

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take you should consult a person authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should also carefully consider the section entitled "Risk Factors" in Part II of this document before taking any action.

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

This document comprises an AIM admission document drawn up in accordance with the AIM Rules. This document does not constitute an offer to the public in accordance with the provisions of section 85 of the FSMA and is not a prospectus for the purposes of the Prospectus Rules, nor is it approved by the UK Listing Authority or the FSA.

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

Application has been made for the entire issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 30 October 2008. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority. The Ordinary Shares are not dealt in on any other recognised investment exchange.

# FIRST ARTIST CORPORATION PLC

(Incorporated under the Companies Act 1985 with registered number 2725009)



## Acquisition of SPOT and Company of Manhattan, Inc.

### Application for Admission of the Ordinary Shares to AIM

#### Notice of General Meeting

#### Nominated Adviser and Broker

### Daniel Stewart & Company Plc



#### Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number of Ordinary Shares</i>		<i>Amount</i>	<i>Number of Ordinary Shares</i>
£1,000,000	40,000,000	<i>Ordinary Shares of 2.5p each</i>	£346,934	13,877,371

Your attention is drawn to Part II of this document, which contains risk factors. The whole text of this document should be reviewed in light of these risk factors.

Daniel Stewart, which is authorised and regulated by the FSA, is acting as Nominated Adviser and Broker to the Company and no one else in connection with Admission and will not be responsible to any person other than the Company for providing the regulatory and legal protections afforded to customers (as defined by the FSA Rules) of Daniel Stewart nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of Daniel Stewart, as Nominated Adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to the Company or any director of the Company or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this document.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and, may not be offered or sold in the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful.

Notice of a General Meeting of the Company to be held at the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London, EC2R 8DD at 11.00 a.m. on 29 October 2008, is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the General Meeting. To be valid the Form of Proxy should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR, by not later than 11.00 a.m. on 27 October 2008. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the General Meeting. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which contains the Directors' recommendation that you vote in favour of the Resolution to be proposed at the General Meeting.

Copies of this document will be available to the public free of charge during normal business hours on any weekday (except public holidays) at the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London, EC2R 8DD, and from the Company's registered office, 3 Tenterden Street, London, W1S 1TD from the date of this document until one month following Admission.

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## ACQUISITION AND ADMISSION STATISTICS

Cash consideration payable by the Company pursuant to the Acquisition Agreement	up to \$18.86 million
Number of Ordinary Shares in issue on Admission and at the date of this document	13,877,371
Market capitalisation of the Company on Admission (35p, being the price when the shares were suspended prior to the issue of this document)	£4.86 million

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	10 October 2008
Latest time and date for receipt of completed Forms of Proxy for the General Meeting	11.00 a.m. on 27 October 2008
General Meeting	29 October 2008
Expected Admission and dealings in the Ordinary Shares to commence on AIM	30 October 2008

**Each of the times and dates in the above timetable are London times and are subject to change at the absolute discretion of the Company and Daniel Stewart.**

## EXCHANGE RATES

All references to \$ are to US Dollars and £ are to UK Pounds Sterling. The rates of exchange at the close of business in London on 9 October 2008, being the last Business Day prior to the date of this document, were US\$1.00 = £0.58 (as ascertained from Bloomberg).

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Jarvis Joseph Astaire OBE, <i>Non-Executive Chairman</i> Jonathan Andrew Smith, <i>Chief Executive</i> Philip Malcolm Smith, <i>Chief Operating Officer</i> David Noble, <i>Non-Executive Director</i>  <i>all of:</i>
<b>Registered Office</b>	3 Tenterden Street London W1S 1TD
<b>Telephone Number</b>	+44 (0) 20 7993 0000
<b>Company Website</b>	<a href="http://www.firstartist.com">http://www.firstartist.com</a>
<b>Company Secretary</b>	Julianne Cheryl Coutts, FCIS
<b>Nominated Adviser &amp; Broker</b>	<b>Daniel Stewart &amp; Company Plc</b> Becket House 36 Old Jewry London EC2R 8DD
<b>Solicitors to Company</b>	<b>Clintons</b> 55 Drury Lane London WC2B 5RZ
<b>Solicitors to Company as to United States law</b>	<b>Davis &amp; Gilbert LLP</b> 1740 Broadway New York NY 10019 United States of America
<b>Reporting Accountants to First Artist</b>	<b>Adler Shine LLP</b> Aston House Cornwall Avenue London N3 1LF
<b>Auditors</b>	<b>Baker Tilly UK Audit LLP</b> 2 Bloomsbury Street London WC1B 3ST
<b>Financial Public Relations</b>	<b>Redleaf Communications Limited</b> 9-13 St. Andrew Street London EC4A 3AF
<b>Bankers</b>	<b>AIB Group (UK) Plc</b> 9/10 Angel Court London EC2R 7AB
<b>Registrars</b>	<b>Capita Registrars</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>ISIN</b>	GB00B1HLCW86
<b>EPIC</b>	FAN.L

## DEFINITIONS

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

“2006 Act”	the Companies Act 2006
“Acquisition”	the acquisition by First Artist Corporation Inc., a wholly owned subsidiary of the Company, of the entire issued share capital of SpotCo pursuant to the Acquisition Agreement (and the documents referred to therein)
“Acquisition Agreement”	the conditional agreement dated 8 August 2008 between (1) the Company (2) First Artist Corporation, Inc. and (3) the Vendor relating to the Acquisition, conditional upon approval of the Resolution and Admission, further details of which are set out in paragraph 8.1.2 of Part VI of this document
“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIB”	AIB Group (UK) Plc, a company with the registered address of 4 Queen’s Square, Belfast BT1 3DJ
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules” or “AIM Rules for Companies”	the rules for AIM companies as issued by the London Stock Exchange, from time to time
“AIM Rules for Nominated Advisers”	the rules for nominated advisers as issued by the London Stock Exchange, from time to time
“Articles” or “Articles of Association”	the Company’s articles of association
“Board” or “Directors”	the board of directors of the Company for the time being, whose names are set out on page 4 of this document and Director means any one of them
“Business Day”	a day other than a Saturday or Sunday or a public holiday in England and Wales
“Chief Executive”	the Chief Executive of the Company, currently being Jon Smith
“Chief Operating Officer”	the Chief Operating Officer of the Company currently being Phil Smith
“Combined Code”	the Combined Code on Corporate Governance published by the Financial Reporting Council in July 2006
“Company” or “First Artist”	First Artist Corporation plc, a company registered in England and Wales with number 2725009
“Completion”	completion of the Acquisition in accordance with the terms of the Acquisition Agreement

“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited (formerly CRESTCo Limited) is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 as amended
“Daniel Stewart”	Daniel Stewart & Company Plc, the Company’s nominated adviser and broker for the purposes of the AIM Rules, a member of the London Stock Exchange and regulated in the UK by the FSA
“Dawney Day”	Dawney Day Corporate Finance Limited, the Company’s former nominated adviser
“Dewynters”	Dewynters Limited, a company registered in England and Wales with number 197585.
“DBU”	Dansk Boldspil-Union, the Danish Football Association
“DD Options”	Options issued to Dawney Day whereby Dawney Day has the right to subscribe for up to 50,966 ordinary shares in the capital of the Company of 2.5p each at a subscription price of 62.5p each
“Directors” or “Board”	the directors of the Company
“Document”	this AIM admission document
“Enlarged Group”	the Company and its subsidiaries following completion of, and as enlarged by, the Acquisition
“FIFA”	Federation Internationale de Football Associations, worldwide football regulator
“FIMO”	FIMO Sport Promotion AG, a company formerly registered in Switzerland
“Finishing Touch” or “TFT”	The Finishing Touch (Corporate Events) Limited, a company registered in England and Wales with number 02701190
“First Artist Corporation, Inc.”	a company incorporated under the laws of Delaware
“First Artist Management” or “FAM”	the entertainment business of the Company
“First Artist Sport” or “FAS”	First Artist Sport Limited, a company registered in England and Wales with number 5451718
“First Artist Scandinavia”	First Artist Scandinavia A/S, a company registered in Denmark (previously known as Proactive Scandinavia A/S)
“Form of Proxy”	the form of proxy enclosed with this document for use by the Shareholders in connection with the GM
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“GM” or “General Meeting”	the general meeting of the Company, notice of which is set out at the end of this document

“Group”	the Company, its subsidiaries and the subsidiaries of those subsidiaries
“HMRC”	Her Majesty’s Revenue and Customs
“Initial Consideration”	\$5.5 million payable in cash
“ISIN”	International Securities Identification Number
“London Stock Exchange”	London Stock Exchange Plc, company number 2075721
“Model Code”	the model code on directors’ and employees’ share dealings
“Notice of GM”	the notice of GM set out at the end of this document
“Official List”	the official list of the UKLA
“Optimal” or “Optimal Wealth Management”	Optimal Wealth Management Limited, a company registered in England and Wales with number 2187610 (previously named ABG Financial Management Limited)
“Option” or “Options”	means options to acquire new Ordinary Shares pursuant to one of the Share Option Schemes
“Optionholders”	means the holder of Options
“Ordinary Shares”	ordinary shares of 2.5p each in the share capital of the Company
“PLUS”	the market (formerly called OFEX) operated by PLUS Markets plc, a company regulated by the Financial Services Authority
“Promosport Srl” or “Promosport”	Promosport SRL, a company registered in Italy under company number 12871280157
“Proposals”	the Acquisition and Admission
“Prospectus Rules”	the prospectus rules made by the FSA pursuant to section 73A(1) and (3) of FSMA as defined in section 417(1) of the FSMA
“ QCA Guidelines”	the guidelines published on 13 July 2005 by the Quoted Companies Alliance regarding corporate governance for AIM companies
“Remuneration Committee”	the remuneration committee of the Company
“Resolution”	the proposed resolution of the Company contained in the Notice of GM set out at the end of this document
“Shareholder(s)”	the registered holders of Ordinary Shares in the Company from time to time
“Share Option Schemes”	The unapproved share option scheme, the approved share option scheme and the enterprise management incentive scheme of the Company, further details of which are contained in paragraph 7 of Part VI of this document
“Sharesave Scheme”	The Savings Related Share Option Scheme operated by the Company from time to time
“Sponsorship Consulting” or “SCL”	Sponsorship Consulting Limited, a company registered in England and Wales with number 2446511

“Sport Events Organisation LLP”	Sport Event Organisation LLP (formerly Sports Events LLP) a limited liability partnership registered in England and Wales with number OC320219
“Spot and Company of Manhattan, Inc.” or “SpotCo”	Spot and Company of Manhattan, Inc., a New York Corporation
“UEFA”	Union of European Football Associations
“UKLA” or “UK Listing Authority”	United Kingdom Listing Authority, being the FSA acting in its capacity as the competent authority for the purposes of Part VII of the FSMA
“USA” or “US”	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
“Vendor”	the current shareholder of SpotCo at the date of the Acquisition Agreement
“Yell”	Yell Communications Limited, a company registered in England and Wales with number 03164537
“p” or “pence”	one hundredth part of one pound sterling
“£” or “sterling”	Pound sterling, the lawful currency of the United Kingdom
“\$” or “US Dollars”	dollar, the lawful currency of the United States of America

**In this document, all references to times and dates are in reference to those observed in London, England.**

## PART I

### LETTER FROM THE CHAIRMAN OF FIRST ARTIST CORPORATION PLC

(Registered and incorporated in England and Wales No.2725009)

*Directors*

Jarvis Joseph Astaire OBE (*Non-Executive Chairman*)  
Jonathan Andrew Smith (*Chief Executive*)  
Philip Malcolm Smith (*Chief Operating Officer*)  
David Noble (*Non-Executive Director*)

*Registered Office*

3 Tenterden Street  
London W1S 1TD

10 October 2008

*To Shareholders and, for information only, to holders of options over Ordinary Shares*

Dear Shareholder,

**Acquisition of SPOT and Company of Manhattan, Inc.**

**Application for Admission of the Ordinary Shares to AIM**

**Notice of General Meeting**

#### 1. INTRODUCTION

It was announced on 11 August 2008 that First Artist has agreed, through its wholly owned subsidiary First Artist Corporation, Inc. and subject to Shareholder approval, to acquire SpotCo, for a maximum consideration of \$18.86 million. SpotCo is a leading US-based live entertainment advertising agency and is a natural strategic fit with Dewynters, the Company's full-service agency which provides marketing, design, advertising, promotions, digital media services, publishing and merchandising to the UK entertainment industry, together with signage and front of house display expertise through its subsidiary, Newman Displays Limited. Dewynters also has a merchandising operation in the US. The consideration for and expenses relating to the Acquisition are to be funded by a new committed banking facility of £16.428 million.

The Acquisition constitutes a reverse takeover under the AIM Rules and, as such, First Artist is obliged to apply for re-admission of the Ordinary Shares to trading on AIM. As a reverse takeover, the Acquisition requires the approval of Shareholders for the purposes of the AIM Rules and this is being sought at the General Meeting to be held on 29 October 2008. If the Resolution is passed by Shareholders, it is expected that Admission will take place and that trading in the Ordinary Shares on AIM will commence on 30 October 2008.

