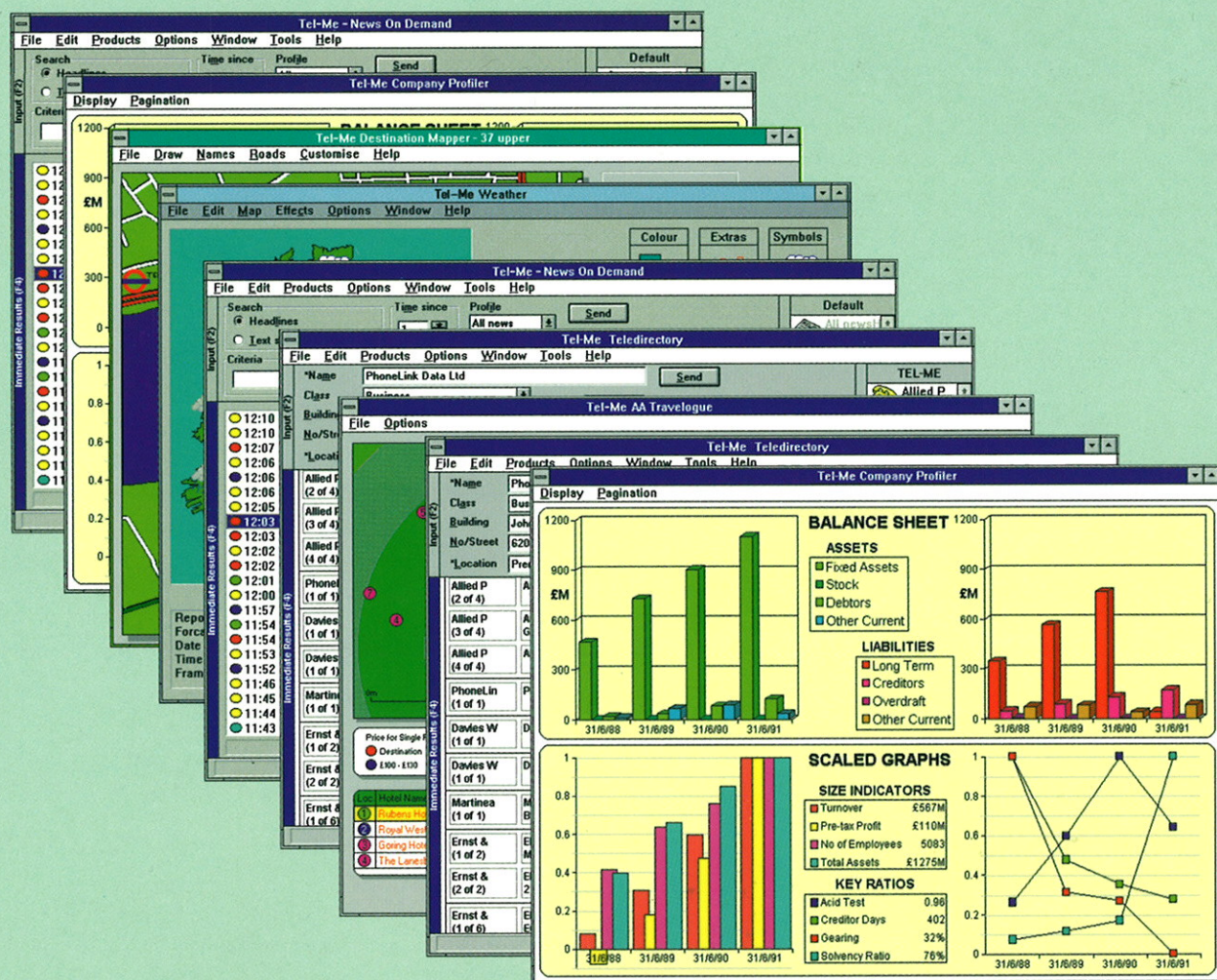


PHONELINK

PLC



PLACING BY
**ALLIED PROVINCIAL SECURITIES
 LIMITED**

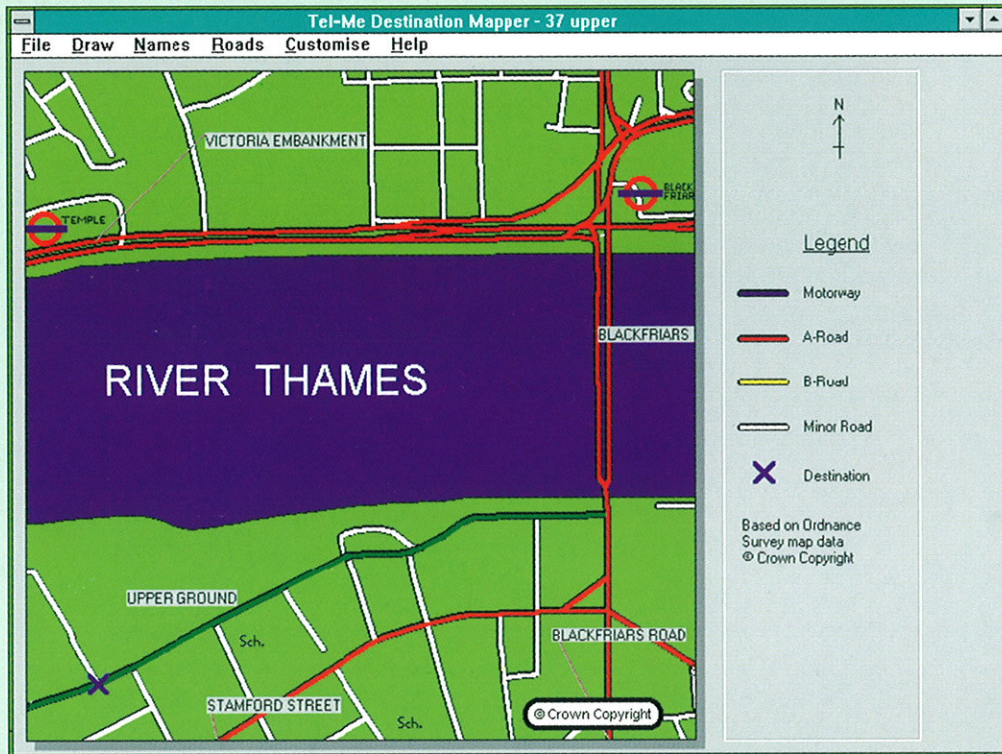


Illustration of Destination Mapper

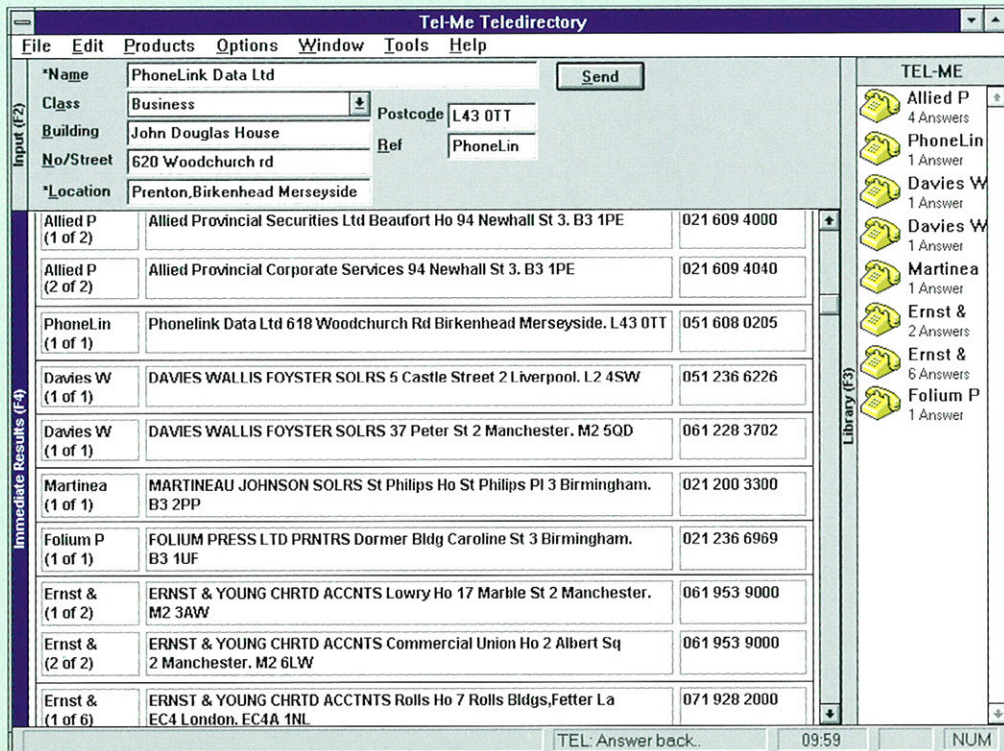


Illustration of Telephone Numbering

Copies of this document, having attached thereto the documents referred to in paragraph 14.5 of Part III, have been delivered to the Registrar of Companies in England and Wales for registration.

This document includes particulars given in compliance with the Regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange") for the purpose of giving information with regard to PhoneLink PLC ("the Company") and its subsidiaries. The Directors of the Company have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or of opinion. All the Directors of the Company accept responsibility accordingly.

Application has been made to the London Stock Exchange for the grant of permission to deal in the whole of the Ordinary Share capital of the Company, issued and to be issued as mentioned herein, in the Unlisted Securities Market. It is emphasised that no application has been made for the Ordinary Share capital of the Company to be admitted to listing.

Dealings in the Ordinary Shares of the Company are expected to commence on 1 June 1993.

PHONELINK PLC

PLACING

by

ALLIED PROVINCIAL SECURITIES LIMITED

of

**8,870,968 Ordinary Shares of 2.5p each
at 155p per share**

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£1,000,000	in 40,000,000 Ordinary Shares of 2.5p each	£887,097

The Ordinary Shares which are the subject of this Placing will rank *pari passu* in all respects with the existing issued Ordinary Share capital of the Company and will rank in full for all dividends and other distributions hereafter declared, made or paid on the Ordinary Share capital of the Company.

INDEBTEDNESS

At the close of business on 7 May 1993 the Company and its subsidiaries had outstanding indebtedness of £226,257 comprising unsecured loans of £49,626, outstanding unsecured bank overdraft of £18,405 and obligations under hire purchase contracts of £158,226.

At the same date the Company had cash balances of £459,962.

Save as aforesaid and apart from intra-group liabilities, neither the Company nor its subsidiaries had at that date any loan capital (including term loans) outstanding or created but unissued, other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, mortgages or charges or guarantees, finance leasing commitments or other material contingent liabilities.

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DEFINITIONS

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

“the Company” or “PhoneLink”	PhoneLink PLC
“the Group”	the Company and its wholly-owned dormant subsidiaries, Technique Telecommunications Limited and PhoneLink Data Limited
“Profile U.K.”	P.L.A.T.O. Limited (company number 2073913) (formerly known as Pennycom Limited and then as Profile U.K. Limited).
“the Directors” or “the Board”	the Directors of the Company
“Ordinary Shares”	ordinary shares of 2.5p each in the capital of the Company
“Allied Provincial”	Allied Provincial Securities Limited
“the Placing”	the placing by Allied Provincial of 8,870,968 Ordinary Shares as described in this document
“the Placing Price”	155p per Ordinary Share
“the Development Team”	Trevor Burke, Heather Burke, Ian Woolsey, Christine Troughton and Bryan Mudd
“Tel-Me”	the Company’s range of integrated applications from time to time
“BT”	British Telecommunications plc
“the BT Agreement”	the agreement dated 10 September 1992 between PhoneLink PLC (formerly PhoneLink Data Limited) and BT
“IBM”	IBM United Kingdom Limited
“SDO”	Source Data Owner
“PC”	Personal Computer
“the Share Option Scheme” or “the Scheme”	the PhoneLink PLC Share Option Scheme
“the Act”	the Companies Act 1985 as amended by the Companies Act 1989
“U.K.”	United Kingdom

GLOSSARY OF TERMS

192	The BT directory enquiry service.
C D ROM	Compact disks containing information which can be read by a computer using a compact disk reader.
Client Server Mechanisms	The process whereby the handling of a request for information is sub-divided between the requesting device (the client) and the database or network which contains the information (the server).
Compatible PC	An IBM compatible personal computer, with at least a 386 processor running at 25mhz or greater and capable of supporting Windows 3.1.
Data Engine	A powerful Client Server Mechanism designed by the Company.
Electronic Data Interchange	A means of transferring files of names and addresses between a users computer and the Parallel Processing network for the addition of telephone numbers and subsequent retrieval of those files.
Fuzzy Logic	A process whereby the computer compares the inputted information with the stored information enabling the computer to assess the most appropriate match.
GNS	Global Network Services, a data network service of BT offering a national high speed data network.
ISDN	Integrated Services Digital Network. This is a digital high speed communication option.
PSTN	Public Switched Telephone Network.
Parallel Processing	The technique whereby a task is divided into smaller tasks in order to facilitate mass processing by a number of processors simultaneously and the integration of the results from those processors back to the original source.
Phone Base	This is a version of the BT telephone database, with the addition of Postcodes but with the exclusion of Ex-Directory telephone numbers.
Windows	Software designed by Microsoft Corporation which enables a user to run more than one application at a time and transfer information between applications using a graphical display.