The purpose of this document is to set out the background to and the reasons for the Acquisition, to explain why the Directors consider the Acquisition to be in the best interests of the Company and its shareholders as a whole and to recommend that you vote in favour of the Resolution at the GM.

#### 2. INFORMATION ON FIRST ARTIST AND SPOTCO

##### 2.1 *First Artist*

First Artist is an AIM-listed media, events and entertainment/sport group operating in the UK, Europe and the US. Founded by Jon Smith in 1986 and admitted to trading on AIM in 2001, the Group has grown since then both organically and through acquisitions. The three divisions are distinct but wholly complementary and many of the First Artist group companies are leading brands in their fields.

Across the three business divisions of media, events and entertainment, the Group's activities are as follows:

#### *Media*

The media division comprises Dewynters Limited and Dewynters Advertising Inc, Newman Displays Limited, Sponsorship Consulting Limited (SCL) and First Rights Limited. Dewynters is one of the leading full service agencies to the UK's live entertainment industry. Newman Displays is a signage and display company providing specialist products for its clients in theatre production, cinema and retail. SCL is a high-end strategic sponsorship and corporate responsibility consultancy with a range of blue-chip clients. First Rights was established in May 2007 to develop sponsorship opportunities on behalf of rights holders.

#### *Entertainment*

The entertainment division, which includes sports and wealth management, comprises First Artist Management Limited, First Artist Sport and Optimal Wealth Management Limited. FAM is a celebrity and media agency, representing actors, sport and TV presenters and other media personalities, with a strong track record of talent development. First Artist Sport is one of the world's leading player representation agency groups both in terms of numbers of represented players and also experience and has offices in London, Milan (Promosport) and Copenhagen (First Artist Scandinavia). Optimal Wealth Management is an Independent Financial Advisory firm providing a comprehensive range of financial services and advice to a list of high net worth clients drawn from the music, entertainment, media, sports and other industries.

#### *Events*

The Finishing Touch manages over 800 events per year, including conferences, Christmas and summer parties, family-fun days and corporate team building events, in addition to operating a long term contract to provide conferencing, venue finding and delegate management services to a major public sector client.

## 2.2 ***SpotCo***

SpotCo is a leading US-based live entertainment advertising agency with offices in New York. Founded in 1997 by Drew Hodges, today its work at any given time spans approximately half the shows on Broadway.

## 3. **BUSINESS DESCRIPTION & OPERATIONAL OVERVIEW OF FIRST ARTIST AND SPOTCO**

### 3.1 ***First Artist***

#### *Media*

##### **Dewynters**

Dewynters was acquired by the Group in December 2006. Based in London's Leicester Square, Dewynters is a full service agency which provides marketing, design, advertising, promotions, digital media services, publishing and merchandising to its theatre, tourism, arts and culture clients in the UK. Dewynters also has a merchandising operation in the US through its subsidiary, Dewynters Advertising Inc.

Dewynters' first major success was the global branding of the musical *Cats* which became one of the longest running shows in musical theatre history. It has pioneered a wealth of innovative campaigns including *The Phantom of the Opera*, *Les Miserables*, and more recently *Mamma Mia!*, *The Lion King*, *We Will Rock You*, *Wicked*, *Joseph And His Amazing Technicolor Dreamcoat*, *Spamalot*, *The Sound of Music*, *The Lord of the Rings*, *Avenue Q* and *Equus*. Dewynters is currently supporting the newly opened stage production of *Girl with a Pearl Earring* and is working on the campaigns for

*Oliver!* and *Treasure Island*, both opening in December 2008, and *Priscilla Queen of the Desert* which opens in London in March 2009. It is expected that SpotCo will provide services to the production of *Priscilla Queen of the Desert* which is planned to open on Broadway in 2010.

The key driver for revenue is the overall popularity of London's West End, with producers typically spending up to £1 million on pre-opening marketing for a new show and a further spend ranging between £15,000 to £30,000 per week when the show is running. Over the past year Dewynters has expanded its new media offering and also continues to strengthen its outdoor positioning with its exclusive deal with JCDecaux for digital display advertising at Heathrow Terminal 5.

Anthony Pye-Jeary has remained as Managing Director of Dewynters following the acquisition and has confirmed that he will be extending his service agreement. He has key contacts within the theatre and entertainment industry and plays a major role in obtaining and developing client relationships.

Dewynters Advertising Inc operates as a merchandising and souvenir programme business in the lucrative US theatre market from its offices in New York and Las Vegas.

### **Newman Displays Limited**

Newman Displays Limited (a wholly owned subsidiary of Dewynters) is a specialist sign and display company which designs, manufactures and installs a wide range of signage, from fascia display and theatre and cinema front-of-house design to retail outlet refurbishment, exhibitions and outdoor advertising.

Whilst Newman Displays Limited provides production and signage services to Dewynters this represents less than 20 per cent. of the total turnover and the majority of its income is derived from other sources, including Dewynters' competitors, the cinema industry and the retail sector.

During the 2007-2008 financial year, Newman Displays Limited undertook many front-of-house displays, including signage for the West-End musical *Jersey Boys* and numerous film events, in particular the BAFTA Film Awards at the Royal Opera House, *The Other Boleyn Girl*, *Atonement* and *Sweeney Todd*, along with the London and Cannes Film Festivals.

In the last year Newman Displays Limited has continued its expansion into new business areas, winning the signage business in the retail sector and working with the lead contractor for the Department for Children, Schools and Families.

### **Sponsorship Consulting Limited**

Acquired by the Group in August 2006, SCL is a highly respected sponsorship strategy and corporate responsibility consultancy. Led by Chairman Wendy Stephenson and Managing Director Pippa Collett, the company offers its clients a full range of sponsorship related services including strategic advice on sponsorship matters, reviews of existing or proposed sponsorship programmes, and full project implementation services. It works across the spectrum of sport, arts, entertainment, community, environment, and education to ensure that sponsorship is an effective part of a client's integrated marketing and communications strategy.

SCL mainly advises sponsors, developing their sponsorship strategy and negotiating sponsorship contracts or implementing sponsorship arrangements selected by their clients. SCL also undertakes some strategic work on behalf of major rightsholders, assisting them in re-positioning themselves to be more attractive as a sponsorship opportunity for brands. SCL works with each client's senior management to create an appropriate sponsorship strategy reflecting that company's marketing and corporate responsibility agenda.

A key differentiator of SCL's services is that they do not sell specific sponsorships, enabling them at all times to take a rational and objective approach to a client's specific needs. Its major competitors are diverse and include divisions of advertising agencies, public relations consultancies and rights-marketing firms.

New term contracts have been signed with existing multinational clients, including Unilever and Shell, and several new business gains have been developed to fruition. In particular SCL worked with Deloitte on their new sponsorship of the Deloitte Ignite Festival at the Royal Opera House and are currently working to deliver an employee-focused indoor rowing regatta for Siemens to leverage the success of the Siemens-sponsored GB Rowing team at the Beijing Olympics.

### ***First Rights Limited (“First Rights”)***

First Rights was established in January 2007 to work in partnership with rights holders to develop and market their sponsorship rights. It has succeeded in building a strong portfolio of clients including the Special Olympics GB National Summer Games 2009 and ‘The Simpsons ART’, an exhibition of the popular TV series to be hosted by a major London venue. In addition, First Rights has secured a presenting sponsor for a high profile West End production which is based on one of the most iconic films in cinema history.

### ***Media Financial Summary***

The financial information set out in the table below is summarised from the Company’s previously published annual and interim accounts which are available on the Company’s website [www.firstartist.com](http://www.firstartist.com).

	<i>6 months ended 29 February 2008 £000’s (unaudited)</i>	<i>6 months ended 28 February 2007 £000’s (unaudited)</i>	<i>12 months ended 31 August 2007 £000’s (audited)</i>
<b>Revenue</b>			
Dewynters Group	19,827	12,221	32,872
Sponsorship Consulting	440	335	740
First Rights	41	–	–
	<hr/> 20,308	<hr/> 12,556	<hr/> 33,612
<b>Gross Profit</b>	<hr/> 6,060	<hr/> 3,887	<hr/> 10,071
<b>EBITA*</b>	<hr/> 1,546	<hr/> 836	<hr/> 2,428

\* Prior to intercompany management fees.

### **Entertainment and Sport Management**

#### ***First Artist Management Limited***

First Artist Management (formerly known as called N.C.I. Management Limited) was acquired by the Group in July 2006. Led by the company’s founder, Nicola Ibison, FAM is a celebrity and media agency, representing sport and TV presenters and other media personalities, with a strong track record of talent development. Its recent activities include successfully promoting clients in programmes such as Natalie Pinkham in ITV’s *Dancing on Ice*, Andrea McLean as the main anchor for ITV’s *Loose Women* and Kris Murrin for Channel 4’s *The Woman Who Stops Traffic*. The company has recently completed a new two book deal on behalf of Gillian McKeith and developed a new programme format for her in the US.

FAM has recently acquired a number of new clients including West End theatre star Ruthie Henshall, Michael Obiora who stars in *Hotel Babylon*, antiques fakes and forgeries expert Curtis Dowling, and Marc Abraham, the vet and animal trauma surgeon. In addition FAM has recently secured the services of a highly respected agent, formerly at Princess Talent, who has brought in Jeremy Edwards (ex *Holby City*, *Hollyoaks* and *Cooking the Books*), Carol Machin (*LK Today*, *How to Look Good*

*Naked, Euro Millions*) and Emma Willis, who will be presenting the next series of ITV2's *I'm a celebrity – get me out of here now!*

Sports presenters include Mark Chapman, who presents Five Live's 606 weekly phone in, Paul Merson, a key pundit on Sky Sports' Soccer Saturday, Andy Gray, Martin Tyler and Andy Townsend.

#### ***First Artist Sport, Promosport (Italy), First Artist Scandinavia (Denmark)***

First Artist Sport is one of the world's leading player representation agency groups with offices in London, Milan (Promosport) and Copenhagen (First Artist Scandinavia). It is widely recognised as one of the world's foremost football management teams and is a highly regarded and respected voice within the industry due in part to its involvement with the Football Agents' Association, a body set up to ensure best practice within the industry of which it is a founder member.

First Artist Sport's success in maintaining revenues in a challenging environment for player representation services demonstrates the core strength of its business model and the credibility that comes from a leadership role within the industry.

In the UK First Artist Sport manages a roster of players. The company also works for clubs directly in their transfer market dealings and in addition holds licences from FIFA and UEFA to organise football matches, tours and other events.

In 2002, First Artist acquired the Milan agency, Promosport, which manages a pan-European roster of some 100 players. The majority of these players are based in Italy with others in Spain, Germany, France and Eastern Europe and, as in the UK, works with clubs directly on their transfer market deals.

In July 2006 First Artist acquired a Danish football agency, Proactive Scandinavia, now renamed First Artist Scandinavia A/S. The company has a player roster of some 90 players including some a number of the Danish full international squad and several U-21 internationals with players representing clubs throughout Europe, including the UK Premiership. The integration of First Artist Scandinavia established a truly pan-European network covering Northern and Southern Europe as well as the UK.

A significant number of football agents are based in the UK, many being sole traders and small businesses. There is a small number of larger firms of which very few have an international network and offices outside the UK. UK competitors are Formation Group Plc, Wasserman (who recently acquired SFX), SEM Group and Stellar Promotions. Players are attracted to First Artist Sport because of its international reach and strong relationships with football clubs.

#### ***Optimal Wealth Management Limited***

Acquired by First Artist in July 2005 and led by Joint Managing Directors Sean Scahill and Peter Kelsey, Optimal Wealth Management is an Independent Financial Advisory firm providing a comprehensive range of financial services and advice to a list of high net worth clients drawn from the music, entertainment, media, sports and other industries.

Optimal is committed to offering wholly independent advice on areas such as investment strategy, tax and inheritance planning, offshore investments and pensions, and prides itself on proactive client relationships that are long term rather than transaction led. Investment portfolios are constantly monitored, updated and benchmarked and clients are regularly appraised of their financial situation. Through the Third Life directive, Optimal Wealth Management is able to give investment advice across Europe.

In October 2006, Optimal Wealth Management announced a joint venture with the Top 25 audit firm, HW Fisher, called Fisher Family Office LLP. At the same time the company changed its name to reflect the increasing diversity of its client base and the products available. It is hoped that this joint venture provides a new business pipeline through extending Optimal's offering across HW Fisher's client base. The expansion of First Artist Entertainment's client roster will also result in increased opportunities for cross referral of business over the coming years.

The wealth management sector is diverse with international investment firms and small independent financial advisers (“IFAs”). Optimal is focussed on high net worth individuals and rather than managing its own funds, it selects investment products managed by the better performing fund managers tailored to the needs of individual clients. Accordingly it competes with other IFAs rather than with major investment institutions.

In January 2008, Optimal gained chartered status from the Chartered Insurance Institute. This is an exclusive title only awarded to firms that meet appropriate quality and compliance criteria relating to professionalism and capability.

### ***Entertainment and Sport Management Financial Summary***

The financial information set out in the table below is summarised from the Company’s previously published annual and interim accounts which are available on the Company’s website [www.firstartist.com](http://www.firstartist.com).

	<i>6 months ended 29 February 2008 £000’s (unaudited)</i>	<i>6 months ended 28 February 2007 £000’s (unaudited)</i>	<i>12 months ended 31 August 2007 £000’s (audited)</i>
<b>Revenue</b>			
Sport	1,271	1,471	6,481
Entertainment	412	387	744
Wealth	1,310	1,164	2,613
	<hr/> 2,993	<hr/> 3,022	<hr/> 9,838
<b>Gross Profit</b>	<hr/> 2,740	<hr/> 2,625	<hr/> 8,393
<b>EBITA*</b>	<hr/> (571)	<hr/> (235)	<hr/> 1,982

\* Prior to intercompany management fees.

### **Events**

#### ***The Finishing Touch***

The Finishing Touch, led by Mel Atkins, is the Group’s event management business. Established in 1989 and acquired in September 2005, it is one of the most established and most respected companies in its field.

Corporate events currently account for approximately 42 per cent. by turnover of TFT’s core business including long term relationships with many leading FTSE and global businesses. Corporate clients include Accenture, American Express, Royal Bank of Scotland, Electronic Arts and a significant new business win to launch both Debenhams’ Spring/Summer 2008 collection preview to the fashion press and also their Autumn/Winter 2008 collection, which previewed in May 2008. Debenhams have also recently confirmed their third press event to be staged in central London with TFT in November 2008.

Following its successful tender in August 2007 for a three year contract to supply event management services to the Training Development Agency for Schools, The Finishing Touch has gone on to deliver over 600 events in the last year for the TDA at venues around the country. Public sector business represents approximately 58 per cent. by turnover of TFT’s business.

Continued investment in the development of The Finishing Touch’s systems and personnel enabled the business to successfully launch a new venue finding service, now branded as “VenuesFirst” in February 2008. This has gone from strength to strength since its launch, delivering in excess of 100 venues to date to existing and new clients including BNP Paribas.

In April 2007, Yell Communications Limited, an event and delegate management business specialising in clients in the financial services industry, was acquired by the Group. The acquisition has enabled TFT to further expand its corporate events business with the addition of an event management contract for Prudential UK Ltd and to enhance its own delivery of multi-site delegate and conference management services. Yell has been successfully integrated into TFT, having managed a nationwide road show for a major blue chip company whilst continuing to deliver events for Prudential.

### **Events Financial Summary**

The financial information set out in the table below is summarised from the Company's previously published annual and interim accounts which are available on the Company's website [www.firstartist.com](http://www.firstartist.com).

	<i>6 months ended 29 February 2008 £000's (unaudited)</i>	<i>6 months ended 28 February 2007 £000's (unaudited)</i>	<i>12 months ended 31 August 2007 £000's (audited)</i>
<b>Revenue</b>			
Corporate	1,786	1,878	3,120
Public Sector	2,280	1,024	2,037
	<hr/> 4,066	<hr/> 2,902	<hr/> 5,157
<b>Gross Profit</b>	<hr/> 1,122	<hr/> 617	<hr/> 1,186
<b>EBITA*</b>	<hr/> 503	<hr/> 339	<hr/> 498

\* Prior to intercompany management fees.

### 3.2 **SpotCo**

SpotCo was founded in 1997 by Drew Hodges, its President and Chief Executive Officer, who is remaining with the business, together with his executive team.

The agency is known for creating innovatively conceived, strategically inspired and elegantly designed campaigns which both attract attention and deliver results.

SpotCo was credited with breathing new life into Broadway advertising with its first theatre campaign – a contemporary photomontage for the musical *Rent*. Today, it is a live entertainment advertising agency whose work at any given time spans around half the shows on Broadway. The agency is currently working on DreamWorks Theatrical's first musical, *Shrek*; the stage adaptation of *9 to 5*; with Universal's Working Title on the acclaimed *Billy Elliot*, already a box-office hit in Britain and Australia; on a stage adaptation of the film *Priscilla Queen of the Desert* (in collaboration with Dewynters in London); and a revival of *West Side Story*. Beyond Broadway, SpotCo has worked on Cirque du Soleil's *Zumanity* and *Avenue Q* in Las Vegas, and as shows go on tour, its campaigns appear worldwide from Las Vegas to London, Melbourne to Moscow.

Demonstrating the calibre of the shows the agency attracts, over the last decade SpotCo's clients have won numerous Tony awards and an impressive six Pulitzer Prizes.

In addition to its theatre specialisation, SpotCo's work spans film and cable television, publishing and music. The agency employs approximately 55 staff at its offices on Seventh Avenue, New York.

The financial information below is summarised from SpotCo's annual and interim accounts, which can be seen in Parts III and IV of this document.

	<i>6 months ended 30 June 2008 \$000's (unaudited)</i>	<i>12 months ended 31 December 2007 \$000's (audited)</i>	<i>12 months ended 31 December 2006 \$000's (audited)</i>
Revenue	24,235	39,692	40,097
Gross Profit	4,033	6,983	6,544
EBITDA*	598	749	993

\*before exceptional administrative expenses

#### **4. BACKGROUND TO AND REASONS FOR THE ACQUISITION**

The Group's stated strategy is to grow both organically and by acquisition in its three core areas of business.

The Group's media activities, with their emphasis on the marketing of live entertainment, particularly theatre, currently represent 69 per cent. of Group turnover and 51 per cent. of gross profit. The acquisition of SpotCo presents the Group with a unique opportunity to reinforce its position as one of the leading agencies in the marketing of live entertainment in the world's two most important markets – London's West End and New York's Broadway.

The Directors are confident about the future prospects of the Enlarged Group following the acquisition of SpotCo because it is believed that the increased collaboration between the Enlarged Group and Dewynters will deliver greater opportunities to increase combined revenue.

The acquisition of SpotCo will enable the Group to:

- offer a seamless service to its live entertainment clients in their two most important markets;
- benefit from SpotCo's position in its market and the opportunity that presents to considerably increase its share of that market; and
- follow its clients into the new emerging markets for live entertainment (e.g. in China and Eastern Europe) through the enlarged footprint the acquisition gives in one of the Group's core areas of business (post acquisition this will represent 78 per cent. of turnover and 59 per cent. of gross profit).

#### **5. TERMS OF THE ACQUISITION**

The acquisition of SpotCo is to be funded through a new committed banking facility totalling £16.428 million, provided by Allied Irish Bank, whose support the Company continues to enjoy.

The Company has agreed to acquire the whole of the issued share capital of SpotCo (through its wholly owned subsidiary First Artist Corporation, Inc.) for up to \$18.86 million (subject to adjustment by reference to its net asset value as at Completion). The initial consideration is \$5.5 million in cash. This is followed by three guaranteed cash payments of \$1.5 million on the first three anniversaries of the date of Completion. If the EBITDA exceeds certain thresholds on each of the three anniversaries of the completion balance sheet date the following applies:

	<i>Profit Threshold</i>	<i>Deferred Consideration</i>
Year 1	\$1.25m – \$1.75m over \$1.75m	\$10 cash for every \$10 of EBITDA within the threshold \$20 cash for every \$10 of EBITDA above the threshold
Year 2	\$1.50m – \$2.00m over \$2.00m	\$10 cash for every \$10 of EBITDA within the threshold \$20 cash for every \$10 of EBITDA above the threshold
Year 3	\$1.75m – \$2.25m over \$2.25m	\$10 cash for every \$10 of EBITDA within the threshold \$20 cash for every \$10 of EBITDA above the threshold

The annual deferred cash payments in respect of any one year are limited to \$2.5 million with any excess cash consideration due being carried forward to the ensuing year and then continuing to roll over subject to the maximum annual payment of \$2.5 million. In order to exceed the maximum deferred consideration, EBITDA for the three years post completion must total \$9.8 million.

## 6. FINANCING THE ACQUISITION

The initial cash consideration of \$5.5 million together with associated costs is being financed by a new facility from AIB. The total facility amounts to £16.428 million, which includes the refinancing of the Enlarged Group's existing borrowings and provides for its working capital needs.

The deferred cash consideration for SpotCo is expected to be largely financed out of the profits which give rise to the earn-out obligations.

## 7. SUMMARY FINANCIAL INFORMATION

### *First Artist*

The financial information in respect of First Artist set out in the table below is summarised from the Company's previously published annual accounts which are available on the Company's website [www.firstartist.com](http://www.firstartist.com).

	<i>Year ended 31 October 2005 £'000</i>	<i>Restated for 10 months ended 31 August 2006 £'000</i>	<i>Restated for 12 months ended 31 August 2007 £'000</i>	<i>Unaudited results for the 6 months ended 29 February 2008 £'000</i>
Revenue	5,861	9,508	48,607	27,367
Operating Profit/(Loss)	850	1,450	2,872	464
Profit/(Loss) Before tax	809	1,167	1,652	(281)

### *SpotCo*

The following summary of financial information relating to the trading of SpotCo for each of the three previous financial years to 31 December 2007 and six months ended 30 June 2008 has been extracted without material adjustment from the financial information set out in Parts III and IV of this document.

	<i>Year ended 31 December 2005 \$'000</i>	<i>Year ended 31 December 2006 \$'000</i>	<i>Year ended 31 December 2007 \$'000</i>	<i>Unaudited results for the 6 months ended 30 June 2008 \$'000</i>
Revenue	36,454	40,097	39,692	24,235
Operating (Loss)/Profit	(321)	715	262	527
(Loss)/Profit before tax	(235)	867	413	585

### *Cost Savings and Synergies*

It is expected that, following completion annual cost savings of £0.2 million will be made as a direct result of reduced consultancy fees. In addition, it is estimated that further cost saving synergies will arise from working closely with Dewynters.

All historic financial information relating to First Artist (unless stated as being unaudited) has been audited by Baker Tilly UK Audit LLP. All historic financial information relating to SpotCo (unless stated as being unaudited) has been audited by Adler Shine LLP.

## **8. CURRENT TRADING AND FUTURE PROSPECTS FOR THE ENLARGED GROUP**

### ***Current trading of First Artist***

First Artist's performance in difficult market conditions remains robust although slightly behind internal expectations. This was indicated in its interim results for period ended 29 February 2008 and more recently in a trading update made to the capital markets in July 2008.

Whilst there is scope for further material transactions in the football transfer market the Board expects EBITDA to be below current market expectations. As revenues are heavily weighted towards the financial year end the Board anticipates an EBITDA level of between £3.5 and £3.7 million for the financial year ended 31 August 2008.

The continuing global banking crisis and credit crunch are expected to bring uncertainty to the financial markets which may affect Optimal's business.

The run up to Christmas and the New Year period have historically been a busy period for the Group; notably the football transfer window opens on 1 January and December is a key opportunity for the Events side of the business.

As disclosed above, Dewynters is involved with several new shows that have recently opened or are opening soon. Due to a recent restructuring, it is hoped that the expenses of the football division will begin to diminish.

### ***Current trading of Spot Co***

SpotCo's revenue performance for the six months to 30 June 2008 was 18 per cent. higher than the corresponding six months of the previous year. This is equivalent to 62 per cent. of the revenue for the whole of 2007 compared to 52 per cent. for the corresponding six months period in 2007.

### ***Future prospects for the Enlarged Group***

The Directors are optimistic as to the Enlarged Group's prospects. In particular, they believe that there are a number of opportunities and synergies for the Enlarged Group to exploit. These include:

- increasing revenues with the Enlarged Group's existing clients;
- winning new clients with the Enlarged Group's existing services;
- expanding the Enlarged Group's services into new product and service offerings;
- building increased scale and investigating geographical diversification; and
- minimising duplication and reducing the Enlarged Group's cost-base.

## **9. DIRECTORS AND EMPLOYEES**

On Admission, the Board will comprise four directors, brief biographical details of whom are summarised below.

### ***Directors***

**Jarvis Astaire OBE (Non-Executive Chairman), aged 85**, had an extensive career in the international sporting industry. As Deputy Chairman of Wembley Stadium Limited from 1984-1999, Jarvis was responsible for dealing with The Football League, The Football Association, Euro 96 and the many clubs involved in playing matches at the stadium. Prior to Wembley, Jarvis was a leading promoter for boxers including Mohammed Ali, and then, through his company ViewSport, a pioneer in using closed circuit TV

to broadcast major sporting events. As Chairman of GRA Limited (1997-2005), he was responsible for introducing greyhound racing onto Sky. In 2004, Jarvis Astaire received an OBE for services to young people in London.

**Jon Smith (Chief Executive), aged 56**, founded First Artist in 1986. Jon is a Fellow of the Institute of Directors, and is one of only a handful of football agents in the world licensed to perform not only football transfers but also to stage global events under the auspices of FIFA worldwide. Jon was involved in staging many of Britain's biggest sporting events, including the UK visits of the major US sporting bodies: NFL, NBA and NHL. Jon was also CEO of The London Monarchs during their inaugural World Bowl winning season at Wembley. He is a well-recognised spokesperson for UK football and has been involved in fund raising in various forms for sport in the UK over the last few years. Jon is a patron of the British Stammering Association and trustee of the Lee Smith Research Foundation.

**Phil Smith (Chief Operating Officer), aged 49**, joined First Artist in 1992 as head of its UK football management operation and since then has managed and developed its business. He also started the media personality division, now First Artist Management, as a natural progression for former sportsplayers. Phil and his team manage the players' day-to-day activities and work with FAM and Optimal to exploit the commercial interests and maximise the earnings of the clients he represents.