DIRECTORS AND ADVISERS

Board of Directors	<p>Sir Gordon Charles Brunton, <i>Non Executive Chairman</i> Trevor John Burke, <i>Chief Executive</i> John Lyon, <i>Commercial Director</i> Heather Burke, <i>Client Services Director</i> Ian Woolsey, <i>Production Director</i></p> <p>all of John Douglas House, 620 Woodchurch Road, Prenton, Birkenhead L43 0TT</p>
Secretary and Registered Office	<p>Heather Burke John Douglas House 620 Woodchurch Road Prenton Birkenhead L43 0TT</p>
Financial Advisers and Sponsors	<p>Allied Provincial Corporate Services a division of Allied Provincial Securities Limited Beaufort House 94/96 Newhall Street Birmingham B3 1PE</p>
Stockbrokers	<p>Allied Provincial Securities Limited Beaufort House 94/96 Newhall Street Birmingham B3 1PE</p> <p>Member of the Securities and Futures Authority and the London Stock Exchange</p>
Solicitors to the Company	<p>Davies Wallis Foyster 5 Castle Street Liverpool L2 4XE</p>
Solicitors to the Placing	<p>Martineau Johnson St Philips House St Philips Place Birmingham B3 2PP</p>
Auditors and Reporting Accountants	<p>Ernst & Young Chartered Accountants Commercial Union House Albert Square Manchester M2 6LP</p>
Bankers	<p>National Westminster Bank PLC Blossoms Branch Foregate Street Chester CH1 1HQ</p>
Registrars and Transfer Office	<p>Independent Registrars Group Limited Balfour House 390/398 High Road Ilford Essex IG1 1NQ</p>

KEY INFORMATION

The following information is derived from, and should be read in conjunction with, the full text of this document.

PhoneLink was formed in August 1989 to develop a unique and sophisticated information retrieval system and exploit the resultant commercial opportunities offered.

The first use of the Company's technology was the automated bulk retrieval of telephone numbers from Phone Base for a wide range of business customers. This application, marketed under the name DataCare, has accounted for the majority of PhoneLink's revenue earning business since incorporation.

The Directors estimate the total accesses to BT databases and their equivalents to be approximately 1 billion annually. This is reflected in the significant charges incurred by many medium to large organisations for the '192' directory enquiry service.

The second use of the Company's technology was to develop a fast, user friendly alternative means of accessing telephone number information through Phone Base for the mass market. This can save substantial costs for its users because of its speed, accuracy and efficiency. In September 1992 PhoneLink entered into a contract to provide a service for the retrieval of phone numbers from Phone Base with BT who agreed to market this as one of their Business Information Services. BT has indicated it will name the telephone numbering facility using the service provided under the Agreement the BT Teledirectory.

From this base the technology has evolved into Tel-Me, a range of further applications which the Directors anticipate will be commercially launched during the first quarter of 1994. These applications have been selected to provide a broad range of appeal at an affordable price. The Company has reached agreement in principle with a number of SDOs and other companies including IBM to exploit Tel-Me.

In the opinion of the Directors Tel-Me will encourage a fundamental change in the way in which information is obtained and used by businesses and individuals in the future.

Trading Record

The following summary of the trading results of the Group for the period ended 31 March 1993 has been extracted from the Accountants' Report in Part II of this document.

	Period 31 March	Year ended 31 March	
	1991 £'000	1992 £'000	1993 £'000
Turnover	119	820	923
Profit before development expenditure and taxation	30	354	445
Development expenditure	132	214	414
(Loss)/Profit before taxation	(102)	140	31

Placing Statistics

Placing price	155p
Number of Ordinary Shares being placed	8,870,968
Number of Ordinary Shares in issue following the Placing	35,483,873
Percentage of the enlarged issued Ordinary Share capital being placed	25.0 per cent.
Market capitalisation at the Placing price	£55 million
Estimated net cash proceeds of the Placing receivable by the Company	£9.9 million

PART I

THE PHONELINK CONCEPT

Principles

The PhoneLink concept has been to design an information retrieval system incorporating data from a number of complementary sources at an affordable price and applying the following principles:

- * It must be of significant benefit to a large cross section of business users.
- * A user must face a minimal delay when connecting to the data network, preferably within half the time taken to enter the enquiry.
- * The system must provide answers to the data enquiries in the minimum possible time using predictive techniques. This principle should, wherever possible, be extended to provide the answer before an enquiry has been fully entered.
- * The software should operate under a Windows type environment to allow the full benefits of multi-tasking techniques. This will enable the user to switch to an alternative task whilst the program processes the enquiry.
- * The software should, where appropriate, present the data in a pictorial format, so that the information can be absorbed quickly and easily.
- * The overall cost of the provision of the data should generally be significantly lower than that of conventional sources.
- * The structure of the individual programs should be designed to retain a near identical format for ease of learning. This enables anyone with knowledge of the operation of one program to be confident in operating all the programs.

Applications

Tel-Me has been developed to incorporate applications which embody the principles under the PhoneLink Concept. The combination of its range of applications and methods of retrieval is unique and has been selected and designed to provide a broad range of appeal, including:

- * Enabling users to obtain telephone numbers from Phone Base.
- * Enabling the identification of commercial organisations by trade classification and location such that a sales person would be able to quickly establish the most cost effective and productive use of his time in terms of distance travelled to those organisations.
- * Financial profiling of UK registered companies in a pictorial format such that the information displayed can be absorbed by the enquirer easily and quickly.
- * Providing an accurate journey planning program capable of dynamically re-assessing a journey time according to known traffic variations.
- * Providing a map of the last stages of a journey and integrating this with a standard journey planner.
- * Providing a means to swiftly determine the location of, and facilities offered by, alternative quality accommodation identified by its distance from a known address. This will minimise the journey time and provide a competitive choice.
- * Allowing access to the full British Rail timetable service.
- * Allowing the non-specialist user access to news services drawn from a broad cross section of U.K. and international sources.
- * Allowing access to the full Royal Mail Postcode database.

Agreements with SDOs have been reached in principle and detailed contracts are currently being formalised.

In the opinion of the Directors Tel-Me, together with PhoneLink's pricing policy, will prove extremely attractive to the mass market.

HISTORY AND BACKGROUND

Over the past ten years the Development Team have been responsible for product research and development followed by successful commercial exploitation in two niche markets. Technique Limited (a company owned by Trevor Burke and Heather Burke) was engaged in the development and selling of computer aided design software within the kitchen and bedroom industries into a client base throughout the U.K., Europe and North America. This company was sold to its American distributor in 1987.

Trevor Burke and Heather Burke also owned and developed Profile U.K., a business, one of whose objectives was supplying the building and construction industry with planning application details. In December 1990 the planning application business of Profile U.K. and its name were sold to a subsidiary of McGraw Hill Inc. in order to finance the development of PhoneLink.

It is the combination of knowledge gained by the Development Team whilst at Technique Limited and the information skills acquired while operating Profile U.K., particularly in the structure of names and addresses, which formed the foundation of PhoneLink.

Since the commencement of trading in August 1990 the information system which has been developed by the Company has been operating successfully and profitably on a commercial basis as DataCare and has accounted for the majority of PhoneLink's revenue earning business since incorporation.

The first use of the Company's technology was the automated bulk retrieval of telephone numbers from Phone Base for a wide range of business customers. The second use was to develop a fast, user friendly alternative means of accessing telephone number information through Phone Base for the mass market.

On 10 September 1992 PhoneLink entered into an agreement with BT for the provision of a computer information processing service. Under this agreement PhoneLink agreed to make available to BT a service for the retrieval of data from Phone Base. BT has indicated that it will name the BT telephone numbering facility, using the service provided under the agreement, the BT Teledirectory. BT has agreed to use its reasonable endeavours to make the BT Teledirectory available to its customers as part of its Business Information Service and PhoneLink has agreed to grant BT a distribution licence to act as distributor of this telephone numbering application. On 19 January 1993 the Company received confirmation of formal acceptance of the BT Teledirectory software on the basis that the Company uses its best endeavours to complete an agreed development schedule. The term of the agreement is for a minimum period of six years from 19 January 1993 subject to the right for BT to terminate the agreement on twelve months notice between years three and six. However, BT may elect to extend the agreement for a further fixed period of three years making a total of nine years from the 19 January 1993. If BT does not elect to extend the agreement for a further three years either party may terminate the agreement by twelve months notice. Twelve months notice by either party will also be required to terminate the agreement beyond the nine year period.

Under this agreement PhoneLink will process the flow of telephone number enquiries from BT's customers and will receive a payment per enquiry from BT on a monthly basis. BT will remain responsible for billing their customers and for cash collection. This agreement is non-exclusive for both parties and does not therefore preclude the marketing and sale of this application by any other party in the U.K. or overseas. BT Teledirectory is currently undergoing final stages of field trials with some of BT's large business users. The Directors anticipate the full commercial launch of the BT Teledirectory to be no later than January 1994.

From this base the technology has evolved into Tel-Me.

IBM has shown considerable interest in Tel-Me and its future applications and has reached agreement in principle with PhoneLink to:

- * pre-load Tel-Me at the point of manufacture into all of its PCs of an agreed specification;
- * design and build a specific PC to incorporate the necessary communications devices; and
- * use its resources to market and distribute Tel-Me in the U.K.

In March 1993 three institutional investors subscribed for 43,758 Ordinary Shares in PhoneLink, representing approximately 2.9 per cent. of the issued share capital of the Company at that date, for a total consideration of approximately £750,000. These proceeds are being used to further develop Tel-Me.

THE TECHNOLOGY

The Expert Resource

Historically it has been difficult and costly to obtain information from databases generally, because of the way the data is stored, the access methods provided and the requirement for large computer systems on which to store the data. It has been essential to employ skilled specialist operators to manage the search processes, and this has considerably restricted the spread of information to low volume high cost applications.

Through previous research the Development Team gained considerable knowledge about the geography of the U.K., and specifically the way in which names and addresses are constructed. Extensive manual use of Phone Base also revealed how its information was held. This detailed knowledge led to the design of sophisticated software which accepts simple requests for information and carries out the search task on the user's behalf. The software utilises Fuzzy Logic, a process whereby the computer compares the inputted information with the stored information, thus enabling the computer to assess the most appropriate match. This almost completely de-skills the process and brings database access to the mass market. The combination of the software and the hardware on which the program sits is called a resource.

Parallel Processing

PhoneLink coupled together considerable numbers of resources to form the basis of a massively parallel network. This significantly extended the performance capabilities of DataCare and now allows the provision of an Electronic Data Interchange to which users can send batches of names and addresses for overnight telephone numbering. This Parallel Processing network may be linked to users' own private data networks via high speed lines providing connection well within half the time taken to enter the enquiry. The Parallel Processing network forms the search mechanism supporting the BT Agreement and has the potential to be applied to any remotely held database.

The Data Engine

In order to reduce the cost per enquiry to a minimum and meet the anticipated demand, PhoneLink designed a mechanism capable of retrieving data at a rate of several thousand transactions per second. The Directors believe this mechanism, known as the Data Engine, will provide a significant marketing advantage over any current competition. This allows a pricing policy which the Directors believe will overcome the cost barrier which appears at present to be an obstacle to the dissemination of information to the mass market.

The Data Engine requires that the providers of information allow PhoneLink to hold their complete databases. These databases will be updated by their owners as frequently as required to keep the information current.

The Front End Software

The Company has developed a consistent, easy to use, method of accepting enquiries within the Windows environment. This common format is shared between all applications and means that minimal training is required to use the software. This software will be installed in a user's own Compatible PC.

The Communications Devices

These are specially designed devices to interface between a user's PC and the communications networks.

PhoneLink has actively participated in the specification of three types of PC based communications devices. These devices allow access by a wide range of users from those wishing to use their standard telephone line through to those with private networks.

The Communications Networks

The common element in linking the Company's computer systems with customers' PCs are the communications networks.

The following are the principal communication systems:

PSTN This is the public switched telephone network.

ISDN This is a network offered by BT and is capable of much higher performance in terms of speed and transmission than PSTN.