**David Noble MBA, ACCA (Non-Executive Director), aged 52**, has extensive experience of corporate finance and operations across the global media sector and in 2007 he co-founded QV Partners, a business which provides consultancy services in deal origination and all aspects of traditional and digital media. From 1998 to 2007, he was at 3i plc, latterly as the Media Sector Partner, where he contributed to the successful execution of many high value and high profile investments.

### **Senior Management**

The Directors are supported by a senior management team:

#### **Julianne Coutts FCIS Associate CIPD (Group Company Secretary & Head of Human Resources), aged 49**

Julianne joined First Artist in September 2006. Prior to that she was Company Secretary of Anite plc, and was formerly the Assistant Secretary of Unilever plc, a role she held for 10 years. Julianne is a Fellow of the Institute of Chartered Secretaries and Administrators and an Associate of the Chartered Institute of Personnel and Development.

#### **Simon Bent ACA (Group Finance Director Designate), aged 32**

Simon qualified as a chartered accountant in 2001. He joined First Artist in September 2005 as the Group Financial Controller, and in January 2007 was appointed Group Finance Director Designate, with particular focus on internal systems and risk management. Prior to joining the Company, Simon held finance roles at Armani, Mulberry, The Metropolitan Hotel and Nobu Restaurants.

### **Employees**

The Directors consider that the capacity to recruit, retain, develop and integrate staff into the business is fundamental to its continued success. As at 31 August 2008, the Company had approximately 263 employees, analysed as follows:

Media	176
Sport	23
Wealth	24
Events	20
Entertainment	10
Other (central and support staff)	10
<b>Total</b>	<b>263</b>

## **10. REASONS AND DETAILS OF ADMISSION**

Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and dealings in the Ordinary Shares are expected to commence on 30 October 2008.

## **11. DIVIDEND POLICY**

The Group did not pay an interim or final dividend in the last financial year. However the Directors intend to commence the payment of dividends when it becomes commercially prudent to do so, having regard to the resources needed for the Group's growth.

## **12. SHARE OPTION SCHEME**

The Company operates the following employee share option schemes:

- EMI share option scheme;
- Company Share Option Scheme (approved and unapproved share options); and
- Savings Related Share Option Scheme (Sharesave Scheme).

Awards under both the EMI and the CSOP schemes are made at the discretion of the Remuneration Committee. The Sharesave scheme is a tax advantaged share option scheme in which all eligible employees may participate, subject to HRMC limits and the scheme rules. To date one invitation has been made under the Sharesave Scheme. This was in May 2007 and was taken up by 51 per cent. of eligible employees.

## **13. CORPORATE GOVERNANCE**

The Board supports the provisions of the Code of Best Practice embodied in Section I of the Combined Code and the Company complies with the Combined Code as far as is practicable given the size and nature of its business. The statements below set out how the principles are applied to the Group.

The Board is collectively responsible for the success of the Company, and entrepreneurial leadership is balanced by the scrutiny and oversight provided by the independent Non-Executive Directors.

There is a clear division of responsibilities between Board members, and all Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring compliance with Board procedures and with applicable regulation and legislation.

All Directors are subject to re-election by shareholders at intervals of no more than three years.

The Board meets formally on a regular basis. In addition, *ad hoc* meetings are called to address specific issues requiring board approval. At formal meetings the Board receives detailed reports from the Chief Executive on operational matters, from the Group Finance Director Designate on financial performance and from the Company Secretary on legal, compliance, human resources and corporate responsibility issues. The Board also sets and monitors Group strategy, approves the annual budget and examines acquisition possibilities. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Independent professional advice is taken as required.

There is a formal schedule of matters reserved for the Board, and routine business may be delegated to a committee of two Directors or one Director and either the Group Company Secretary or the Group Finance Director Designate.

## **BOARD COMMITTEES**

The Board has established three Board Committees, as follows:

### ***Audit Committee***

All members of the Committee are required to be independent Non-Executive Directors. The Committee currently comprises Jarvis Astaire (Chairman of the Committee) and David Noble.

The Committee meets at least three times a year at appropriate times in the reporting and audit cycle, and otherwise as required by the Chairman of the Committee. Its remit includes monitoring the integrity of the financial statements, reviewing internal controls and risk management systems. In addition, the Committee considers matters relating to the appointment, independence and objectivity of the Auditors and reviews the results and effectiveness of the audit. Only members of the Committee have the right to attend its meetings. However, other Directors and executives may be invited to attend all or part of any meeting, and the external auditors are invited to attend meetings on a regular basis.

The Audit Committee terms of reference are available on the Company's website.

### ***Remuneration Committee***

All members of the Committee are required to be independent Non-Executive Directors. The Committee currently comprises Jarvis Astaire, (Chairman of the Committee), and David Noble.

The Committee is responsible for determining and agreeing with the Board the remuneration policy for the Executive Directors and Officers and for approving their remuneration packages and contract terms. The Committee's remit also includes approving the design of performance related pay schemes and share incentive plans, and the remuneration packages of the directors of the subsidiary companies.

The Remuneration Committee terms of reference are available on the Company's website.

### ***Nomination Committee***

A majority of the members of the Committee are required to be independent Non-Executive Directors. The Committee currently comprises Jarvis Astaire (Chairman of the Committee), David Noble and Jon Smith.

The Committee's responsibilities include reviewing the size, structure and composition of the Board; identifying and nominating suitable candidates for appointment to the Board; board succession planning; and making recommendations for appointments to board committees.

The Nomination Committee terms of reference are available on the Company's website.

### ***Relations with Shareholders***

The Board recognises the importance of communications with shareholders. There is regular dialogue with institutional shareholders including presentations following the announcement of the Company's interim and full year results.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation.

### ***Internal Control And Risk Management***

The Board is responsible for the Group's systems of internal control and risk management and for reviewing the effectiveness of those systems. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives; any system can provide only reasonable and not absolute assurance against material misstatement or loss.

The following controls have continued in place throughout the period:

- defined organisational structure with appropriate delegation of authority

- regular Board meetings
- regular Board Committee meetings
- clear responsibilities on the part of financial management for the maintenance of good financial controls and the production and review of detailed, accurate and timely financial management information
- authorisation levels and proper segregation of accounting duties
- a comprehensive financial review cycle, which includes an annual budget approved by the main board; detailed monthly variances against budget at subsidiary level with, where necessary, remedial action.
- Annual performance is reforecast quarterly; and
- provision to the Board of relevant, accurate and timely management information.

A manual of policies and procedures has been issued to all directors, financial controllers and other relevant employees throughout the Group. The manual provides a framework of rules, controls and processes to enable the Group to operate efficiently, legally and effectively within its marketplace.

The internal control environment will continue to be monitored and reviewed by the Board and, where necessary, it will ensure improvements are implemented.

#### **14. TAXATION**

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

#### **15. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred other than by written instrument. The Company's articles of association contain certain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form in CREST under the CREST Regulations. The Ordinary Shares will be enabled for settlement through CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

#### **16. RISK FACTORS**

**Shareholders should consider carefully the risk factors set out in Part II of this document in addition to the other information presented.**

#### **17. FURTHER INFORMATION**

Your attention is drawn to the further information set out in Parts III to VI of this document, which provide additional information regarding the Acquisition and the Enlarged Group.

#### **18. GENERAL MEETING**

Set out at the end of this document is a notice convening the General Meeting of the Company to be held at the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London, EC2R 8DD at 11.00 a.m. on 29 October 2008 at which the following resolution will be proposed:

THAT the acquisition by First Artist Corporation, Inc., a wholly owned subsidiary of the Company, of the entire issued share capital of Spot and Company of Manhattan, Inc. ("**Acquisition**") pursuant to a conditional acquisition agreement dated 8 August 2008 (and the documents referred to therein) a copy of which has been produced to the meeting and initialled by the Chairman for the purposes of identification and

material particulars of which are set out in the Admission Document dated 10 October 2008 be and is hereby approved and that the directors of the Company (“**Directors**”), or a committee of the Directors, be and are hereby authorised to take all necessary steps to effect the Acquisition with all such non-material modifications, variations or amendments as they consider to be in the best interests of the Company.

The attention of Shareholders is also drawn to the voting intentions of the Directors set out in paragraph 20 below.

#### **19. ACTION TO BE TAKEN**

Shareholders will find enclosed with this document a Form of Proxy for use at the GM. Whether or not you intend to be present at the GM, you are requested to complete, sign and return your Form of Proxy to the Company’s registrars, Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent BR3 4BR as soon as possible but, in any event, so as to arrive no later than 11:00 a.m. on 27 October 2008 or 48 hours before any adjourned meeting. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

#### **20. RECOMMENDATION**

**The Directors consider the Proposals to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the Resolution to be proposed at the GM, as they intend to do so in respect of their own shareholdings, amounting in aggregate to 2,042,528 Ordinary Shares, representing 14.7 per cent. of the Ordinary Shares.**

Yours faithfully

**Jarvis Astaire OBE**  
*Non-Executive Chairman*

## **PART II**

### **RISK FACTORS**

**The Directors believe that an investment in the Ordinary Shares may be subject to a number of risks. Shareholders and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including in particular the risks described below, before making any investment decisions. The information below does not purport to be an exhaustive list. Shareholders and prospective investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of information in this document and their personal circumstances.**

**The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. Prospective investors are advised to consult an independent adviser authorised under the Financial Services and Markets Act 2000.**

**If any of the following risks relating to the Enlarged Group were to materialise, the Enlarged Group's business, financial condition and results of future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainty not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company or the Enlarged Group.**

**In addition to the usual risks associated with an investment in a company, the Directors consider the following risk factors to be significant to Shareholders and potential investors:**

#### **SECTION A: RISKS RELATING TO THE ACQUISITION**

##### **The Acquisition may not complete**

It is possible that factors beyond the control of the Company will result in the Acquisition not taking place and that any legal rights of the Company in relation to such failure to complete may be of limited worth in practice. Consequently the Group's ongoing acquisition strategy will not proceed as planned.

##### **Difficulties integrating SpotCo**

Unforeseen difficulties in the integration of SpotCo may result in increased expense, loss of customers and decline in profitability. For these reasons, the Group may not realise all of the anticipated benefits of the Acquisition, either in a timely manner, or at all. If that happens, and the Enlarged Group incurs significant costs, it could have a material adverse impact on the business of the Enlarged Group.

#### **SECTION B: BUSINESS RISKS & MARKET RISKS RELATING TO THE COMPANY AND ENLARGED GROUP**

##### **Gearing**

The use of borrowings presents a risk that the Enlarged Group may be unable to service interest payments and principal repayments or comply with other requirements of its loans, which may render its borrowings immediately repayable in whole or in part, together with any attendant cost, and the Enlarged Group might be forced to sell some of its assets to meet such obligations, with the risk that borrowings will not be able to be refinanced or the terms of such refinancing may be less favourable than the existing terms of borrowing.

If the Enlarged Group's borrowings become more expensive, relative to the income it receives from its investments, then the Enlarged Group's profits will be adversely affected. If the Enlarged Group is unable to obtain new finance then it may suffer a substantial loss as a result of having to dispose of those investments which cannot be financed.

### **Management of growth**

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

### **Dependence on key personnel and staff turnover**

The future performance of the Enlarged Group will depend on its ability to retain the services and personal connections or contacts of key executives and to recruit, motivate and retain suitably skilled, qualified and industry experienced personnel. The loss of one or more key employees could have a material adverse effect on the Enlarged Group. No assurances can be given, however, that the loss of any executive officer of the Company would not have a material adverse effect on the business, financial condition or results of operations of the Enlarged Group. In addition, the Enlarged Group may be adversely affected by staff turnover at more junior levels.

### **Future funding requirements**

The Enlarged Group may, beyond the next twelve months, need to raise equity funds or require debt financing to finance working capital requirements or to make acquisitions and finance its growth through future stages of development. Any additional equity financing may be dilutive to the then Shareholders if they are unable or choose not to subscribe, and debt financing, if available, may involve restrictions on financing and operating activities. In addition, there can be no assurance that the Enlarged Group will be able to raise additional funds when needed or that such funds will be available on terms favourable to the Enlarged Group. If the Enlarged Group is unable to obtain additional financing as needed, the Enlarged Group may be required to reduce the scope of its operations or anticipated expansion or cease trading. The Company has arranged a mezzanine finance facility which falls due for repayment after two years. Subject to the cash flows generated from trading there is a risk that additional finance may have to be arranged at that time and there is no guarantee that this will be possible.

### **Change of Control**

If a change of control occurs, either by the Company being acquired by any person or group of connected persons not having control of the Company on the date of Completion or upon Jon Smith and Phil Smith from time to time ceasing to hold an aggregate minimum of 10 per cent. of the issued share capital of the Company, the Company and First Artist Corporation, Inc. shall (unless otherwise agreed by AIB) immediately prepay all monies advanced by AIB to the Group together with accrued interest on those monies and all AIB facilities shall immediately be cancelled.

### **Customer Relationships**

The Enlarged Group is dependent on relationships with a number of key clients and the Directors believe that the Group's reputation for providing high quality services is key to maintaining and developing relationships with its clients. The loss or deterioration of one or more of these relationships could have an adverse effect on the financial or trading position of the Enlarged Group. In keeping with common market practice within the theatre marketing industry, services are typically provided to clients in the absence of contractual relationships.