GNS This is the global network service of BT which is a well-established high speed data network.

The Information Databases

These are the databases which will be accessed by users. SDOs who have currently reached agreement in principle to provide their databases to PhoneLink include:

- * Infocheck.
- * The Automobile Association.
- * Thomson Directories.
- * The Press Association.
- * Ordnance Survey.
- * British Rail.
- * British Weather Services.
- * GB Mailing Systems Limited (providing the Royal Mail Post Coder).

Detailed contracts are currently being formalised with the above mentioned SDOs.

Summary

Tel-Me will incorporate the objectives set out in PhoneLink's Concept on page 8 of this document and will offer the following major advantages:

- * Cost per enquiry will generally be significantly lower than any other U.K. on-line information service.
- * Broad appeal to individual business users.
- * The ability to process most enquiries within 15 seconds.
- * Ease of use from a common format data entry screen.
- * Easily digestible information in pictorial format where appropriate.
- * Operation under Windows to allow users to switch from one Tel-Me application to another.

In the opinion of the Directors Tel-Me will encourage a fundamental change in the way in which information is obtained and used by businesses and individuals in the future.

INITIAL APPLICATIONS OF THE TECHNOLOGY

Telephone numbering

Principal Benefit – It can considerably reduce the cost of accessing Phone Base.

The significance of being capable of accessing Phone Base should not be underestimated. BT's database of approximately 17 million names and addresses (updated up to 200,000 times per week) is probably the most powerful and up to date database in the country. In the Directors' opinion there are at least 1 billion accesses per annum through BT databases and its equivalents. The value of these accesses can be reflected in the 38p enquiry charge BT currently levies for its directory enquiry service in addition to the users' associated labour costs of accessing that service.

The advantages of the telephone numbering application to the major user of directory enquiries are its speed, accuracy, cost and efficiency.

Telephone numbers are currently retrieved from Phone Base as follows: –

DataCare

An automated bulk retrieval of telephone numbers used principally by banks, utilities, credit referencing companies and other companies requiring regular contact with their customers. This facilitates credit control, debt recovery, direct marketing and the implementation of customer care programmes.

BT Teledirectory

This application allows BT customers to use the BT Teledirectory service to obtain telephone numbers from Phone Base, by means of a Windows application within their own Compatible PC, linked by a communications device to computers located at PhoneLink's premises.

Company Profiling

Principal Benefit – It can bring the advantages of company profiling to a wider audience and at a significantly reduced cost.

Statistics vary according to the source consulted regarding the demand for company profiling. Only a small percentage of businesses commonly utilise the services of the main providers of credit referencing. This low figure is attributable to the fact that it is time consuming, specialist in operation and often considered not to be cost effective.

The company profiling application will tackle these problems. It will offer a high speed and exceptional quality graphical presentation of a company's performance, together with a text explanation.

This application's modular pricing structure, which will enable the user to define precisely the blocks of information required, will, in the opinion of the Directors, encourage credit referencing to be the norm and not the exception.

AA Travelogue

Principal Benefit – It will allow the user to quickly identify appropriate hotel accommodation, restaurants and guest houses.

Currently hotels are frequently selected on a hit or miss basis by consulting a written guide which contains little information as to the proximity of hotels to the required destination. The AA Travelogue has been designed to offer a range of AA registered hotels nearest to a specific address, displayed radially and selected by cost or desired facilities.

The AA Travelogue will be further supplemented in due course by the inclusion of AA's databases of the top 2,000 days out, golf clubs and camp sites, ensuring that this service will offer value to the travelling business person, conference and event organisers, and recreational users.

**Business
Finder**

Principal Benefit – It will provide a particularly effective method of providing business leads.

Most organisations and individuals use printed directories both to search for locally based suppliers and for sourcing business leads. The business finder, with information provided by Thomson Directories, will provide a user with the opportunity to locate specific businesses geographically as well as by category, such that the user will be able to identify any one or all businesses within the target area. This will enable the sales person to select prospective customers based upon journey time. The Directors believe that this will significantly increase sales efficiency.

**News on
Demand**

Principal Benefit – It will have the ability to search for specific news items covering a wide range of subjects.

This news service, with information provided by The Press Association, will have a broad appeal. Users will have the facility to search topic headlines or specific references included within the text from a wide variety of subjects.

**Journey
Planning**

Principal Benefit – It can save time, costs and stress for the road traveller.

The market is at present supplied by static software packages which are often out of date. Journey Planning will be a dynamically updated route planning package. It will provide distinct advantages over existing products as it will be based upon journey times reflecting changing road conditions, such as medium to long term road works.

**Destination
Mapping**

Principal Benefit – It will provide accurate directions to a precise location.

Whilst computerised routing software may assist journey planning, the final stage of a journey is the one where most travellers require help. The Ordnance Survey's digital road centre line network Oscar data is processed by the destination mapping program to display the last kilometre of any road journey in the U.K. in accurate detail. Further details to be included are the addition of local landmarks, public houses and parking facilities.

Increasingly, the usual practice of faxing hand drawn maps is likely to be replaced by the speed and accuracy of this mapping product.

**British Rail
Timetable**

Principal Benefit – It can save time, costs and stress for the rail traveller.

This application will feature timetable information for all possible journeys within the entire British Rail network. The user will be able to determine the most convenient train by entering required arrival or departure times. It is envisaged that this service will be enhanced by the addition of information regarding train running and service performance.

Post Coder

Principal Benefit – It will allow large users of the postal service to significantly reduce their postal costs.

To facilitate the smooth flow of correspondence, Royal Mail offers substantial discounts to companies who can pre-sort their mail into Postcode areas and to assist this practice they have established centres to offer Postcodes to telephone enquirers. This service currently operates a search of the 24,000,000 postal addresses held on file by using CD ROMs. Although users are charged at the local call rate, there can be considerable delays in accessing this service. Tel-Me will provide a dynamic easy to use and constantly updated method of accessing this information.

Weather

Principal Benefit – It will allow individuals to anticipate problems caused by adverse weather conditions for business, sporting or social events.

Adverse weather conditions can cause havoc with both business and pleasure. Journeys may need to be delayed and alternative routes or modes of transport investigated to ensure timely arrival.

Daily, weekly and 30 day forecasts will be available for the UK, regionally or nationally, together with European resorts and meteorological information.

MARKETING STRATEGY

To maximise sales the PhoneLink policy has been to cost the annual software licence at approximately £300 per annum, a level which the Directors believe is within the budget of most departmental managers. The Company will also offer a sliding scale discount for users wishing to acquire a number of copies of the software. In addition there will be a known usage charge for each service which is planned to be less per enquiry within each product area than any other on-line service currently available.

In order to capitalise on the Company's technology, the marketing strategy revolves around the attainment of critical sales mass as soon as possible.

To achieve rapid sales penetration PhoneLink will:

- * Work closely with BT and IBM to exploit their customer bases as appropriate.
- * Develop other strategic alliances as appropriate.
- * Co-operate with the SDOs in marketing Tel-Me.
- * Carry out substantial advertising and promotional campaigns.

It is the opinion of the Directors that there will be considerable interest from the specialist trade press and that the advent of Tel-Me will generate significant publicity. The potential to offer free demonstration disks to PC users will be extremely valuable in promotional terms.

COMPETITION

The Directors are of the opinion that there are no direct competitors to Tel-Me in the U.K. Other companies offer individual services which may be compared with elements of Tel-Me, but none offer the same combination of the range of applications, sophisticated high speed interactive interrogation techniques and the benefit of continually updated on-line information.

Once users are familiar with a piece of software it is rare for them to forsake the time invested when learning how to use that software for an alternative. The Directors also believe that as work files will be stored on the computer in the Tel-Me format, it will be unlikely for a user to wish to re-process enquiries in any new format.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Sir Gordon Charles Brunton (age 71) – Non Executive Chairman

Sir Gordon has had a career in business spanning over forty years. His appointments include chief executive, International Thomson Organisation plc (1968-1984), chairman, Bemrose Corporation plc (1978-1991), chairman, Sotheby Parke Bernet (1982-1983), chairman, EDC for Civil Engineering (1978-1984), director, Cable and Wireless plc (1981-1991) and chairman, Mercury Communications Ltd. (1986-1990).

He is currently chairman of Verity Group plc as well as chairman of a number of private companies and is President of the Commonwealth Press Union.

Sir Gordon was appointed a Director on 24 May 1993.

Trevor John Burke (age 45) – Chief Executive

Trevor Burke's prime responsibility is that of Chief Executive. He also assumes the responsibility for the Company's research and development programme. Trevor is a trained environmental services consultant, qualified as a mechanical engineer and then pursued a highly successful career in sales and marketing. He was responsible for the creation and development of Technique Limited which produced sophisticated computer aided design software for a world wide market.

In January 1981, Trevor, with Heather Burke founded Profile U.K.. In December 1990 the planning application business of Profile U.K. and its name were sold in order to finance the development of PhoneLink.

Trevor was appointed a Director on 4 September 1989.

John Lyon, B.A. C.A. (age 37) – Commercial Director

Before joining the Company, John Lyon was the corporate finance director with Ernst & Young in Manchester and during the last nine months has advised the Company in relation to its business strategy and corporate development. Prior to accepting a position with Ernst & Young in February 1990 John was financial director of a private group of companies and previously corporate finance manager with Barclays de Zoete Wedd Limited.

John will control the Company's financial function pending the appointment of a suitably qualified financial controller. He will also assume this responsibility at Board level.

John was appointed a Director on 18 May 1993.

Heather Burke (age 48) – Client Services Director

Heather Burke qualified as a solicitor in 1967 and subsequently managed a branch office for a legal practice. In 1977 Heather moved into direct sales with the Combined Insurance Company of America where she won several awards for highest sales achievements. In 1981, with Trevor she formed Profile U.K. and acted as managing director throughout its expansion as Profile U.K. became one of the largest processors of planning information in the U.K.. Since December 1990 Heather has been responsible for the implementation and management of DataCare.

Heather was appointed a Director on 20 April 1993.

Ian Woolsey (age 34) – Production Director

Ian Woolsey has been the cornerstone of the Development Team since the early 1980's. He was production director for Technique Limited when it expanded into Europe and America, and became managing director at the point when Trevor sold Technique Limited to its American distributor. Ian was subsequently responsible for supplying the software in nine different language formats internationally.

Ian's role within the Company is to control all aspects of production including the DataCare service and testing and validation of the Company's software products.

Ian was appointed a Director on 24 March 1993.

**Additional
Non Executive
Director**

The Directors and the Company's advisers have considered the recommendations made under the Cadbury Report. The Directors intend to appoint an additional non executive director as soon as possible.

**Senior
Management**

Christine Troughton (age 43) – Operations Manager

Prior to joining Profile U.K. in 1981 Christine Troughton gained 14 years' experience in personnel management. At Profile U.K. she was responsible for information research, management of the data entry process and production of the Profile U.K. tailored information service. Christine joined PhoneLink in 1990 as Operations Manager and is responsible for the day to day management of the Company's operations. Christine obtained a Post Graduate Diploma in Operations Management from Stafford University in 1992.

Bryan Mudd (age 45) – Chief Programmer

Bryan Mudd obtained a degree in Mathematics at Southampton University before joining Associated Biscuits Limited as a computer programmer. Bryan progressed his career on IBM mainframe computers becoming a senior programmer and then a systems analyst.

Following a takeover by Nabisco Group Limited, Bryan was promoted to the position of systems development manager where he was responsible for all aspects of the sales information and accounting systems and subsequently the disaster recovery procedures for their mainframe computer.

In 1988 after 15 years experience with Nabisco Group Limited Bryan joined Technique Limited as programming director and subsequently transferred to PhoneLink as Chief Programmer.

Employees

Including the Directors and Senior Management the Company presently employs a total of 27 full time staff with the following functional responsibilities:

Programming	15
Production	4
Finance and administration	5
Sales and marketing	3

The Company is committed to recruiting and retaining the highest quality staff in all areas of its operations and has introduced the Share Option Scheme for all current full time staff in order to assist this objective. The number of options currently granted under this Scheme total 213,750 amounting to 0.6 per cent. of the enlarged issued share capital of the Company.

TRADING RECORD

The following is a summary of the trading record of the Group for the period ended 31 March 1993, as extracted from the Accountants' Report set out in Part II.

	Period ended 31 March	Year ended 31 March	
	1991 £	1992 £	1993 £
Turnover	119,084	819,709	922,557
Gross profit	51,975	475,456	612,805
Administrative expenses	19,593	102,695	145,992
Development costs	132,495	213,810	414,145
Operating (loss)/profit	(100,113)	158,951	52,668
Interest payable and similar charges	2,059	18,531	21,763
(Loss)/profit before taxation	(102,172)	140,420	30,905
Taxation	—	6,579	18,046
(Loss)/profit for the year	(102,172)	133,841	12,859
(Loss)/earnings per Ordinary Share*	(0.4p)	0.5p	0.1p

*As defined in note (vi) of the Accountants' Report on page 25.