### **Existing business of SpotCo**

There is no guarantee that the existing clients of SpotCo will continue to be clients of SpotCo and/or the Enlarged Group (or continue to transact the same level of business) following completion of the Acquisition. The loss of certain key clients (or a significant number of clients) of SpotCo could materially adversely affect the business, financial condition, results or future operations of the Enlarged Group.

## **Litigation**

There can be no guarantee that the current or future actions of the Enlarged Group will not result in litigation. As with all industries, the Enlarged Group is subject to legal claims, both with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Enlarged Group's financial position or results of operations.

## **Football Operations**

A UEFA match licence, a FIFA match licence and a FIFA transfer licence are held by Jon Smith, and a FIFA transfer licence is held by Phil Smith, Vincenzo Morabito (Head of Football) as well as other employees of the Group, in order to carry on the activities of the Group. If these were withdrawn by the governing bodies following a breach of the rules by any of them or if any of them were to leave the Company, the Company's business would be materially affected.

## **Wealth Management Operations**

Optimal Wealth Management relies on its and its professional employees' FSA registration and Office of Fair Trading licence in order to carry on its business. If these registrations were withdrawn following a breach of the rules or if any of the FSA approved employees were to leave Optimal, its business would be materially adversely affected.

The regulatory environment for those offering financial services regularly undergoes change, any of which changes could have a material effect on Optimal's business.

Optimal also relies on its relationships with financial product providers. If these financial product providers withdrew or adversely varied the terms on which they deal with Optimal, its business could be adversely affected.

## **Seasonality**

The Company's experience indicates that across the Group's businesses trading is subject to seasonal fluctuations. Accordingly, revenue and operating profits are weighted to specific periods of the year. A significant proportion of the staff costs and overheads of the Group are fixed and although the Group manages its cost base in line with forecast activity levels and prior experience, any shortfall in revenues during peak trading periods could have a significant impact on the Group's profitability and results.

## **Exchange rate risks**

It is likely that some of the Group's business will be conducted in overseas currencies. It is expected that all monies returned to Shareholders and the reported interim and annual financial information of the Group will be denominated in Pounds Sterling. Changes in the value of other currencies against the value of Pounds Sterling could have an adverse impact on the performance of the Group. The Group may enter into currency hedging transactions, but is not required or expected to do so, and such transactions have an associated cost that could depress profitability.

## **General economic climate**

The general economic climate is volatile and is affected by numerous factors which are beyond the Company's control which may affect First Artist's operations, business and profitability. These factors include the supply and demand of capital, growth in gross domestic product, employment trends, international economic trends, currency exchange rate fluctuations, the level of interest rates and the rate of inflation, global or regional political events and international events, as well as a range of other market forces, all of which have an impact on demand, business costs and stock market prices.

### **Overseas operations risks**

Following the Acquisition the Enlarged Group will operate in the United States of America. It is possible that in the future the Group may operate in other overseas countries.

The performance of the Enlarged Group's businesses may be affected by changes in foreign exchange rates and controls, interest rates or government policy, as well as by social and civil unrest and other political, economic and other developments in or affecting the UK or the US. Future political and economic conditions in overseas territories in which the Group carries on business may result in their governments adopting different policies with respect to foreign trade and investment. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, with potentially adverse effects on the Group's profitability. Future actions of these central governments could have a significant effect on their economies, which could adversely affect private sector companies, market conditions and viability of the Group's overseas operations.

### **Current operating results are not an indication of future results**

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Accordingly, investors should not rely on comparisons with the Company's results to date as an indication of future performance. Factors that may affect First Artist's operating results include increased competition, an increased level of costs and expenses as it continues to expand its services, increased employment costs as the market in which First Artist operates improves, slower than expected take-up by clients of its services and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Company's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Company's shares may decline significantly.

### **Unforeseen factors and developments**

The Company's ability to implement its business strategy may be adversely affected by factors that it cannot currently foresee, such as rises in costs and expenses, technological change or severe economic downturn. All of these factors may necessitate changes to the business strategy described in this document.

## **SECTION C: RISKS RELATING TO THE ORDINARY SHARES**

### **Possible volatility of the price of the Ordinary Shares**

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares (or securities similar to them) or in response to various factors and events, including any regulatory changes affecting the Enlarged Group's operations, variations in the Enlarged Group's operating results and business developments of the Enlarged Group or its competitors.

Stock markets have from time to time experienced significant price and volume fluctuations which have affected the market prices for securities which may be unrelated to the Enlarged Group's operating performance or prospects. Furthermore the Enlarged Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Ordinary Shares. The trading prices of the Ordinary Shares may go down as well as up and Shareholders may, therefore, not recover their original investment costs.

### **Substantial sales of Ordinary Shares could cause the price of Ordinary Shares to decline**

There can be no assurance that the Directors or other Shareholders will not elect to sell their Ordinary Shares when they are legally entitled so to do. The market price of Ordinary Shares could decline as a result of any sales of such Ordinary Shares or as a result of the perception in the market which may occur as a result of such a sale. If these or any other sales were to occur, the Company may in the future have difficulty in offering or selling Ordinary Shares at a time or at a price it deems appropriate.

## **Dividends**

The dividend policy of the Enlarged Group is dependent upon its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. There can be no guarantee that the Enlarged Group will pay dividends in the foreseeable future.

## **Tax and regulatory considerations**

Changes in tax laws or subordinate legislation or the practice of any taxation authority could have a material adverse effect on the Enlarged Group.

An investment in the Company may involve complex tax considerations which may differ for each investor and each investor is advised to consult its own tax advisers. Any tax legislation and its interpretation and the legal and regulatory regimes which apply in relation to an investment in the Company may change at any time.

## **Securities traded on AIM**

The Ordinary Shares will be traded on AIM rather than on the Official List. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment especially since the market in the Ordinary Shares on AIM may have limited liquidity.

The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors some of which may pertain to the Company and others of which are extraneous. Investors may realise less than the original amount invested.

## **Suitability**

Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult a person authorised under FSMA who specialises in investments of this nature before making any investment decision.

## **Forward-looking statements**

This document contains forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, contained in this document, including statements regarding the Enlarged Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this document use words like "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and similar terms.

The Enlarged Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Enlarged Group which are described in this Part II and elsewhere in this document. Investors are urged to read this entire document carefully before making an investment decision. The forward-looking statements in this document are based on the Directors' beliefs and assumptions and information only as of the date of this document, and the forward-looking events discussed in this document might not occur. Therefore, investors should not place any reliance on any forward-looking statements. Except as required by law or regulation, the Directors undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future earnings or otherwise.

**The risks noted above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.**

**The investment described in this document is speculative and may not be suitable for all recipients of this document. Potential investors are accordingly advised to consult a person authorised under FSMA who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him.**

## PART III

### ACCOUNTANTS' REPORT AND FINANCIAL INFORMATION RELATING TO SPOTCO FOR THE THREE YEARS ENDED 31 DECEMBER 2007 UNDER IFRS

The following is the full text of a report on Spot and Company of Manhattan, Inc. from Adler Shine LLP, the Reporting Accountants, to the Directors of First Artist Corporation Plc and Daniel Stewart & Company Plc.



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The Directors  
First Artist Corporation Plc  
3 Tenterden Street  
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The Directors  
Daniel Stewart & Company Plc  
Becket House  
36 Old Jewry  
London EC2R 8DD

10 October 2008

Dear Sirs

We report on the financial information of Spot and Company of Manhattan, Inc. ("SpotCo") for the three years ended 31 December 2007 set out in Part III of the admission document. This financial information has been prepared for inclusion in the admission document dated 10 October 2008 ("Admission Document") of First Artist Corporation Plc ("the Company") on the basis of the accounting policies set out in note 2 of the financial information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The directors of the Company ("the Directors") are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given

solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of SpotCo as at the dates stated and of its profits and losses, cash flows, recognised income and expense, and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with IFRS.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

### **Adler Shine LLP**

Regulated for audit work by the Institute of Chartered Accountants in England and Wales

## INCOME STATEMENTS

	Notes	Year ended 31 December		
		2005	2006	2007
		\$000	\$000	\$000
<b>Continuing Operations</b>				
<b>Revenue</b>	3	36,454	40,097	39,692
Cost of sales		(31,221)	(33,553)	(32,709)
<b>Gross profit</b>		5,233	6,544	6,983
Administrative expenses		(5,554)	(5,829)	(6,721)
<b>EBITDA before exceptional administrative expenses</b>		(209)	993	749
Exceptional administrative expenses	4	–	(150)	(350)
Depreciation		(112)	(128)	(137)
Amortisation of intangibles		–	–	–
<b>Operating (loss)/profit</b>	3,5	(321)	715	262
Finance income	8	86	152	151
Finance costs		–	–	–
<b>(Loss)/profit on ordinary activities before taxation</b>		(235)	867	413
Taxation	9	85	(194)	51
<b>(Loss)/profit for the year</b>	3	(150)	673	464
<b>(Losses)/Earnings per share</b>				
Basic earnings per share	10	(1.50)	6.73	4.64
Fully diluted (losses)/earnings per share	10	(1.50)	6.73	4.64

**BALANCE SHEETS**

	<i>Notes</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>Non-current assets</b>				
Property, plant and equipment	11	715	694	618
		<u>715</u>	<u>694</u>	<u>618</u>
<b>Current assets</b>				
Inventories		274	260	228
Trade and other receivables	12	3,484	3,705	3,000
Cash and cash equivalents	13	1,147	2,257	3,014
		<u>4,905</u>	<u>6,222</u>	<u>6,242</u>
<b>Current liabilities</b>				
Trade and other payables	14	(3,459)	(4,061)	(3,761)
		<u>(3,459)</u>	<u>(4,061)</u>	<u>(3,761)</u>
<b>Net current assets</b>				
		<u>1,446</u>	<u>2,161</u>	<u>2,481</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	18	(75)	(246)	(176)
		<u>(75)</u>	<u>(246)</u>	<u>(176)</u>
<b>Total liabilities</b>				
		<u>(3,534)</u>	<u>(4,307)</u>	<u>(3,937)</u>
<b>NET ASSETS</b>				
		<u>2,086</u>	<u>2,609</u>	<u>2,923</u>
<b>Equity</b>				
Share capital	15	1	1	1
Retained earnings	16	2,085	2,608	2,922
		<u>2,086</u>	<u>2,609</u>	<u>2,923</u>
<b>TOTAL EQUITY</b>				
		<u>2,086</u>	<u>2,609</u>	<u>2,923</u>

## STATEMENT OF CHANGES IN EQUITY

	<i>Notes</i>	<i>Attributable to equity holders of the company</i>		
		<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
	15 & 16			
Balance at 1 January 2005		1	2,360	2,361
Net loss for the year		–	(150)	(150)
Dividends		–	(125)	(125)
			<hr/>	<hr/>
Balance at 1 January 2006		1	2,085	2,086
Net profit for the year		–	673	673
Dividends		–	(150)	(150)
			<hr/>	<hr/>
Balance at 1 January 2007		1	2,608	2,609
Net profit for the year		–	464	464
Dividends		–	(150)	(150)
			<hr/>	<hr/>
Balance at 31 December 2007		1	2,922	2,923
			<hr/>	<hr/>

## CASH FLOW STATEMENTS

	<i>Notes</i>	<i>Year ended 31 December</i>		
		<i>2005</i>	<i>2006</i>	<i>2007</i>
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>Operating activities</b>				
Cash generated from operations	19	691	1,238	831
Income taxes paid		(23)	(23)	(14)
Net cash inflow from operating activities		<u>668</u>	<u>1,215</u>	<u>817</u>
<b>Investing activities</b>				
Interest received		86	152	151
Purchases of property, plant and equipment		(16)	(107)	(61)
Net cash generated from investing activities		<u>70</u>	<u>45</u>	<u>90</u>
<b>Financing activities</b>				
Dividends paid		(125)	(150)	(150)
Net cash used by financing activities		<u>(125)</u>	<u>(150)</u>	<u>(150)</u>
Net increase in cash and cash equivalents		613	1,110	757
Cash and cash equivalents at the beginning of the period		<u>534</u>	<u>1,147</u>	<u>2,257</u>
Cash and cash equivalents at the end of the period		<u>1,147</u>	<u>2,257</u>	<u>3,014</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. Basis of preparation, nature of operations and general information

The principal activity of Spot and Company of Manhattan, Inc (“SpotCo”) is theatre advertising.

#### *Basis of presentation*

The financial information has been prepared under the historic cost convention on a going concern basis and in accordance with International Financial Reporting Standards (“IFRS”). The financial information has been prepared in accordance with IFRS as adopted by the EU.

SpotCo has presented its financial information in US Dollars (\$).

#### *New Standards and Interpretations*

The IASB and IFRIC have issued the following standards and interpretations which were in issue but not in force at 31 December 2007:

International Accounting Standards (IAS/IFRSs)

IFRS 8 Operating segments

IAS 1 (revised) Presentation of Financial Statements

IAS 23 (revised) Borrowing costs

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 12 Service Concession Arrangements

IFRIC 13 Customer Loyalty Programmes

IFRIC 14 IAS 19 Limit on defined benefit asset, minimum funding requirement and their interaction

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information of SpotCo when the relevant standards and interpretations come into effect, except for IAS 1 (revised) Presentation of Financial Statements. IAS 1 will have no quantitative effect but may impact disclosure and format that needs to be followed. The directors do not anticipate the early adoption of any of the above standards.