REASONS FOR THE PLACING

The net proceeds of the Placing receivable by the Company are estimated to be £9.9 million. Of the 8,870,968 Ordinary Shares now being placed by Allied Provincial, 866,917 are being placed on behalf of Trevor Burke, 866,916 on behalf of Heather Burke and 433,456 on behalf of Ian Woolsey.

The launch of Tel-Me is planned for the first quarter of 1994 and therefore will not produce significant revenue for the Company in the current financial year.

The Company is planning a significant programme of expenditure prior to the launch in order to market the service widely to prospective users and to put in place at the outset the capacity to accommodate anticipated levels of demand arising during the 24 months following launch.

The Directors estimate that capital expenditure on the construction of Data Engines, improvements to the Company's site at Prenton and the acquisition of a second production site will total approximately £5.1 million. A further £600,000 will be spent on equipment necessary for the expansion of the DataCare business and the provision of the BT Teledirectory service.

The balance of the net proceeds of the issue will be used as the Directors consider necessary for the promotional and marketing activities of the launch and the associated implementation costs of Tel-Me and to provide the Company with additional working capital.

The Directors believe that in addition to the benefit of the finance being raised by the Placing, the increased public awareness and enhanced status of PhoneLink following entry into the Unlisted Securities Market should provide PhoneLink with significant commercial opportunities.

PROSPECTS

The Directors are confident that PhoneLink has an exciting future and believe that its technology will encourage a fundamental change in the way in which information is obtained and used by businesses and individuals in the future.


The Directors believe that the launch of Tel-Me will place PhoneLink in a strong trading position.

PART II

ACCOUNTANTS' REPORT

The following is a copy of the Accountants' Report by Ernst & Young, the Reporting Accountants.

The Directors
PhoneLink PLC
John Douglas House
620 Woodchurch Road
Prenton
Birkenhead
L43 0TT

 **ERNST & YOUNG**
Commercial Union House
Albert Square
Manchester
M2 6LP

25 May 1993

The Directors
Allied Provincial Securities Limited
Beaufort House
94/96 Newhall Street
Birmingham
B3 1PE

Gentlemen,

1 Introduction

We report in connection with the placing ("the Placing") by Allied Provincial Securities Limited of 8,870,968 Ordinary Shares in PhoneLink PLC ("PhoneLink") in relation to the application for grant of permission to deal in the whole of the Ordinary Share capital of PhoneLink in the Unlisted Securities Market.

PhoneLink was incorporated as a private limited company on 24 August 1989 under the name Flexibyte Limited and changed its name to PhoneLink Data Limited on 13 September 1989. It re-registered as a public limited company and adopted its present name on 14 May 1993.

On 15 July 1992 PhoneLink acquired 20% of the issued share capital of Technique Telecommunications Limited ("TTL") for £500 in cash, increasing its holding to 50% of the share capital and acquired the remaining 50% of the issued share capital of TTL, which it did not already own on 24 March 1993, in exchange for the issue of 25 ordinary shares of £1 each in PhoneLink. For the purposes of this report, TTL has been treated as a wholly owned subsidiary of PhoneLink throughout the period under review.

We have examined the audited financial statements of PhoneLink and TTL for each of the three years ended 31 March from 1991 to 1993 inclusive. The financial statements of PhoneLink were audited by Wilson De Zouche & Mackenzie, Chartered Accountants, in respect of the two years ended 31 March 1992 and by ourselves in respect of the year ended 31 March 1993. The financial statements of TTL were audited by Manjoo & Co, Chartered Accountants, in respect of the year ended 31 March 1991 and by ourselves in respect of the two years ended 31 March 1993. All audit reports for the period under review were unqualified except that the audit report of PhoneLink for the year ended 31 March 1991 was qualified because of doubts over its ability to continue as a going concern and the audit report of TTL for the year ended 31 March 1991 drew attention to TTL's dependence upon financial support from its directors and associated undertakings. Further details are provided in section 7 of this report.

1 Introduction (continued)

The financial information set out below is based on the audited financial statements of PhoneLink and TTL (collectively referred to as "the Group") after making such adjustments as we consider appropriate. PhoneLink and TTL commenced trading in August 1990 prior to which both companies were dormant and the audited financial statements of both PhoneLink and TTL for the year ended 31 March 1991 represent eight months trading activity. The Group's first consolidated profit and loss account and cash flow statement for the period to 31 March 1991 therefore represents an eight month trading period. Audited financial statements have not been prepared in respect of any company in the Group for any period subsequent to 31 March 1993. Our work has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

In our opinion the financial information gives a true and fair view of the results and cash flows of the Group for the eight months ended 31 March 1991 and two years ended 31 March 1993 and of the state of affairs of the Group at each 31 March from 1991 to 1993 inclusive.

2 Accounting policies

The principal accounting policies which have been consistently applied in arriving at the information set out in this report are:

- (i) **Accounting convention**
The accounting information is prepared under the historical cost convention and in accordance with applicable Accounting Standards.
- (ii) **Basis of consolidation**
The financial information set out in this report has been prepared on the basis that the existing legal structure of the Group was in place throughout the whole period under review, irrespective of past legal ownership. In particular, the trading results reflect the trading of each of the existing members of the Group.
- (iii) **Depreciation**
Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Motor vehicles	25% of net book amount
Computers and office equipment	25% of net book amount
Freehold buildings	2% straight line
- (iv) **Intangible fixed assets**
Purchased know-how is written off over its expected useful life of 5 years on a straight line basis.
- (v) **Leased assets**
Assets held under finance leases and hire purchase contracts are included as tangible assets at their purchase price and depreciated over the asset's useful lives. The obligations are included, as appropriate, under creditors due within or after one year. Rentals under operating leases are charged to profit as incurred.
- (vi) **Deferred taxation**
Deferred taxation is provided, using the liability method, on all timing differences which are expected to reverse in the near future calculated at the rate at which it is estimated taxation will be payable.
- (vii) **Research and development**
Research and development costs are written off in the period in which they are incurred.
- (viii) **Recognition of licence revenue**
The annual income from software licences is recognised in the same period as the commencement of the licence. An accrual for costs associated with licences is made in the period in which the licence commences.

3 Profit and loss accounts

The profit and loss accounts of the Group for the period ended 31 March 1991 and the two years ended 31 March 1993 inclusive are set out below:

	Notes	Period ended 31 March	Year ended 31 March	
		1991 £	1992 £	1993 £
Turnover	(i)	119,084	819,709	922,557
Cost of sales		67,109	344,253	309,752
Gross profit		51,975	475,456	612,805
Administrative expenses		19,593	102,695	145,992
Development costs		132,495	213,810	414,145
Operating (loss)/profit	(ii)	(100,113)	158,951	52,668
Interest payable and similar charges	(iv)	2,059	18,531	21,763
(Loss)/profit before taxation		(102,172)	140,420	30,905
Taxation	(v)	—	6,579	18,046
Retained (loss)/profit for the year		(102,172)	133,841	12,859
(Loss)/earnings per Ordinary Share	(vi)	(0.4p)	0.5p	0.1p

The notes referred to above are set out in section 6 of this report.

4 Cash flow statements

The cash flow statements of the Group for the period ended 31 March 1991 and two years ended 31 March 1993 inclusive are:

	Note	Period	Year ended	
		ended 31 March	31 March	
		1991	1992	1993
		£	£	£
Net cash (outflow)/inflow from operating activities	(ii)	(58,702)	236,569	38,671
Returns on investments and servicing of finance				
Interest received		446	175	—
Interest paid		(2,505)	(18,706)	(21,763)
Net cash outflow from returns on investments and servicing of finance		(2,059)	(18,531)	(21,763)
Investing activities				
Purchase of tangible fixed assets		(61,177)	(152,830)	(181,834)
Disposal of tangible fixed assets		—	12,047	5,000
Purchase of shares in subsidiary		(500)	—	—
Cash outflow from investing activities		(61,677)	(140,783)	(176,834)
Net cash (outflow)/inflow before financing		(122,438)	77,255	(159,926)
Financing activities				
Bank loan		—	(23,000)	6,655
Shares issued		(168)	—	—
Finance leases and hire purchase contracts:				
Raised		(33,210)	(56,873)	(128,756)
Repaid		806	26,716	72,545
		(32,572)	(53,157)	(49,556)
Increase in cash and cash equivalents				
Increase/(decrease) in cash balances		1,577	38,969	(40,300)
(Increase)/decrease in bank overdrafts		(91,443)	91,443	(70,070)
Net (decrease)/increase in cash and cash equivalents		(89,866)	130,412	(110,370)
		(122,438)	77,255	(159,926)
Summary of movements in cash and cash equivalents				
Balance at the beginning of the year	2		(89,864)	40,548
(Decrease)/increase during the year as above		(89,866)	130,412	(110,370)
Balance at the end of the year		(89,864)	40,548	(69,822)
Represented by:				
Cash		1,579	40,548	248
Bank overdraft		(91,443)	—	(70,070)
		(89,864)	40,548	(69,822)

The note referred to above is set out in section 6 of the report.

5 Balance Sheets

The consolidated balance sheets of the Group at each 31 March from 1991 to 1993 are set out below:

	Notes	31 March		
		1991 £	1992 £	1993 £
Fixed assets				
Intangible fixed assets	(vii)	56,000	42,000	28,000
Tangible fixed assets	(viii)	51,055	153,851	481,812
		<u>107,055</u>	<u>195,851</u>	<u>509,812</u>
Current assets				
Debtors	(ix)	68,711	128,431	920,145
Cash and bank		1,579	40,548	248
		<u>70,290</u>	<u>168,979</u>	<u>920,393</u>
Creditors: Amounts falling due within one year	(x)	<u>(188,693)</u>	<u>(222,846)</u>	<u>(601,726)</u>
Net current (liabilities)/assets		<u>(118,403)</u>	<u>(53,867)</u>	<u>318,667</u>
Total assets less current liabilities		(11,348)	141,984	828,479
Creditors: Amounts falling due after more than one year	(xi)	(91,154)	(110,645)	(83,917)
Provision for liabilities and charges	(xiii)	—	—	(17,988)
		<u>(102,502)</u>	<u>31,339</u>	<u>726,574</u>
Capital and reserves				
Called up share capital	(xiv)	125	125	38,224
Share premium account	(xv)	—	—	681,283
Profit and loss account	(xvi)	(102,627)	31,214	7,067
		<u>(102,502)</u>	<u>31,339</u>	<u>726,574</u>

The notes referred to above are set out in section 6 of this report.

6 Notes to the profit and loss accounts, cash flow statements and balance sheets

(i) Turnover and segmental information

Turnover comprises the invoiced value of goods and services provided by the Group, exclusive of VAT and intra-group transactions.

All turnover, profits and operating assets relate to the Group's principal business, the provision of computerised systems to access databases within the United Kingdom.

(ii) **Operating (loss)/profit**

Operating (loss)/profit is stated after charging:

	Period ended 31 March	Year ended 31 March	
	1991	1992	1993
	£	£	£
Directors' emoluments	54,848	114,217	129,503
Auditors' remuneration	2,200	3,500	6,000
Depreciation of owned fixed assets	2,400	15,450	21,789
Depreciation of assets held under finance leases and hire purchase contracts	7,722	23,386	16,675
Amortisation of purchased know-how	14,000	14,000	14,000
Operating lease rentals	—	2,736	4,232
	<u>54,848</u>	<u>153,239</u>	<u>185,203</u>

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

Operating (loss)/profit	(100,113)	158,951	52,668
Depreciation and amortisation	24,122	52,836	52,464
(Profit)/loss on disposal of tangible fixed assets	—	(849)	408
	<u>(75,991)</u>	<u>210,938</u>	<u>105,540</u>
Working capital:			
(Increase) in debtors	(68,711)	(59,720)	(41,702)
Increase/(decrease) in creditors	86,000	85,351	(25,167)
	<u>17,289</u>	<u>25,631</u>	<u>(66,869)</u>
Net cash (outflow)/inflow from operating activities	<u>(58,702)</u>	<u>236,569</u>	<u>38,671</u>

(iii) **Staff costs**

An analysis of staff costs is as follows:

	Period ended 31 March	Year ended 31 March	
	1991	1992	1993
	£	£	£
Wages and salaries	99,997	247,051	359,856
Social security costs	12,124	25,197	38,286
Other pension costs	810	473	7,680
	<u>112,931</u>	<u>272,721</u>	<u>405,822</u>

The average weekly number of employees was as follows:

	Period ended 31 March	Year ended 31 March	
	1991	1992	1993
Sales and administration	3	3	4
Production and development	5	5	16
	<u>8</u>	<u>8</u>	<u>20</u>

(iv) **Interest payable and similar charges**

The composition of interest payable and similar charges was:

	Period ended 31 March	Year ended 31 March	
	1991	1992	1993
	£	£	£
On amounts payable within five years:			
Bank overdraft interest	2,102	9,688	7,295
Bank loan interest	—	—	2,726
Finance lease and hire purchase charges	403	9,014	11,742
Other	—	4	—
	<u>2,505</u>	<u>18,706</u>	<u>21,763</u>
Interest receivable	(446)	(175)	—
	<u><u>2,059</u></u>	<u><u>18,531</u></u>	<u><u>21,763</u></u>

(v) **Taxation**

The taxation charge, based on the results for the period ended 31 March 1991 and the two years ended 31 March 1993, comprised:

	Period ended 31 March	Year ended 31 March	
	1991	1992	1993
	£	£	£
UK corporation tax	—	6,579	58
Deferred taxation	—	—	17,988
	<u>—</u>	<u>6,579</u>	<u>18,046</u>

UK corporation tax payable has been provided at the following rates:

	Period ended 31 March	Year ended 31 March	
	1991	1992	1993
	25%	25%	25%

(vi) **(Loss)/earnings per Ordinary Share**

(Loss)/earnings per Ordinary Share for the period ended 31 March 1991 and the two years ended 31 March 1993 are based on the (loss)/profits on ordinary activities after taxation in each period and on 27,956,538 Ordinary Shares of 2.5p each, being the weighted average number of shares in issue during the period ended 31 March 1991 and the year ended 31 March 1992, and 27,967,814 Ordinary Shares of 2.5p each, being the weighted average number of shares in issue during the year ended 31 March 1993. The weighted average number of shares has been adjusted for the capitalisation issues since 31 March 1993 referred to in note (xiv) below but excludes the 6,703,679 Ordinary Shares of 2.5p each which are to be issued to raise new capital under the placing by Allied Provincial Securities Limited.

(vii) **Intangible fixed assets**

At 31 March 1992 and 31 March 1993 intangible fixed assets comprised:

	At 31 March 1992	At 31 March 1993		
	Net book amount	Cost	Accumulated amortisation	Net book amount
	£	£	£	£
Purchased know-how	42,000	70,000	42,000	28,000

(viii) **Tangible fixed assets**

At 31 March 1992 and 31 March 1993 tangible fixed assets comprised:

	At 31 March 1992	At 31 March 1993		
	Net book amount £	Cost £	Accumulated depreciation £	
Freehold property	—	190,500	—	190,500
Computer and office equipment	90,762	275,334	40,541	234,793
Motor vehicles	63,089	89,116	32,597	56,519
	<u>153,851</u>	<u>554,950</u>	<u>73,138</u>	<u>481,812</u>

Included in tangible fixed assets are the following amounts relating to assets acquired under finance leases and hire purchase contracts:

	At 31 March	
	1992 £	1993 £
Cost	90,933	175,484
Less: accumulated depreciation	24,236	33,499
	<u>66,697</u>	<u>141,985</u>

(ix) **Debtors**

At 31 March 1992 and 31 March 1993 debtors comprised:

	At 31 March	
	1992 £	1993 £
Called up share capital not paid	—	750,012
Trade debtors	124,852	163,587
Prepayments and accrued income	3,579	6,546
	<u>128,431</u>	<u>920,145</u>

All of the amounts included in debtors fall due within one year. Payment for the called up share capital not paid was received on 2 April 1993.

(x) **Creditors: amounts falling due within one year**

At 31 March 1992 and 31 March 1993 creditors falling due within one year comprised:

	At 31 March	
	1992 £	1993 £
Bank loans	7,667	7,667
Bank overdraft	—	70,070
Trade creditors	100,213	103,899
Obligations under finance leases and hire purchase contracts (see note (xii) below)	16,846	43,533
Corporation tax	6,579	6,637
Social security, payroll and other taxes	38,335	30,326
Other creditors	36,788	256,326
Accruals	16,418	83,268
	<u>222,846</u>	<u>601,726</u>

Other creditors at 31 March 1993 included £190,000 due to TJB Associates Limited in respect of the purchase of a freehold property.

(xi) **Creditors: amounts falling due after more than one year**

At 31 March 1992 and 31 March 1993 creditors falling due after more than one year comprised:

	At 31 March	
	1992	1993
	£	£
Obligations under finance leases and hire purchase contracts repayable between two and five years (see note (xii) below)	45,715	75,239
Bank loans	15,333	8,678
Other creditors	49,597	—
	110,645	83,917

(xii) **Obligations under finance leases and hire purchase contracts**

At 31 March 1992 and 31 March 1993 amounts due under finance leases and hire purchase contracts were as follows:

	At 31 March	
	1992	1993
	£	£
Amounts payable:		
Within one year	27,492	57,112
Between two and five years	54,611	92,602
	82,103	149,714
Less: finance charges allocated to future periods	19,542	30,942
	62,561	118,772
	£	£
Finance leases and hire purchase contracts are shown as:		
Current obligations (see note (x) above)	16,846	43,533
Non-current obligations (see note (xi) above)	45,715	75,239
	62,561	118,772

(xiii) **Provision for liabilities and charges**

The analysis of the provision for liabilities and charges at 31 March 1992 and 31 March 1993 is as follows:

	At 31 March	
	1992	1993
	£	£
Deferred taxation:		
Accelerated capital allowances	—	17,988
	—	17,988

Provision has been made for all timing differences as they are expected to reverse.

(xiv) **Share capital**

At 31 March 1992 and 31 March 1993 the share capital of PhoneLink comprised:

	Authorised £	Allotted called up and fully paid £	Allotted £
At 31 March 1993:			
Ordinary Shares of 2.5p each	1,000,000	37,130	1,094
At 31 March 1992:			
Ordinary shares of £1 each	125	125	—

The following alterations were made to the share capital during the year ended 31 March 1993:

- (a) on 24 March 1993 the authorised share capital of PhoneLink was increased by £25 by the creation of 25 £1 ordinary shares and 25 ordinary shares of £1 each were issued at par, in consideration of the acquisition of the remaining ordinary shares of TTL not already held by PhoneLink. The transfer has been treated as if it occurred at the commencement of trading of TTL;
- (b) on 26 March 1993 the authorised share capital was increased by £999,875 by the creation of 999,875 £1 ordinary shares and the enlarged authorised share capital was sub-divided into 40,000,000 Ordinary Shares of 2.5p each; and
- (c) on 26 March 1993, 1,480,188 Ordinary Shares of 2.5p each were allotted, credited as fully paid, to the existing shareholders at that date by way of a capitalisation issue and 43,758 Ordinary Shares of 2.5p each were issued to new shareholders, at £17.14 per share, and were paid up on 2 April 1993.

Since 31 March 1993, the following alterations have been made to the share capital:

- (i) on 30 April 1993, 546,050 Ordinary Shares of 2.5p each were allotted, credited as fully paid, to the existing shareholders at that date by way of a capitalisation issue; and
- (ii) on 24 May 1993 26,705,198 Ordinary Shares of 2.5p each were allotted, credited fully paid, to the existing shareholders at that date by way of a capitalisation issue; and
- (iii) on 25 May 1993 6,703,679 new Ordinary Shares of 2.5p each were conditionally allotted to Allied Provincial Securities Limited under the Placing.

(xv) **Share premium account**

Movements in the share premium account in the period under review are as follows:

	Period ended 31 March	Year ended 31 March	
	1991 £	1992 £	1993 £
Brought forward	—	—	—
Arising on share issue for cash	—	—	748,918
Share issue costs	—	—	(67,635)
Closing balance	—	—	681,283

(xvi) **Profit and loss account**

Movements in the profit and loss account in the period under review are as follows:

	Period ended 31 March	Year ended 31 March	
	1991	1992	1993
	£	£	£
Brought forward	—	(102,627)	31,214
Goodwill written off	(455)	—	—
Retained (loss)/profit	(102,172)	133,841	12,859
Capitalised by way of capitalisation issue	—	—	(37,006)
Closing balance	<u>(102,627)</u>	<u>31,214</u>	<u>7,067</u>

(xvii) **Financial commitments**

(a) *Operating leases*

At 31 March 1992 and 31 March 1993, the Group had annual commitments under non-cancellable operating leases in respect of motor vehicles and equipment as set out below:

	At 31 March	
	1992	1993
	£	£
Operating leases which expire:		
within one year	—	—
within two to five years	2,732	3,908
	<u>2,732</u>	<u>3,908</u>

(b) *Future capital expenditure*

At 31 March 1992 and 31 March 1993, the directors had authorised future capital expenditure as follows:

	At 31 March	
	1992	1993
	£	£
Contracted	Nil	Nil
Not contracted	Nil	Nil

7 Other matters

The report of the auditors on the accounts of PhoneLink for the year ended 31 March 1991 was qualified as follows:

“We have audited the financial statements on pages 3 to 8 in accordance with Auditing Standards.

The accounts have been prepared on a going concern basis which assumes the continuing support of the Company’s bankers

Subject to the above in our opinion the financial statements give a true and fair view of the state of the Company’s affairs at 31 March 1991 and of the loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985”.

The report of the auditors on the accounts of TTL for the year ended 31 March 1991 contained the following paragraph:

“Without qualifying our opinion above, we draw attention to the fact that the Company’s continuation is dependent upon the financial support from the Directors and associated undertakings. They have expressed their willingness to continue their support”.

We are satisfied that the above are not relevant for the purposes of this report. Subject to this, unqualified audit opinions have been expressed in respect of all accounts noted above.

Yours faithfully

Ernst & Young

Chartered Accountants

Registered Auditor

PART III

STATUTORY AND GENERAL INFORMATION

1. The Company

- 1.1. The Company was incorporated in England on 24 August 1989 with registered number 2415211 under the Act as a private company with limited liability under the name Flexibyte Limited.
- 1.2. The Company changed its name to PhoneLink Data Limited on 13 September 1989.
- 1.3. The Company was re-registered as a Public Limited Company on 14 May 1993 under the name PhoneLink PLC.
- 1.4. The registered office and principal place of business of the Company is at John Douglas House, 620 Woodchurch Road, Prenton, Birkenhead L43 OTT.

2. Subsidiaries

- 2.1. The Company has two wholly owned subsidiaries, Technique Telecommunications Limited and PhoneLink Data Limited. Both subsidiaries are dormant non-trading companies.
- 2.2. Technique Telecommunications Limited was incorporated in England on 30 August 1989 under the Act as a private limited company (registered number 2418015).
- 2.3. The issued share capital of Technique Telecommunications Limited not already owned by the Company was acquired by the Company on 24 March 1993 and the whole of its assets, business, and undertaking, together with its liability to its bankers were transferred to the Company on 26 March 1993. The net liabilities of TTL at that date were £4,852.
- 2.4. PhoneLink Data Limited was incorporated in England under the name Talpmere Limited on 15 March 1993 under the Companies Act 1985 as a private limited company (registered number 2799335). Its name was changed to PhoneLink Limited on 19 April 1993 and to PhoneLink Data Limited on 14 May 1993.
- 2.5. The Company has no other subsidiaries.

3. Share Capital

- 3.1. The Company was incorporated with an authorised share capital of £100 divided into 100 ordinary shares of £1 each.
- 3.2. The two subscriber shares were transferred to T J Burke and H Burke on 4 September 1989.
- 3.3. By a resolution of the Board passed on 4 September 1989 it was resolved to allot to each of T J Burke and H Burke 49 additional ordinary shares of £1 each at par.
- 3.4. On 24 March 1993 H Burke transferred 13 fully paid ordinary shares of £1 each to T J Burke.
- 3.5. The authorised share capital of the Company was increased by an ordinary resolution passed on 24 March 1993 to £125.
- 3.6. By a resolution of the Board passed on 24 March 1993 it was resolved to allot to I Woolsey 25 ordinary shares of £1 each at par in consideration for which I Woolsey transferred 50 ordinary shares of £1 each in Technique Telecommunications Limited to the Company pursuant to an agreement made on 24 March 1993 between the Company (1) and I Woolsey (2), following which Technique Telecommunications Limited became a wholly owned subsidiary of the Company.
- 3.7. The authorised share capital of the Company was further increased by an ordinary resolution passed on 26 March 1993 to £1,000,000 divided into 1,000,000 ordinary shares of £1 each which were sub-divided by a further ordinary resolution passed on the same day into Ordinary Shares of 2.5p each, so that the resultant authorised share capital of the Company was £1,000,000 divided into 40,000,000 Ordinary Shares of 2.5p each.