### 2. Accounting policies

The principal accounting policies of SpotCo are as follows:

#### *Property, plant and equipment*

Property, plant and equipment are stated at original cost less accumulated depreciation. Depreciation is charged on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value over its expected useful life, using the following methods and rates:

Leasehold improvements	over period of the lease
Furniture and fixtures	7 years straight line
Machinery and equipment	7 years straight line

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the income statement.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes outlays incurred on behalf of clients and an appropriate proportion of directly attributable costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where appropriate.

### ***Cash and cash equivalents***

Cash represents cash on hand and in bank accounts and short-term investments, including term deposits, having original maturities of less than three months.

### ***Financial Instruments***

Financial assets and financial liabilities are recognised on SpotCo's balance sheet when SpotCo becomes a party to the contractual provisions of the instrument.

### ***Operating leases***

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

### ***Segmental reporting***

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. SpotCo has four business segments: media placement, fees, reimbursable expenses and internal charges.

A geographical segment is a component of SpotCo that operates within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments. SpotCo currently operates in one geographical segment: United States of America.

### ***Revenue recognition***

Revenue represents the value, net of Sales Tax, of services provided and goods sold.

Invoices raised by SpotCo but not yet recognised as revenue, are credited to accruals and deferred income. Similarly invoices received by SpotCo but not yet recognised as costs, are debited to prepayments and accrued income.

### ***Pensions***

SpotCo offers a 401(K) Savings Plan. This is a qualified defined contribution plan, which permits employee's to save for retirement using pre-tax dollars. Salaried employees are eligible to participate in the plan following one year of service. They may defer anywhere from 1-20% of gross earnings up to a maximum of \$15,500 per calendar year – \$20,500 if over age 50 (as determined by the IRS). The first 6% of funds are matched 50%, meaning that for each dollar contributed, SpotCo will contribute \$0.50.

Deferred funds may be invested in a variety of accounts ranging from money market accounts to bonds and stocks. Changes to the percentage deferred can be made on a quarterly basis. However, participants may stop having deferrals withheld at any time. Changes in their investment elections may be done by phone or on-line at any time.

Participants will be fully vested in the plan after five years of service. Prior to that time, participants will earn vesting in a percentage of company funds depending on the length of service. Participants are always 100% vested in contributions made from their salary deduction. The plan also has a loan provision.

Pension costs charged against profits represent the amounts payable to the schemes in respect of the period.

### ***Foreign currencies***

In preparing the financial statements of SpotCo, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange differences arising on the settlement of such transactions and from translating at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### ***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. SpotCo's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where SpotCo is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### ***Leasing and hire purchase commitments***

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are taken to the profit and loss account on a straight line basis over the period of the lease.

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

### ***Financial instruments***

Financial assets and financial liabilities are recognised on SpotCo's balance sheet when SpotCo has become a party to the contractual provisions of the instrument.

#### ***Trade receivables***

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### ***Bank borrowings***

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### ***Trade payables***

Trade payables are not interest bearing and are stated at their nominal value.

### 3. Business and geographical segments

#### *Business segments*

For management purposes, SpotCo is currently organised into four operating divisions – Media Placement, Fees, Reimbursable Expenses and Internal Charges. These divisions are the basis on which SpotCo reports its primary segment information.

Principal activities are as follows:

Media Placement – media advertising.

Fees – design and interactive development, e-business and television production.

Reimbursable Expenses – reimbursement of expenses charged on client jobs.

Internal Charges – charges of an internal nature.

Segment information about these businesses is presented below.

Segment information for the year ended 31 December 2005 is presented below.

	<i>Media Placement</i>	<i>Fees</i>	<i>Reimbursable Expenses</i>	<i>Internal Charges</i>	<i>Consolidated</i>
<i>Revenue</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
External sales	28,437	617	7,077	323	36,454
Inter-segment sales	–	–	–	–	–
Total revenue	<u>28,437</u>	<u>617</u>	<u>7,077</u>	<u>323</u>	<u>36,454</u>

Inter-segment sales are charged at prevailing market rates

#### **Result**

Operating EBITDA	(209)
One-off costs	–
Depreciation and amortisation	(112)
Segment result	<u>(321)</u>
<b>Unallocated corporate expenses</b>	
Group costs	–
Share-based payments	–
One off costs	–
Operating loss	<u>(321)</u>
Finance income	86
Finance costs	–
Loss before tax	(235)
Tax	85
Loss after tax	<u>(150)</u>

#### **Other information**

Capital additions	16
Unallocated capital additions	–
Consolidated total capital additions	<u>16</u>

	<i>Media Placement \$000</i>	<i>Fees \$000</i>	<i>Reimbursable Expenses \$000</i>	<i>Internal Charges \$000</i>	<i>Consolidated \$000</i>
<b>Balance sheet</b>					
<b>Assets</b>					
Segment assets					5,620
Unallocated corporate assets					–
Consolidated total assets					<u>5,620</u>
<b>Liabilities</b>					
Segment liabilities					(3,534)
Unallocated corporate liabilities					–
Consolidated total liabilities					<u>(3,534)</u>

Segment information for the year ended 31 December 2006 is presented below.

	<i>Media Placement \$000</i>	<i>Fees \$000</i>	<i>Reimbursable Expenses \$000</i>	<i>Internal Charges \$000</i>	<i>Consolidated \$000</i>
<b>Revenue</b>					
External sales	31,587	960	7,236	314	40,097
Inter-segment sales	–	–	–	–	–
Total revenue	<u>31,587</u>	<u>960</u>	<u>7,236</u>	<u>314</u>	<u>40,097</u>

Inter-segment sales are charged at prevailing market rates.

<b>Result</b>					
Operating EBITDA					993
One-off costs					(150)
Depreciation and amortisation					(128)
Segment result					<u>715</u>
<b>Unallocated corporate expenses</b>					
Group costs					–
Share-based payments					–
One off costs					–
Operating profit					<u>715</u>
Finance income					152
Finance costs					–
Profit before tax					867
Tax					(194)
Profit after tax					<u>673</u>
<b>Other information</b>					
Capital additions					107
Unallocated capital additions					–
Consolidated total capital additions					<u>107</u>

	<i>Media Placement \$000</i>	<i>Fees \$000</i>	<i>Reimbursable Expenses \$000</i>	<i>Internal Charges \$000</i>	<i>Consolidated \$000</i>
<b>Balance sheet</b>					
<b>Assets</b>					
Segment assets					6,916
Unallocated corporate assets					–
Consolidated total assets					<u>6,916</u>
<b>Liabilities</b>					
Segment liabilities					(4,307)
Unallocated corporate liabilities					–
Consolidated total liabilities					<u>(4,307)</u>

Segment information for the year ended 31 December 2007 is presented below.

	<i>Media Placement \$000</i>	<i>Fees \$000</i>	<i>Reimbursable Expenses \$000</i>	<i>Internal Charges \$000</i>	<i>Consolidated \$000</i>
<b>Revenue</b>					
External sales	30,747	1,303	7,250	392	39,692
Inter-segment sales	–	–	–	–	–
Total revenue	<u>30,747</u>	<u>1,303</u>	<u>7,250</u>	<u>392</u>	<u>39,692</u>

Inter-segment sales are charged at prevailing market rates

#### **Result**

Operating EBITDA	749
One-off costs	(350)
Depreciation and amortisation	(137)
Segment result	<u>262</u>
<b>Unallocated corporate expenses</b>	
Group costs	–
Share-based payments	–
One off costs	–
Operating profit	<u>262</u>
Finance income	151
Finance costs	–
Profit before tax	413
Tax	51
Profit after tax	<u>464</u>
<b>Other information</b>	
Capital additions	61
Unallocated capital additions	–
Consolidated total capital additions	<u>61</u>

	<i>Media Placement \$000</i>	<i>Fees \$000</i>	<i>Reimbursable Expenses \$000</i>	<i>Internal Charges \$000</i>	<i>Consolidated \$000</i>
<b>Balance sheet</b>					
Assets					
Segment assets					6,860
Unallocated corporate assets					–
Consolidated total assets					<u>6,860</u>
<b>Liabilities</b>					
Segment liabilities					(3,937)
Unallocated corporate liabilities					–
Consolidated total liabilities					<u>(3,937)</u>

#### Geographical segments

SpotCo's operations are located in the United States of America and all revenue is generated in that geographical market.

#### 4. Exceptional administrative expenses

	<i>Year ended 31 December</i>		
	<i>2005 \$000</i>	<i>2006 \$000</i>	<i>2007 \$000</i>
Bad debt written off	–	150	–
Tenth anniversary party	–	–	350
	<u>–</u>	<u>150</u>	<u>350</u>

#### 5. (Loss)/profit on ordinary activities

(Loss)/profit from operations has been arrived at after charging/(crediting):

	<i>Year ended 31 December</i>		
	<i>2005 \$000</i>	<i>2006 \$000</i>	<i>2007 \$000</i>
Depreciation of property, plant and equipment	113	128	137
Operating lease rentals			
– plant and machinery	49	47	41
– land and buildings	436	416	382
	<u>436</u>	<u>416</u>	<u>382</u>

#### 6. Employee benefits

The average monthly number of employees (including executive directors) was:

	<i>Year ended 31 December</i>		
	<i>2005 Number</i>	<i>2006 Number</i>	<i>2007 Number</i>
Services and promotion	36	37	41
Administration and finance	7	7	7
	<u>43</u>	<u>44</u>	<u>48</u>

Their aggregate remuneration comprised:

	<i>Year ended 31 December</i>		
	2005	2006	2007
	\$000	\$000	\$000
Wages and salaries	3,557	3,565	4,086
Payroll taxes	226	235	256
Pension costs	64	81	80
Group benefits	242	254	313
	<u>4,089</u>	<u>4,135</u>	<u>4,735</u>

## 7. Directors compensation

The remuneration of the director is set out below:

	<i>Year ended 31 December</i>		
	2005	2006	2007
	\$000	\$000	\$000
Jonathan Drew Hodges	760	560	690
	<u>760</u>	<u>560</u>	<u>690</u>

## 8. Finance income

	<i>Year ended 31 December</i>		
	2005	2006	2007
	\$000	\$000	\$000
Interest receivable	86	152	151
	<u>86</u>	<u>152</u>	<u>151</u>

## 9. Tax

	<i>Year ended 31 December</i>		
	2005	2006	2007
	\$000	\$000	\$000
Current tax	23	23	19
Deferred tax	(108)	171	(70)
Charge/(credit) for the year	<u>(85)</u>	<u>194</u>	<u>(51)</u>

The charge/(credit) for the year can be reconciled to the income statement as follows:

	<i>Year ended 31 December</i>		
	2005	2006	2007
	\$000	\$000	\$000
(Loss)/profit before tax	(235)	867	413
Taxable at 30%: 30%: 26.25%	(71)	260	108
Basis adjustment	115	(208)	(67)
Depreciation in excess of capital allowances	(3)	(3)	(3)
Taxable interest and City general income tax	–	–	2
Effect of the benefit gained from being granted S corporation status	(18)	(26)	(21)
Current tax	<u>23</u>	<u>23</u>	<u>19</u>

Taxation is calculated at the rates prevailing in the respective jurisdictions.

## 10. (Losses)/earnings per share

The calculations of (losses)/earnings per share are based on the following (losses)/profits and number of shares:

	<i>Year ended 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
<i>Earnings</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>For basic and diluted (loss)/profit per share</b>			
(Loss)/profit for the financial year	<u>(150)</u>	<u>673</u>	<u>464</u>
	<i>Year ended 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
<i>Number of shares</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	100	100	100
Dilutive effect of share options	<u>–</u>	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>100</u>	<u>100</u>	<u>100</u>
	<i>Year ended 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Basic	<u>(1.50)</u>	<u>6.73</u>	<u>4.64</u>
Diluted	<u>(1.50)</u>	<u>6.73</u>	<u>4.64</u>

## 11. Property, plant and equipment

	<i>Leasehold improvements</i> £'000	<i>Furniture and fixtures</i> £'000	<i>Machinery and equipment</i> £'000	<i>Total</i> £'000
<b>Cost</b>				
As at 1 January 2005	817	151	101	1,069
Additions	–	16	–	16
As at 31 December 2005	817	167	101	1,085
Additions	–	–	107	107
As at 31 December 2006	817	167	208	1,192
Additions	1	–	60	61
As at 31 December 2007	818	167	268	1,253
<b>Depreciation</b>				
As at 1 January 2005	163	36	58	257
Charge in year	82	24	7	113
As at 31 December 2005	245	60	65	370
Charge in period	82	24	22	128
As at 31 December 2006	327	84	87	498
Charge in year	82	24	31	137
As at 31 December 2007	409	108	118	635
<b>Net book value</b>				
31 December 2007	409	59	150	618
31 December 2006	490	83	121	694
31 December 2005	572	107	36	715

## 12. Trade and other receivables

	<i>As at 31 December</i>		
	<i>2005</i> \$000	<i>2006</i> \$000	<i>2007</i> \$000
<b>Current:</b>			
Trade receivables	3,943	3,175	3,141
Less: Amounts provided for doubtful debts	(497)	(150)	(150)
	3,446	3,025	2,991
Prepayments	38	528	9
Accrued income	–	152	–
	3,484	3,705	3,000

Trade receivables are generally non-interest bearing. The average credit period taken on sales is 30 days (2006: 28 days, 2005: 37 days).

Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Included in SpotCo's trade receivable balance at 31 December 2006 and 2007 are debtors with a carrying amount of \$312,000 which are past due at the reporting date for which SpotCo has made a partial provision with the balance still considered to be recoverable.

Ageing of past due but not impaired receivables:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Less than 60 days	599	317	259
Between 60-90 days	107	56	16
More than 90 days	239	201	118
	<u>945</u>	<u>574</u>	<u>393</u>

SpotCo does not hold any collateral over these balances.

Movement in the amounts provided for doubtful debts:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Amounts provided for doubtful debts	–	(150)	–
	<u>–</u>	<u>(150)</u>	<u>–</u>

In determining the recoverability of a trade receivable SpotCo considers any change to the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. SpotCo has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Ageing of impaired receivables:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
More than 90 days	–	(150)	–
	<u>–</u>	<u>(150)</u>	<u>–</u>

Trade and other receivables are all held in US dollars as at 31 December 2005, 2006 and 2007.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

### **13. Cash and cash equivalents**

Cash and cash equivalents are held in the following currency:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
US Dollar	1,147	2,257	3,014
	<u>1,147</u>	<u>2,257</u>	<u>3,014</u>

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The director considers that the carrying amount of cash and cash equivalents approximates to their fair value.

#### 14. Trade and other payables

	<i>As at 31 December</i>		
	2005	2006	2007
	\$000	\$000	\$000
Current:			
Trade payables	2,300	2,516	3,051
Income tax	–	–	5
Other taxation and social security	19	18	14
Other payables	5	5	5
Accruals and deferred income	1,135	1,522	686
	<u>3,459</u>	<u>4,061</u>	<u>3,761</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2006: 27 days, 2005: 27 days). For most suppliers no interest is charged but for overdue balances interest is charged at various interest rates.

SpotCo has financial risk management policies in place to ensure that all payables are paid within the credit timeframes.

Trade and other payables are held in US dollars as at 31 December 2005, 2006 and 2007.

The director considers that the carrying amount of trade and other payables approximates to their fair value.

#### 15. Share capital

	<i>As at 31 December</i>		
	2005	2006	2007
	\$000	\$000	\$000
Authorised:			
200 ordinary shares of common stock	<u>2</u>	<u>2</u>	<u>2</u>
Allotted, issued and fully paid:			
100 ordinary shares of common stock	<u>1</u>	<u>1</u>	<u>1</u>

#### 16. Retained profit

	<i>As at 31 December</i>		
	2005	2006	2007
	\$000	\$000	\$000
Retained profit at the start of the year	2,360	2,085	2,608
Retained (losses)/profit for the year	(150)	673	464
Dividends paid	(125)	(150)	(150)
Retained profit at the end of the year	<u>2,085</u>	<u>2,608</u>	<u>2,922</u>

#### 17. Financial instruments

SpotCo's financial instruments comprise cash and various other debtor and creditor balances that arise from its operations. The main purpose of these financial instruments is to finance SpotCo's operations.

It is, and has been throughout the years under review, SpotCo's policy that no trading in financial instruments shall be undertaken.

The main risks arising from SpotCo's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for the management of these risks and these are summarised below. These policies have remained unchanged throughout the period.

### *Interest Rate Risk*

SpotCo's cash balances and deposits will be subject to fluctuations in current and future interest rates. All other significant financial assets and liabilities do not bear interest. SpotCo monitors the rates of interest receivable on its cash balances.

### *Liquidity risk*

It is SpotCo's policy to finance its business through internally generated funds with surplus funds invested in short and medium fixed term money market deposits.

### *Foreign currency risk*

SpotCo produces accounts in US Dollars.

The Board monitors all foreign currency exposure but SpotCo does not currently hedge against movements in the exchange rates of US Dollars and foreign currencies in respect of any financial assets and liabilities.

### *Interest rate profile of financial assets and liabilities*

The interest rate profile of SpotCo's financial assets was:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
	<i>Floating rate</i>	<i>Floating rate</i>	<i>Floating rate</i>
	<i>financial assets</i>	<i>financial assets</i>	<i>financial assets</i>
US Dollar	4,905	6,222	6,242
	<u>4,905</u>	<u>6,222</u>	<u>6,242</u>

In all three years ended 31 December 2005/6/7 the interest rate received for the floating rate financial assets was at prevailing bank rates.

The interest rate profile of SpotCo's financial liabilities was:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
	<i>Non-interest</i>	<i>Non-interest</i>	<i>Non-interest</i>
	<i>bearing</i>	<i>bearing</i>	<i>bearing</i>
US Dollar	3,534	4,307	3,937
	<u>3,534</u>	<u>4,307</u>	<u>3,937</u>

### *Foreign currency exposures*

SpotCo has no exposure to assets and liabilities denominated in foreign currencies.

### *Maturity of financial liabilities*

The maturity profile of SpotCo's financial liabilities was:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
In one year or less, or on demand	3,459	4,061	3,761
In more than one year, but not more than two years	75	246	176
In more than two years, but not more than five years	–	–	–
In more than five years	–	–	–
	<u>3,534</u>	<u>4,307</u>	<u>3,937</u>

### *Borrowing Facilities*

SpotCo has no overdraft facilities.

### *Fair Value of Assets and Liabilities*

There is no material difference between the fair value of SpotCo's assets and liabilities and their book value as shown in the financial statements.

## **18. Deferred tax**

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Analysis for financial reporting purposes:			
Deferred tax liabilities	75	246	176
Deferred tax assets	–	–	–
Net position at 31 December	<u>75</u>	<u>246</u>	<u>176</u>

The movement in the year in SpotCo's net deferred tax position was as follows:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
At 1 January	183	75	246
Charge/(credit) to income for the year	(108)	171	(70)
At 31 December	<u>75</u>	<u>246</u>	<u>176</u>

The following are the major deferred tax liabilities and assets recognised by SpotCo and the movements thereon during the period:

	<i>Accelerated tax depreciation \$000</i>	<i>Total \$000</i>
<b>Deferred tax liabilities</b>		
At 1 January 2005	183	183
Charge to income for the year	(108)	(108)
At 31 December 2005	<u>75</u>	<u>75</u>
Charge to income for the year	171	171
At 31 December 2006	<u>246</u>	<u>246</u>
(Credit) to income for the year	(70)	(70)
At 31 December 2007	<u>176</u>	<u>176</u>

At the balance sheet date, SpotCo has \$nil tax losses (2006: \$nil, 2005: \$nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

#### 19. Reconciliation of profit from operations to net cash from/(used in) operating activities

	<i>Year ended 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
(Loss)/profit from operations	(321)	715	262
Adjustments for:			
Depreciation of property, plant & equipment	113	128	137
Decrease in inventories	–	14	32
Decrease/(increase) in receivables	1,094	(222)	705
(Decrease)/increase in payables	(195)	603	(305)
Cash generated from operations	<u>691</u>	<u>1,238</u>	<u>831</u>

#### 20. Commitments under operating leases

At the balance sheet date, SpotCo had outstanding annual commitments under non-cancellable operating leases, which fall due as follows:

	<i>As at 31 December</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>Plant and machinery</b>			
Within one year	7	6	10
In the second to fifth years inclusive	20	28	29
	<u>27</u>	<u>34</u>	<u>39</u>
<b>Land and buildings</b>			
After five years	476	476	476
	<u>476</u>	<u>476</u>	<u>476</u>

#### 21. Ultimate controlling party

SpotCo's ultimate controlling party is Jonathan Drew Hodges, who holds 100% of the share capital.

## 22. Related party transactions

### *Remuneration of key management personnel*

There is no remuneration of the director and senior executives, who are the key management personnel of SpotCo, for each of the categories specified in IAS 24 Related Party Disclosures.

### *Directors' transactions*

There were no transactions with the directors or other key management personnel.

### *Other related party transactions*

Spot Design, Inc. is a company owned and controlled by Jonathan Drew Hodges. Spot Design, Inc. provides consultancy services to SpotCo.

	<i>2005</i> <i>\$000</i>	<i>2006</i> <i>\$000</i>	<i>2007</i> <i>\$000</i>
Transactions with Spot Design, Inc. for each year were as follows:			
Purchases	195	210	215
	<u>195</u>	<u>210</u>	<u>215</u>
The amount owed to Spot Design, Inc at each period end was:			
Other payables	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

## 23. Subsequent events

On 8 August 2008, the shareholder of SpotCo signed an agreement to sell all of his shares to the Company for a consideration of up to \$18.86 million (subject to adjustment by reference to its net asset value as at the Closing Date). The initial consideration is \$5.5 million in cash. This is followed by three guaranteed cash payments of \$1.5 million on the first three anniversaries of the completion date. If the EBITDA exceeds certain thresholds on each of the three anniversaries of the completion balance sheet date the following applies:

	<i>Profit Threshold</i>	<i>Deferred Consideration</i>
<b>Year 1</b>	\$1.25m - \$1.75m over \$1.75m	\$10 cash for every \$10 of EBITDA within the threshold \$20 cash for every \$10 of EBITDA above the threshold
<b>Year 2</b>	\$1.50m - \$2.00m over \$2.00m	\$10 cash for every \$10 of EBITDA within the threshold \$20 cash for every \$10 of EBITDA above the threshold
<b>Year 3</b>	\$1.75m - \$2.25m over \$2.25m	\$10 cash for every \$10 of EBITDA within the threshold \$20 cash for every \$10 of EBITDA above the threshold

The annual deferred cash payments in respect of any one year are limited to \$2.5 million with any excess cash consideration due being carried forward to the ensuing year and then continuing to roll over subject to the maximum annual payment of \$2.5 million. In order to exceed the maximum deferred consideration, EBITDA for the three years post completion must total \$9.8 million.

## PART IV

### UNAUDITED INTERIM FINANCIAL INFORMATION RELATING TO SPOTCO FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

The following interim financial information (for which the Directors have accepted responsibility) relating to SpotCo for the 6 months ended 30 June 2008 is unaudited and has not been reviewed.

#### 1. UNAUDITED BALANCE SHEETS

	<i>Notes</i>	<i>As at 30 June 2007 \$000</i>	<i>As at 30 June 2008 \$000</i>
<b>Non-current assets</b>			
Property, plant and equipment		687	788
		687	788
<b>Current assets</b>			
Inventories		188	395
Trade and other receivables		1,935	2,889
Cash and cash equivalents		3,325	4,954
		5,448	8,238
<b>Current liabilities</b>			
Trade and other payables		(3,307)	(5,478)
Tax liabilities		–	(59)
		(3,307)	(5,537)
<b>Net current assets</b>		2,141	2,701
<b>Non-current liabilities</b>			
Deferred tax liabilities		(248)	(226)
		(248)	(226)
<b>Total liabilities</b>		(3,555)	(5,763)
<b>NET ASSETS</b>		2,580	3,263
<b>Equity</b>			
Share capital	5.6	1	1
Retained earnings	5.7	2,579	3,262
<b>TOTAL EQUITY</b>		2,580	3,263

## 2. UNAUDITED INCOME STATEMENTS

		<i>Period ended</i> 30 June 2007	<i>Period ended</i> 30 June 2008
	<i>Notes</i>	\$000	\$000
<b>Continuing Operations</b>			
<b>Revenue</b>		20,570	24,235
Cost of sales		(17,336)	(20,202)
<b>Gross profit</b>		3,234	4,033
Administrative expenses		(3,165)	(3,506)
<b>EBITDA before exceptional administrative expenses</b>		419	598
Exceptional administrative expenses	5.3	(350)	–
Depreciation			(71)
Amortisation of intangibles		–	–
<b>Operating profit</b>		69	527
Finance income		52	58
Finance costs		–	–
<b>Profit on ordinary activities before taxation</b>		121	585
Taxation	5.4	–	(123)
<b>Profit for the period</b>		121	462
<b>Earnings per share</b>			
Basic earnings per share	5.5	1.21	4.62
Fully diluted earnings per share	5.5	1.21	4.62

## 3. UNAUDITED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to equity holders of the company</i>		
	<i>Share capital \$000</i>	<i>Retained earnings \$000</i>	<i>Total equity \$000</i>
	<i>Note</i>	5.6	5.7
Balance at 1 January 2007	1	2,608	2,609
Net profit for the year	–	121	121
Dividends	–	(150)	(150)
Balance at 30 June 2007	1	2,579	2,580
Balance at 1 January 2008	1	2,922	2,923
Net profit for the year	–	462	462
Dividends	–	(122)	(122)
Balance at 30 June 2008	1	3,262	3,263

#### 4. UNAUDITED CASH FLOW STATEMENTS

	<i>Notes</i>	<i>Period ended 30 June 2007 \$000</i>	<i>Period ended 30 June 2008 \$000</i>
<b>Operating activities</b>			
Cash generated from operations	5.8	1,248	2,264
Income taxes paid		2	(19)
Net cash inflow from operating activities		<u>1,250</u>	<u>2,245</u>
<b>Investing activities</b>			
Interest received		52	58
Purchases of property, plant and equipment		(84)	(240)
Net cash used in investing activities		<u>(32)</u>	<u>(182)</u>
<b>Financing activities</b>			
Dividends paid		(150)	(122)
Net cash (used) by financing activities		<u>(150)</u>	<u>(122)</u>
Net increase in cash and cash equivalents		1,068	1,941
Cash and cash equivalents at the beginning of the period		2,257	3,013
Effect of foreign exchange rate changes		–	–
Cash and cash equivalents at the end of the period		<u>3,325</u>	<u>4,954</u>

#### 5. NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

##### 5.1 Nature of operations and general information

The principal activity of Spot and Company of Manhattan, Inc (“SpotCo”) is theatre advertising.