- 3.8. On 26 March 1993 the Directors were generally and unconditionally authorised for the purpose of Section 80 of Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that Section) up to a maximum nominal amount of £750,000 for a period of 5 years.
- 3.9. On 26 March the Directors were empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94(2) of the Act) as if Section 89(1) of the Act did not apply to such allotment such allotment being limited to the allotment of equity securities up to a maximum nominal amount of £750,000.
- 3.10. By an ordinary resolution passed on 26 March 1993 the Company resolved to capitalise £37,004.70 of distributable profits for the purpose of issuing 1,480,188 Ordinary Shares to the existing shareholders credited as fully paid on the basis of 296.0376 Ordinary Shares for each Ordinary Share then held.
- 3.11. By a resolution of the Board passed on 26 March 1993 it was resolved to allot pursuant to the capitalisation referred to in paragraph 3.10, credited as fully paid, 746,015 additional Ordinary Shares to T J Burke, 438,136 additional Ordinary Shares to H Burke and 296,037 additional Ordinary Shares to I Woolsey. It was further resolved by the Board on 26 March 1993 to allot 43,758 Ordinary Shares at a price of £17.14 each, for which Allied Provincial received a commission of £11,250, as follows:—
 - (a) 11,000 Ordinary Shares to NCB Trust Limited of Citibank House, P.O. Box 79, 337 The Strand, London;
 - (b) 3,586 Ordinary Shares to British Overseas Bank Nominees Limited of P.O. Box 348, 42 Islington High Street, London;
 - (c) 14,586 Ordinary Shares to Equitable Life Assurance Society of 4 Coleman Street, London; and
 - (d) 14,586 Ordinary Shares to CO Nominees Limited of 51-53 New London, Chelmsford, Essex.
- 3.12. By an ordinary resolution of the Company passed on 30 April 1993, the Company resolved to capitalise £13,651.25 of the amount standing to the credit of the Company's share premium account for the purposes of issuing 546,050 Ordinary Shares to the existing shareholders credited as fully paid on the basis of 1 Ordinary Share for every 2.8 Ordinary Shares then held.
- 3.13. By a resolution of the Board passed on the 30 April 1993 it was resolved to allot pursuant to the capitalisation referred to in paragraph 3.12 credited as fully paid, 267,334 additional Ordinary Shares to T J Burke, 157,004 additional Ordinary Shares to H Burke, 106,085 additional Ordinary Shares to I Woolsey, 5,209 additional Ordinary Shares to Equitable Life Assurance Society, 5,209 additional Ordinary Shares to CO Nominees Limited, 3,928 additional Ordinary Shares to NCB Trust Limited and 1,281 additional Ordinary Shares to British Overseas Bank Nominees Limited.
- 3.14. On the 24 May 1993 H Burke transferred 389,751 fully paid Ordinary Shares to T J Burke.
- 3.15. By an ordinary resolution passed on 24 May 1993 the Company resolved to capitalise £667,629.95 of the amount standing to the credit of the Company's share premium account for the purposes of issuing 26,705,198 Ordinary Shares to the existing shareholders credited as fully paid on the basis of 12.87 Ordinary Shares for every one Ordinary Share then held.
- 3.16. By a resolution of the Board passed on 24 May 1993 it was resolved to allot pursuant to the capitalisation referred to in paragraph 3.15, credited as fully paid, 18,090,330 additional Ordinary Shares to T J Burke, 2,662,416 additional Ordinary Shares to H Burke, 5,188,167 additional Ordinary Shares to I Woolsey, 254,762 additional Ordinary Shares to Equitable Life Assurance Society, 254,762 additional Ordinary Shares to CO Nominees Limited, 192,123 additional Ordinary Shares to NCB Trust Limited and 62,638 additional Ordinary Shares to British Overseas Bank Nominees Limited.

- 3.17. The present issued share capital of the Company is 28,780,194 Ordinary Shares. Following the Placing 35,483,873 Ordinary Shares will be in issue and 2,741,934 Ordinary Shares (representing approximately 6.85 per cent. of the authorised share capital of the Company) will remain unissued and unreserved but no issue of such shares which would effectively alter the control of the Company or the nature of its business will be made without the prior approval of the Company in General Meeting.
- 3.18. On 17 May 1993 the Company adopted the PhoneLink Share Option Scheme further particulars of which are set out in paragraph 8 below. On that date options to subscribe for a total of 213,750 Ordinary Shares were granted to employees of the Company pursuant to the Rules of the Share Option Scheme and subject to completion of the Placing. The subscription price will be such price as is agreed with the Share Valuation Division of the Inland Revenue. The Directors hope to agree with the Share Valuation Division of the Inland Revenue that the subscription price shall be the Placing Price.
- 3.19. Save as disclosed within this document:-
- (a) no share or loan capital of the Company or of any of its subsidiaries has been issued since the incorporation of the Company or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash;
 - (b) no share or loan capital of the Company or of any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option;
 - (c) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital of the Company or of any of its subsidiaries.
- 3.20. Save for the Ordinary Shares to be issued pursuant to the Placing and save as permitted in certain circumstances by the Share Option Scheme disclosed in paragraph 8, no material issue of shares (other than to shareholders pro rata to their existing holdings) will be made within one year of the date of this document without the prior approval of the Company in General Meeting.
- 3.21. The provisions of S.89 of the Act (which confers on holders of equity securities, rights of pre-emption in respect of the allotment of equity securities which are, or are to be, wholly or partly paid up in cash other than in respect of an allotment to employees under an employees share scheme), have been disapplied in respect of the 26,705,196 Ordinary Shares, the subject of the capitalisation issue on 24 May 1993, the 6,703,679 Ordinary Shares in respect of the Placing and the 1,774,193 Ordinary Shares representing 5 per cent. of the issued Share Capital of the Company. The Directors have been generally and unconditionally authorised for the purpose of S.80 of the Act to exercise all the powers of the Company to allot in respect of the above.

4. Placing Agreement

- 4.1 By an agreement ("the Placing Agreement") dated 25 May 1993 and made between T J Burke, H Burke and I Woolsey (1), the Company (2), the Directors (3), and Allied Provincial (4) Allied Provincial have agreed, conditionally (inter alia) upon the grant of permission to deal in the Ordinary Share capital of the Company in the Unlisted Securities Market, as agent to procure placees for a total of 8,870,968 Ordinary Shares at the Placing Price.
- 4.2 Under the Placing Agreement, the Company has agreed to pay Allied Provincial a corporate fee and the Company and each of the vendors have agreed to pay Allied Provincial a marketing and underwriting fee of 1.25 per cent. on the value of the Ordinary Shares issued or sold (as the case may be) at the Placing Price by each of them respectively pursuant to the Placing.

- 4.3 The Placing Agreement also provides (inter alia) that the Company will pay all the expenses of and incidental to the Placing, including all costs of preparing printing and advertising this document and all accountancy and legal expenses.
- 4.4 Under the Placing Agreement the Company and certain of the Directors have given warranties in relation to the affairs of the Company and certain of the Directors have given to the Company covenants relating to taxation. Primary liability under the warranties rests with the Company but in the event of the Company failing to meet any liabilities arising thereunder the Directors will be personally liable.
- 4.5 In addition, T J Burke, H Burke and I Woolsey have agreed for themselves and their personal representatives that, save as permitted by the Placing Agreement, they will not, until the publication of the accounts of the Company for the year ended 31 March 1995, sell any of their respective shareholdings in the Company without the prior written consent of Allied Provincial.

5. Premises

The Company operates from freehold premises situate at and known as John Douglas House, 620 Woodchurch Road, Prenton, Birkenhead, L43 0TT which it purchased from TJB Associates Limited (a company wholly owned by T J Burke and H Burke) on 31 March 1993. The Company had previously leased the premises from TJB Associates Limited. The premises were purchased subject to a first charge in favour of National Westminster Bank PLC. The total price paid, inclusive of repayment of the amounts outstanding under the said first charge, was £190,000, representing the market value of the premises as determined by an independent valuation of the premises prepared by Smith & Sons, Property Consultants.

6. Directors' and Other Interests

- 6.1. The interests of the Directors (all of which are beneficial) in the issued share capital of the Company immediately following the Placing, as they will be recorded in the register maintained under the provisions of the Act, will be as follows:-

	Number of Ordinary Shares	Percentage of Issued Ordinary Share Capital
Sir Gordon Brunton	64,500	0.2
T J Burke	18,629,033	52.5
J Lyon	—	—
H Burke	2,002,370	5.6
I Woolsey	5,157,832	14.5

- Sir Gordon will acquire his holding of Ordinary Shares pursuant to the Placing. No connected person within the meaning of S.346 of the Act will hold any interest in the issued share capital of the Company immediately following the Placing.
- 6.2. On the 17 May 1993 an Option Agreement was entered into between T J Burke, H Burke and I Woolsey (1) and J Lyon (2) whereby T J Burke, H Burke and I Woolsey granted to J Lyon an option to purchase an aggregate amount of Ordinary Shares which represent 2.5 per cent. of the issued Ordinary Share capital following the Placing. The option was granted for the consideration of £1 and without the prior written consent of T J Burke, H Burke and I Woolsey is exercisable on two occasions only between the third and seventh anniversary of 17 May 1993 provided that J Lyon shall be entitled to exercise the option in respect of for up to 0.5 per cent. of the issued Ordinary Shares of the Company following the Placing at any time after 31 March 1995. The option will not normally be exercisable if J Lyon ceases to be an employee of the Company. The exercise price per share is 155 pence.
- 6.3. Save as disclosed in 6.1, the Directors are not aware of any shareholding which, immediately following the Placing, will represent 3 per cent. or more of the issued share capital of the Company.

- 6.4. I Woolsey disposed of 50 shares in Technique Telecommunications Limited to the Company on 24 March 1993, in consideration of the allotment and issue to I Woolsey, credited as fully paid, of 25 ordinary shares of £1 in the capital of the Company.
- 6.5. Save as aforesaid, no Director has, or has had, any direct or indirect interest in any asset which, during the two years immediately preceding publication of this document, has been, or is proposed to be, acquired or disposed of by or leased to the Company or any of its subsidiaries.
- 6.6. Save as aforesaid, no Director has any material interest in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company and its subsidiaries as a whole.

7. Directors' Service Agreements and Consultancy Agreement

- 7.1. The Executive Directors each have service agreements with the Company the details of salary and commencement date of which are as follows:-

Director	Current Annual Salary	Commencement Date
T J Burke	£85,000	24 May 1993
J Lyon	£67,500	24 May 1993
H Burke	£67,500	24 May 1993
I Woolsey	£67,500	24 May 1993

- 7.2. Each of the above agreements is terminable by either party on not less than 12 months' notice expiring on the third anniversary of the agreement or at any time thereafter.
- 7.3. In addition to the current annual salaries specified above, each of the Directors concerned is entitled to an annual bonus to be determined by the Company.
- 7.4. Each such Director receives a motor car of a size and type commensurate (in the opinion of the Company) with his/her position. The Company operates permanent health insurance and medical expenses insurance for all the Directors. In addition I Woolsey receives a pension contribution of £375 per month.
- 7.5. The Company pays reasonable expenses to all Directors incurred in carrying out duties on behalf of the Company.
- 7.6. The services of Sir Gordon Brunton are provided under the terms of a consultancy agreement between the Company and Communications and General Consultants Limited dated 24 May 1993. The agreement is terminable by either party on not less than 6 months' notice expiring on 23 May 1996 or at any time thereafter. The annual consultancy fee is £25,000, subject to annual review.
- 7.7. Save as mentioned in paragraphs 7.1 and 7.6 above, there are no existing or proposed service or consultancy agreements between any Director and the Company or any of its subsidiaries which cannot be terminated without payment of compensation (other than statutory compensation) within one year.
- 7.8. The aggregate emoluments of the Directors for the financial period ended 31 March 1993 were £60,556 and for the current financial period ending 31 March 1994 the aggregate emoluments of the Directors are expected to be approximately £388,750.

8. Share Option Scheme

- 8.1. By an ordinary resolution the Company passed on 17 May 1993 the Company adopted the rules of the Share Option Scheme.
- 8.2. The following is a summary of the principal terms of the Share Option Scheme:-
- (a) **Eligibility**
Invitations to participate in the Share Option Scheme may be made to such of those employees of the Company who are eligible to participate as the Directors may in their sole discretion decide.

(b) **Subscription Price**

The price at which the participants in the Scheme may subscribe for Ordinary Shares on the exercise of an option will be not less than the greater of the nominal value of an Ordinary Share and the value agreed with the Inland Revenue Share Valuation Division pursuant to Part 8 of the Taxation of Chargeable Gains Act 1992. The subscription price may be adjusted in a manner as the Directors may in their absolute discretion determine (subject to approval by the Company's auditors and the Inland Revenue) should there be a variation in the Company's capital by reduction, sub-division, consolidation, capitalisation issue or rights issue. The options are granted for the consideration of £1.

(c) **Limits on Grant**

- (i) Subject to any adjustment pursuant to the Rules of the Scheme no more than 1,774,193 Ordinary Shares may be issued under the Scheme.
- (ii) No option may be granted on a date later than 10 years after the Scheme has been adopted by the Company.
- (iii) The Ordinary Shares must be or have been dealt in in the Unlisted Securities Market.
- (iv) The number of Ordinary Shares in respect of which options may be granted shall not exceed the following when aggregated together:-
 - (1) the number of Ordinary Shares issued or capable of being issued pursuant to options granted under the Scheme and any other executive share option scheme during that and the preceding nine years shall not exceed five per cent. of the Ordinary Share capital of the Company in issue at the end of that year;
 - (2) the number of Ordinary Shares issued or capable of issue pursuant to the options granted under the Scheme and any other executive share option scheme and the number of shares issued under any profit share scheme during that and the preceding nine years shall not exceed 10 per cent. of the Ordinary Share capital of the Company in issue at the end of that year;
 - (3) the number of Ordinary Shares issued or capable of issue pursuant to options granted under the Scheme and any other executive share option scheme and the number of Ordinary Shares issued under any profit sharing scheme during that and the preceding 2 years shall not exceed 3 per cent. of the Ordinary Share capital of the Company in issue at the end of that year.
 - (4) (3) shall not apply if:-
 - (A) in the relevant year or any of the preceding 4 years an option scheme linked to any SAYE Contract has been adopted by the Company, and in the year of introduction options have been granted over Ordinary Shares which when aggregated with (B) does not exceed 5 per cent. of the Company's Ordinary Share capital in issue at the end of such year.
 - (B) The total number of shares granted under the scheme in each year does not when aggregated with the number of shares mentioned under (a) and (b) below does not exceed in respect of (a) 5 per cent. of the Ordinary Share capital of the Company at the end of that year and in respect of (b) 3 per cent. of the Ordinary Share capital of the Company at the end of that year.
 - (a) the number of Ordinary Shares issued and capable of issue pursuant to the options granted under the Scheme and any other executive share option scheme and the number of Ordinary Shares issued under any profit sharing scheme during that and the preceding 4 years shall not exceed 5 per cent. of the issued Ordinary Share capital of the Company in that year;

- (b) the number of Ordinary Shares issued or capable of issue pursuant to options granted under the Scheme and any other executive share option scheme during that and the preceding 4 years shall not exceed 3 per cent. of the Ordinary Share capital of the Company in issue at the end of that year.

(d) **Grant of Options**

The Directors may grant options to employees provided the employee concerned is not within 2 years of becoming 65 years of age. Options may be granted by the Directors within 42 days of the following:-

- (i) the Company releasing its interim results or final results for any financial period or part thereof;
- (ii) the date on which this document is issued;
- (iii) the date on which the Scheme is adopted by the Company.

(e) **Exercise and Lapse of Options**

- (i) Options granted to an employee will lapse in the event of that employee ceasing to be an employee of the Company (or a subsidiary) within 3 years of the respective date of grant of the option.
- (ii) Options may normally be exercised in whole or in part during the period commencing on the third anniversary of their grant and finishing on the tenth anniversary of their grant. If a participant ceases to be an eligible employee by reason of injury, disability, redundancy, retirement or any other circumstances approved by the Company, or as a result of the business or company by which he is employed leaving the Group, options must be exercised in full within 6 months of cessation, unless in the case of retirement cessation occurs earlier than 3 years after the date of the grant of the option to the employee.
- (iii) Options are not transferable.
- (iv) If a participant holding an unexercised option dies, his personal representatives may exercise the option in whole or part within 12 months after the date of death, failing which the option will lapse.
- (v) If notice is given of a resolution for the voluntary winding up of the Company, the options may be exercised until the passing of the winding up resolution. If the Company comes under the control of another company as a result of an offer made to the shareholders or any scheme of re-construction or amalgamation options may be exercised within 6 months from the date on which change of control takes place. If a court sanctions any scheme of reconstruction or amalgamation under the Act options may be exercised within 6 months following such sanction. If any person becomes bound or entitled to acquire Ordinary Shares under Sections 428 to 430 of the Act options may be exercised while that person remains bound or entitled to acquire the Ordinary Shares.
- (vi) Options may not be exercised unless there has been real growth in the earnings per share of the Company over a period of three consecutive years commencing not earlier than the date of the grant of the option. Real growth in the earnings per share means a percentage increase over the 3 year period greater than the percentage increase in the Retail Price Index over the same 3 year period.

(f) **Amendments**

The Share Option Scheme may be altered by a resolution of the Directors except that:

- (i) No amendments may be made to the definitions of "Employee", "Grant Period", "Real Growth in Earnings per Share", "Relevant Emoluments", "Relevant Limit" and "Subscription Price", to the periods during which options may be granted, to the limits applicable to individual participants, to the limits on shares referred to in paragraph (c) above and to the provisions concerning the exercising of options, without the prior sanction of an ordinary resolution of the Company in general meeting and without the approval of the Inland Revenue.
- (ii) No alteration to the rights attaching to the options granted can be made without the approval of 75 per cent. of the Ordinary Shareholders within those options, if exercised.

**9. Memorandum
and Articles of
Association**

9.1 The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of the application of the expertise with computers and software for automated data retrieval systems through access to remote databases and locally held databases.

The objects of the Company are set out in full in Clause 4 of the Memorandum of Association.

9.2 The Articles of Association of the Company, as adopted pursuant to a special resolution of the Company passed on 24 May 1993, contain provisions, *inter alia*, to the following effect:-

(a) **Voting Rights**

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to the beneficial ownership of shares and subject to any terms as to voting upon which any shares may be issued, or may for the time being be held, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote on a show of hands and, on a poll, one vote for every Ordinary Share of which he is the holder. On a poll votes may be given in person by a proxy. A member shall not be entitled to vote unless all calls or other sums due from him have been paid.

(b) **Dividends**

- (i) Subject to the Act, the Company may by ordinary resolution declare dividends to be paid out of profits available for distribution to members according to their rights and priorities but no dividend shall exceed the amount recommended by the Board. The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.
- (ii) Except as provided by the rights attached to shares, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid (other than amounts paid in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to the Company.
- (iii) The Board may, if authorised by an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

(c) **Distribution of Assets on a Winding Up**

- (i) On a winding up, any surplus assets will be divided between the holders of the Ordinary Shares according to their respective holdings of shares, subject to the rights of any shares which may be issued with special rights or privileges.
- (ii) The liquidator may, with the sanction of an extraordinary resolution of the Company and subject to the Act, divide among the members in specie the whole or any part of the assets of the Company and subject to such trusts for the benefit of the members as he shall determine.

(d) **Transfer of Shares**

The Ordinary Shares are in registered form. The instrument of transfer of a share may be in any usual form or in such other form as the Board may approve. The instrument of transfer shall be executed by or on behalf of the Transferor and (in the case of a partly paid share) by or on behalf of the Transferee. The Board may, in its absolute discretion and without assigning any reason therefor, refuse to register any transfer of shares, all or any of which are not fully paid. There are no restrictions on the transferability of fully paid shares provided that:-

- (i) the transfer instrument is lodged with the Company, accompanied by the relevant share certificates and such other evidence of the right of the transferor to make the transfer as the Board may reasonably require;
- (ii) the transfer instrument is in respect of only one class of shares; and
- (iii) the transfer is not in favour of more than four transferees.

If any of the above conditions is not complied with, the Board may refuse to register the transfer in question. There are no other restrictions on the registration of transfer of Shares.

(e) **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 the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the written consent of the holders of three quarters in nominal amount of the issued shares of the affected class, or with the sanction of an extraordinary resolution passed at a separate General Meeting of such holders, but not otherwise. The quorum at any such General Meeting is two persons holding or representing by proxy at least one third in nominal amount of the issued shares of the class in question or, at any adjourned meeting, one person holding shares of the class in question or his proxy. Any holder of shares of the class in question present in person or by proxy may demand a poll. Holders of shares of the class in question shall, on a poll, have one vote for every share of that class held by them respectively. The rights or privileges attaching to any class of shares shall not, subject to the terms on which such shares may be issued, be deemed to be varied or abrogated by the creation or issue of new shares ranking *pari passu* with or subsequent to those already issued.

(f) Share Capital, Changes in Capital and Purchase of Own Shares

- (i) Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution. Subject to the Act and to any rights conferred on the holders of any other shares, the Company may issue redeemable shares. Subject to the Articles of Association and the Acts, the power of the Company to allot and issue shares shall be exercised by the Board at such time, for such consideration and upon such terms and conditions as the Board may determine.
- (ii) The Company may, by ordinary resolution, increase its share capital, consolidate and divide its share capital into shares of larger amounts and, subject to the Act, sub-divide its shares or any of them into shares of a smaller amount, and cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of the share capital by the amount of the shares so cancelled.
- (iii) Subject to the Act, the Company may, by special resolution, reduce its share capital, any capital redemption reserve and any share premium account in any way.
- (iv) Subject to the Act the Company may purchase all or any of its own shares (including any redeemable shares).

(g) Directors

- (i) A Director shall not vote at a meeting of the Board or a committee of the Board on any resolution (or be counted in the quorum present at any of the meetings in relation to such resolution) concerning a matter in which he has, directly or indirectly a material interest (other than by virtue of his interest in shares or debentures or other securities of, or in or otherwise through, the Company) or a duty which conflicts or may conflict with the interests of the Company save in the case of:-
 - (1) the giving to him of a guarantee, security or indemnity in respect of money lent by him to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiaries;
 - (2) the giving to a third party of any guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (3) his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries for subscription, purchase or exchange;
 - (4) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to the members of the relevant company;

- (5) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Inland Revenue for taxation purposes;
- (6) any scheme or arrangement for the benefit of employees of the Company or any of its subsidiaries under which he benefits in a similar manner to the employees and which does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates.
- (ii) The Company may by ordinary resolution suspend or relax the above provisions.
- (iii) Subject to the Act and Provided That he has disclosed to the Board the nature and extent of any material interest a Director:-
 - (1) may be a party to or otherwise directly or indirectly interested in any transaction or arrangements with the Company (or in which the Company is otherwise interested), or in which any Company promoted by the Company (or in with the Company is otherwise interested) and may be a member or director or other officer of, or employed by, any such company and shall not be accountable to the Company for any benefit which he derives from any such transaction, arrangement, office, employment or interest; and
 - (2) may act in a professional capacity for the Company for which he shall be entitled to remuneration.
- (iv) The Directors shall be paid such remuneration (by way of fee) for their services as may be determined by the Board. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses of travelling to and from Board meetings, committee meetings or General Meetings, or otherwise incurred while engaged on the business of the Company. Any director who, by request of the Board, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, commission, percentage of profits or otherwise as the Board may decide.
- (v) The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any Director who has previously held executive office or employment with the Company or any of its subsidiaries (or a predecessor in business of any of them) and for any member of his family (including his spouse and a former spouse or any person who is or was dependent on him).
- (vi) At each Annual General Meeting one third of the directors (but not including the Chief Executive, Managing Director or joint Managing Director) or if their number is not a multiple of 3, then the number nearest to but not exceeding one third, shall retire from office and shall be eligible for re-election. The Directors to retire by rotation shall be those who have been longest in office since their last election or, in the case of those who came or were re-elected directors on the same day, shall, unless they agree otherwise, be determined by lots. Any Director appointed by the Board shall hold office only until the next Annual General Meeting, when he shall be eligible for re-election, but shall not be taken into account in determining the Directors to retire by rotation at that meeting.
- (vii) There is no age limit for the Directors and sub-sections (1) to (6) of Section 293 of the Companies Act 1985 does not apply to the Company.

(viii) Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two nor more than ten in number.

(ix) A director shall not be required to hold any qualification shares.

(h) **Borrowing Powers**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and assets (present and future) and uncalled capital and, subject to the Act, to issue debentures and other securities, whether outright or as a collateral security, for any debt, liability or obligation of the Company or of any third party. The aggregate amount for the time being outstanding of all borrowings by the Company and its subsidiaries shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the adjusted capital and reserves of the Company and its subsidiaries.

(i) **Untraced Shareholders**

The Company may sell the shares of a member or person entitled on the death or bankruptcy of a member if all dividend, warrants and cheques sent to such member or person have remained uncashed for a period of 12 years and the Company has, at the expiration of such period, given notice in a form approved by the London Stock Exchange in a daily national newspaper and an appropriate local newspaper and no indication is received as to the whereabouts or existence of such member or persons. The Company shall be obliged to account to the member or such other person for the net proceeds of sale. All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to the Company.

10. Litigation

10.1. Save as disclosed in paragraph 10.2 below, neither the Company nor any of its subsidiaries is engaged in any litigation or claim which, in the opinion of the Directors, is of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or its subsidiaries. In respect of the matters referred to in 10.2 (a) and (b) the Directors have not considered it necessary to make any provision in the accounts for the year ended 31st March 1993.

10.2 There are the following actions currently involving the Company.

(a) BrookNorth Goodwin, solicitors, have commenced proceedings against the Company claiming £17,188.83 in respect of unpaid professional charges, plus costs and interests. A Writ was issued and served during January 1992. Service of that Writ has been acknowledged and the plaintiffs have been requested to supply further and better particulars of their claim. It has been agreed between the parties that pending receipt of these further and better particulars no further action will be taken. No such further and better particulars have to date been received by the Company. It is unknown whether the plaintiffs still intend to pursue their action but it is the Company's intention that the action will be vigorously defended.

(b) Mr D. F. Atkinson, a former employee of the Company, has brought an action against the Company for wrongful dismissal, claiming damages of £41,439.52 plus costs and interest. The matter has been transferred to the Birkenhead County Court and no action has been taken by the plaintiff since March 1992. The action has been, and will continue to be, vigorously defended.

- (c) The Company has brought an action against Thomson Regional Newspapers Limited claiming damages of £110,475.30 for breach of contract, plus costs and interest. The Company issued proceedings on 16 December 1992; the proceedings have been defended and a request for further and better particulars of the defence has been lodged in respect of which an application is shortly to be made to the court. Thereafter the action will proceed to discovery and inspection.

11. Working Capital

The Directors are of the opinion that, having regard to the existing bank facilities available and the estimated net proceeds of the Placing receivable by the Company, the Company and its subsidiaries will have sufficient working capital for their present requirements.

12. Material Contracts

12.1 The following contracts, not being contracts entered into in the ordinary course of business have been entered into by the Company within the two years immediately preceding the date of this document and are or may be material:-

- (a) The Share Acquisition Agreement made between Ian Woolsey (1) and the Company (2) dated 24 March 1993 details of which are set out in paragraph 6.4 of this document;
- (b) An Agreement made between Technique Telecommunications Limited (1) and the Company (2) dated 24 March 1993 whereby the Company acquired the whole of the business, assets and undertaking of Technique Telecommunications Limited (then its wholly owned subsidiary) and its liability to its bankers at net asset value the consideration remaining outstanding on loan account;
- (c) Agreement for the purchase of 620 Woodchurch Road, Prenton, Birkenhead made between TJB Associates Limited (1) and the Company (2) dated 31 March 1993 details of which are set out in paragraph 5 of this document;
- (d) the Placing Agreement details of which are set out in paragraph 4 of this document; and
- (e) The Consultancy Agreement made on 24 May 1993 between the Company and Communications and General Consultants Limited, details of which are set out in paragraph 7.6 of this document.

12.2 Save as set out in paragraph 12.1 neither the Company nor any of its subsidiaries have, within the two years immediately preceding the date of this document, entered into any contract which is or may be material otherwise than in the ordinary course of business.

13. Taxation

- 13.1 The Directors have been advised that the Company is at present a close company as defined in Section 414 of the Income and Corporation Taxes Act 1988 and that it will be a close company immediately following the Placing.
- 13.2 The Directors have been advised that no tax clearances are required or are relevant to the Placing.
- 13.3 The Directors have been advised that neither the Company nor any of its subsidiaries has any material liability for inheritance tax.
- 13.4 The Directors have been advised as follows in relation to stamp duty and stamp duty reserve tax ("SDRT"):
- (i) where new Ordinary Shares the subject of the Placing are registered in the name of the original placee no liability to stamp duty or SDRT will arise; and
 - (ii) transfers of Ordinary Shares once registered will be liable to stamp duty in the usual way, normally at the rate of 50p per £100 (or part of £100) of the price paid. To the extent that any Ordinary Shares accepted pursuant to the Placing are shares sold by the existing shareholders under the Placing agreement referred to in paragraph 4 of this document, there will be a charge to stamp duty.

Special rates apply to agreements made by market makers in the ordinary course of their business, broker-dealers and certain other persons.

The comments in this paragraph 13.4 are intended as a guide to the current position. Any persons having any doubt as to their tax position should consult their professional adviser.

14. General

- 14.1 (a) Ernst & Young have given and have not withdrawn their written consent to the issue of this document with their report included in the form and context in which it appears.
- (b) Allied Provincial and Smith & Sons Property Consultants have given and have not withdrawn their written consent to the inclusion in this document of their names and references to their names in the form and context in which they appear.
- 14.2 The total expenses payable by the Company in connection with the Placing, are estimated to be £432,000 (exclusive of value added tax).
- 14.3 Save for the Placing there has been no material change in the trading or financial position of the Company or any of its subsidiaries since 31 March 1993 being the date to which the last audited accounts of the Company were made up.
- 14.4 The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240(5) of the Act. The statutory Accounts of the Company for the three financial periods ended 31 March 1993 have been delivered to the Registrar of Companies in England and Wales. The Auditors of the Company have issued reports under Section 235 of the Act in respect of such accounts and such reports do not contain a statement in the form referred to in Section 237(2) or 237(3) of the Act.
- 14.5 Copies of this document have been delivered to the Registrar of Companies for registration together with:
- (a) the letters from Allied Provincial to potential placees offering Ordinary Shares;
 - (b) the written consents referred to in paragraph 14.1;
 - (c) the material contracts referred to in paragraph 12; and
 - (d) the statement of adjustments made by Ernst & Young in arriving at the figures included in the Accountants' Report set out in Part II of this document.

14.6 For the purposes of the Act, the subscription lists will open at 10.00am on 25 May 1993 and may be closed at any time thereafter.

14.7 The minimum amount which in the opinion of the Directors is required to be raised by the Placing for the purposes mentioned in paragraph 2(a) of Part I of Schedule 3 to the Act is as follows: sub-paragraph (i) £1.5 million; sub-paragraph (ii) £432,000; sub-paragraph (iii) £Nil; and sub-paragraph (iv) £3.5 million.

14.8 T J Burke and H Burke were the founders or subscribers of the Company and are or may be considered to be promoters of the Company. The following amounts and benefits have been paid or given to them (for the consideration mentioned against their respective names) in the two years immediately preceding the date of this document;

Individual	1992	1993
	£	£
T J Burke	55,349	59,191
H Burke	39,817	43,289

**15. Documents
available for
Inspection**

Copies of the following documents may be inspected at the offices of Allied Provincial Securities Limited at Shackleton House, 4 Battlebridge Lane, London SE1 2HY during usual business hours on any week day (Saturdays and Public Holidays excepted) for a period up to and including 11 June 1993:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited accounts of the Company and its subsidiaries for each of the 2 years ended 31 March 1993;
- (c) Accountants' Report set out in Part II and the statement of adjustments relating to such report;
- (d) the valuation report by Smith & Sons Property Consultants referred to in paragraph 5;
- (e) the Option Agreement in favour of J Lyon referred to in paragraph 6.2;
- (f) the Directors' service and consultancy agreements referred to in paragraph 7;
- (g) the rules of the Share Option Scheme referred to in paragraph 8;
- (h) the material contracts referred to in paragraph 12; and
- (i) the written consents referred to in paragraph 14.1.

Dated 25 May 1993

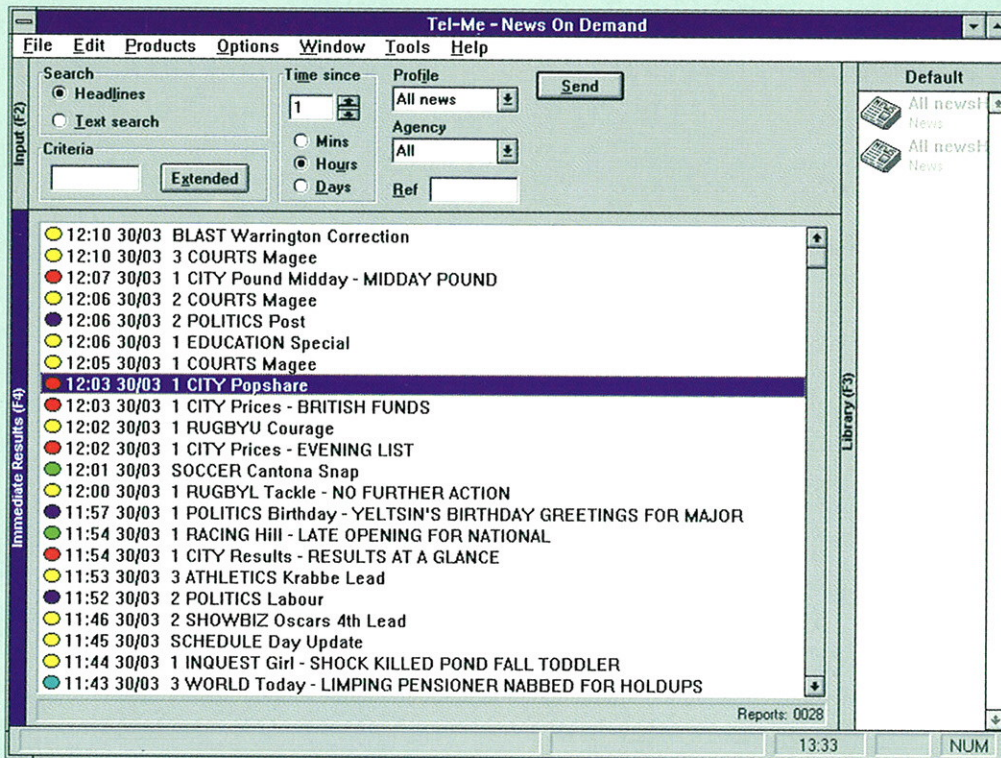


Illustration of News on Demand

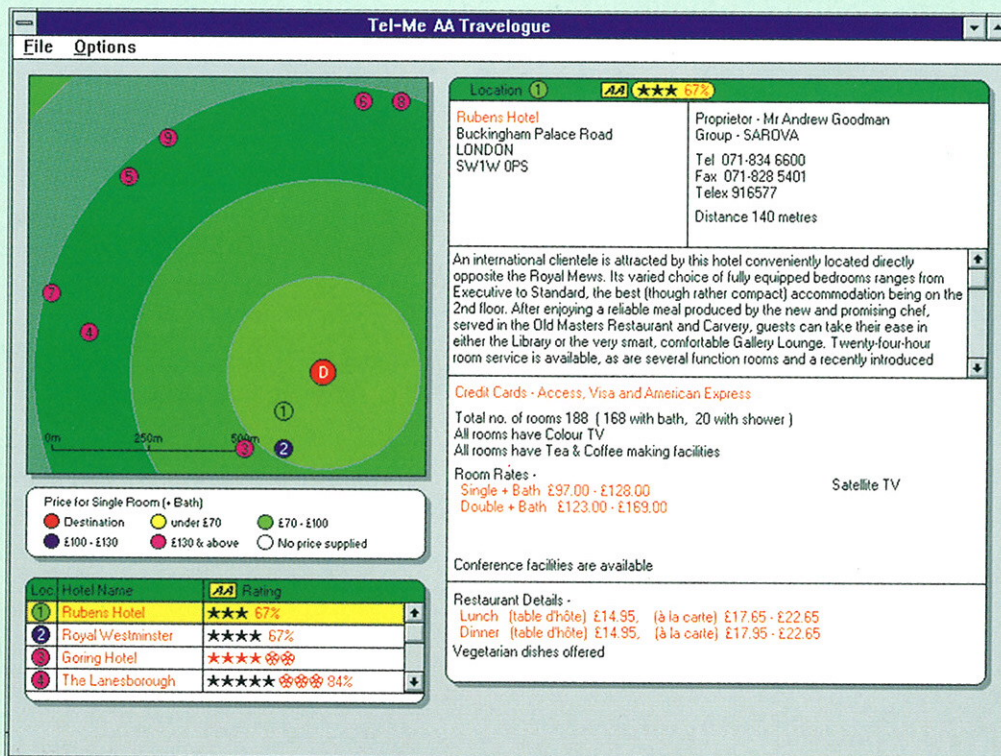


Illustration of AA Travelogue