SpotCo has presented its financial statements in US Dollars (\$).

##### 5.2 Accounting policies

###### Basis of presentation

The financial statements have been prepared under the historic cost convention on a going concern basis and in accordance with International Financial Reporting Standards (“IFRS”).

###### Principal accounting policies

The financial statements have been prepared in accordance with IFRSs adopted by the EU.

###### Property, plant and equipment

Property, plant and equipment are stated at original cost less accumulated depreciation. Depreciation is charged on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value over its expected useful life, using the following methods and rates:

Leasehold improvements	over period of the lease
Furniture and fixtures	7 years straight line
Machinery and equipment	7 years straight line

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the income statement.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes outlays incurred on behalf of clients and an appropriate proportion of directly attributable costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where appropriate.

**Financial Instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

**Operating leases**

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

**Segmental reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company has four business segments: media placement, fees, reimbursable expenses and internal charges.

A geographical segment is a component of the Company that operates within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments. The Company currently operates in one geographical segment: United States of America.

**Revenue recognition**

Revenue represents the value, net of Sales Tax, of services provided and goods sold.

Invoices raised by SpotCo but not yet recognised as revenue, are credited to accruals and deferred income. Similarly invoices received by the Group but not yet recognised as costs, are debited to prepayments and accrued income.

**Pensions**

The Company offers a 401(K) Savings Plan. This is a qualified defined contribution plan, which permits employee's to save for retirement using pre-tax dollars. Salaried employees are eligible to participate in the plan following one year of service. They may defer anywhere from 1-20% of gross earnings up to a maximum of \$15,500 per calendar year - \$20,500 if over age 50 (as determined by the IRS). The first 6% of funds are matched 50%, meaning that for each dollar contributed, the company will contribute \$0.50.

Deferred funds may be invested in a variety of accounts ranging from money market accounts to bonds and stocks. Changes to the percentage deferred can be made on a quarterly basis. However, participants may stop having deferrals withheld at any time. Changes in their investment elections may be done by phone or on-line at any time.

Participants will be fully vested in the plan after five years of service. Prior to that time, participants will earn vesting in a percentage of company funds depending on the length of service. Participants are always 100% vested in contributions made from their salary deduction. The Company plan also has a loan provision.

Pension costs charged against profits represent the amounts payable to the schemes in respect of the period.

**Foreign currencies**

The individual financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange differences arising on the settlement of such transactions and from translating at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

**Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are taken to the profit and loss account on a straight line basis over the period of the lease.

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

## Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Group has become a party to the contractual provisions of the instrument.

### *Trade receivables*

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### *Trade payables*

Trade payables are not interest bearing and are stated at their nominal value.

## 5.3 Exceptional administrative expenses

	<i>Period ended 30 June 2007</i>	<i>Period ended 30 June 2008</i>
	<i>\$000</i>	<i>\$000</i>
Tenth anniversary party	350	–
	<u>350</u>	<u>–</u>

## 5.4 Tax

	<i>Period ended 30 June 2007</i>	<i>Period ended 30 June 2008</i>
	<i>\$000</i>	<i>\$000</i>
Current tax	11	73
Deferred tax	(11)	50
Charge for the period	<u>–</u>	<u>123</u>

The charge for the period can be reconciled to the income statement as follows:

	<i>Period ended</i> <i>30 June 2007</i>		<i>Period ended</i> <i>30 June 2008</i>	
	<i>\$000</i>	<i>%</i>	<i>\$000</i>	<i>%</i>
Profit before tax	122		633	
Taxes at standard rate of corporation				
tax in the US 35.0%	43	35.0	222	35.0
Effect of New York city taxes of 8.85%	11	8.9	56	8.9
Effect of the benefit gained from being granted S Corp status	(43)	(35.0)	(205)	(32.4)
Current tax	11	8.9	73	11.5
Effect of accounting on an accruals basis for deferred tax purposes	(11)	(8.9)	50	7.9
Tax expense and effective tax rate for the period	–	–	123	19.4

Taxation is calculated at the rates prevailing in the respective jurisdictions. The standard tax rate is 35.0 per cent. in the United States.

## 5.5 Earnings per share

The calculations of earnings per share are based on the following profits and number of shares:

	<i>Period ended</i> <i>30 June 2007</i> <i>\$000</i>	<i>Period ended</i> <i>30 June 2008</i> <i>\$000</i>
<i>Earnings</i>		
<b>For basic and diluted profit per share</b>		
Profit for the financial period	121	462
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	100	100
Dilutive effect of share options	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	100	100
	<i>Period ended</i> <i>30 June 2007</i> <i>\$000</i>	<i>Period ended</i> <i>30 June 2008</i> <i>\$000</i>
Basic	1.21	4.62
Diluted	1.21	4.62

**5.6 Share capital**

	<i>Period ended 30 June 2007 \$000</i>	<i>Period ended 30 June 2008 \$000</i>
Authorised:		
200 ordinary shares of common stock	<u>2</u>	<u>2</u>
Allotted, issued and fully paid:		
100 ordinary shares of common stock	<u>1</u>	<u>1</u>

**5.7 Retained profit**

	<i>Period ended 30 June 2007 \$000</i>	<i>Period ended 30 June 2008 \$000</i>
Retained profit at the start of the period	2,608	2,922
Retained profit for the period	121	462
Dividends paid	(150)	(122)
Retained profit at the end of the period	<u>2,579</u>	<u>3,262</u>

**5.8 Reconciliation of profit from operations to net cash from operating activities**

	<i>Period ended 30 June 2007 \$000</i>	<i>Period ended 30 June 2008 \$000</i>
Profit from operations	69	527
Adjustments for:		
Depreciation of property, plant & equipment	92	71
Decrease/(increase) in inventories	224	(167)
Decrease in receivables	1,617	111
(Decrease)/increase in payables	(754)	1,722
Cash generated from operations	<u>1,248</u>	<u>2,264</u>

## PART V

### SECTION A: UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited pro forma statement of net assets of the Company has been produced to illustrate the possible impact of the Acquisition on the net assets of the Company as at 29 February 2008, as if they had occurred on that date. The pro forma statement of net assets is based on:

- (a) the financial information relating to the Company as at 29 February 2008 extracted from the unaudited interim accounts which are available on the Company's website [www.firstartist.com](http://www.firstartist.com);
- (b) the financial information relating to SpotCo as at 30 June 2008 extracted from the unaudited interim accounts set out in Part IV of this document and converted at the exchange rate detailed in the notes below;
- (c) the adjustments as noted below.

**The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group.**

	<i>Net assets of the Company as at 29 February 2008 £'000</i>	<i>Net assets of SpotCo as at 30 June 2008 £'000</i>	<i>Adjustments £'000</i>	<i>Pro forma net assets of the Enlarged Group £'000</i>
<b>Non-current assets</b>				
Goodwill	19,261	–	7,130	26,391
Brands	2,265	–	1,813	4,078
Other intangible assets	1,610	–	259	1,869
Property, plant and equipment	2,100	395	–	2,495
Investments in associates	118	–	–	118
	25,354	395	9,202	34,951
<b>Current assets</b>				
Inventories	1,106	198	–	1,304
Trade and other receivables	10,334	1,449	–	11,783
Cash and cash equivalents	3,230	2,484	1,536	7,250
	14,670	4,131	1,536	20,337
<b>Current liabilities</b>				
Trade and other payables	(9,785)	(2,747)	–	(12,532)
Tax liabilities	(866)	(30)	–	(896)
Obligations under finance leases	(13)	–	–	(13)
Borrowings	(4,613)	–	451	(4,162)
Provisions	(2,580)	–	(1,553)	(4,133)
	(17,857)	(2,777)	(1,102)	(21,736)
<b>Net current assets/(liabilities)</b>	(3,187)	1,354	434	(1,399)
<b>Non-current liabilities</b>				
Trade and other payables	(117)	–	–	(117)
Deferred tax liabilities	(982)	(113)	–	(1,095)
Borrowings	(10,469)	–	(5,745)	(16,214)
Provisions	(2,839)	–	(5,145)	(7,984)
	(14,407)	(113)	(10,890)	(25,410)
<b>Net Assets</b>	7,760	1,636	(1,254)	8,142

### **Notes to the pro forma financial information**

1. The Pro forma Statement of Net Assets assumes that the total costs of the Acquisition and Admission fees amount to £1 million.
2. The Pro forma Statement of Net Assets assumes that the total bank facility fees amount to £281,000.
3. An adjustment has been made to the Pro forma Statement of Net Assets to reflect the total consideration payable for the Acquisition of £9.46 million (to include initial cash consideration of £2.76 million, guaranteed deferred consideration of £2.26 million and further deferred consideration of £4.44 million) less the estimated net assets to be acquired of £1.25 million. No adjustment has been made to reflect any fair value adjustments in relation to the consideration payable or net assets being acquired. The deferred consideration payable of £6.70 million does not reflect any adjustment to net present value.
4. The Pro forma Statement of Net Assets show new short-term bank loans amounting to £1,085,000 being set off against the current short-term bank loans, amounting to £1,536,000, a movement of £451,000.
5. The Pro forma Statement of Net Assets show new long term bank loans amounting to £15,062,000 being set off against the current long term bank loans, amounting to £9,317,000, a movement of £5,745,000.
6. No adjustment has been made for any movement in consolidated net assets of the Company since 29 February 2008 and SpotCo since 30 June 2008.
7. The foreign exchange rate used in the Pro forma Statement of Net Assets was the rate at 30 June 2008 of £1 = \$1.9944.

## SECTION B: ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The following is the full text of a report on the Unaudited Pro Forma Statement of Net Assets from Adler Shine LLP, the Reporting Accountants, to the Directors of First Artist Corporation Plc and Daniel Stewart & Company Plc.



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The Directors  
First Artist Corporation Plc  
3 Tenterden Street  
London W1S 1TD

The Directors  
Daniel Stewart & Company Plc  
Becket House  
36 Old Jewry  
London EC2R 8DD

10 October 2008

Dear Sirs

### **First Artist Corporation Plc (“the Company”)**

We report on the unaudited pro forma statement of net assets (the “Unaudited Pro Forma Statement of Net Assets”) set out in Part V of the Admission Document dated 10 October 2008 (the “Admission Document”) of the Company, which has been prepared on the basis described in the notes to the Unaudited Pro Forma Statement of Net Assets, for illustrative purposes only, to provide information about how the acquisition might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the year ending 31 August 2008.

This report is required by paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

### **Responsibilities**

It is the responsibility of the directors of Company (the “Directors”) to prepare the Unaudited Pro Forma Statement of Net Assets in accordance with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies, as to the proper compilation of the Unaudited Pro Forma Statement of Net Assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Unaudited Pro Forma Statement of Net Assets,

nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under paragraph 20.2 of Annex I of the Prospectus Rules if it had been applied by part (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Statement of Net Assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Unaudited Pro Forma Statement of Net Assets has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Statement of Net Assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

### **Adler Shine LLP**

Regulated for audit work by the Institute of Chartered Accountants in England and Wales.

## PART VI

### ADDITIONAL INFORMATION

#### 1. Incorporation and status of the Company and its subsidiaries

##### 1.1 *The Company*

1.1.1 The Company was incorporated and registered in England and Wales on 23 June 1992 as a private company limited by shares under the Act with the name Regalist Limited and registered number 2725009. On 18 August 1992 the Company changed its name to First Artist Events Limited and on 18 May 1993 the Company changed its name to First Artist Corporation Limited. On 2 February 2001 it was re-registered in England as a public limited company with the name First Artist Corporation plc (which is also its commercial name).

1.1.2 The liability of the members of the Company is limited.

1.1.3 The Company's registered office is located at 3 Tenterden Street, London W1S 1TD.

1.1.4 On 26 March 2001 the Company's then issued ordinary share capital was admitted to trading on OFEX (now PLUS Markets) and then on 21 December 2001 the Company's then issued ordinary share capital was admitted to trading on AIM. On 3 April 2008 the Company's then issued ordinary share capital was also admitted to trading on the PLUS Market.

1.1.5 The ISIN for the Ordinary Shares is GB00B1HLCW86 and they were created under the provisions of the Act and the ordinary shares are issued in GBP£.

1.1.6 The Register of Members is maintained by Capita Registrars and kept at The Registry, 34 Beckenham Road, Beckenham, Kent. BR3 4TU.

##### 1.2 *The subsidiaries*

The Company is a holding company and has the following subsidiary undertakings:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Proportion held</i>	<i>Nature of business</i>
Dewynters Limited	UK	25,000 ordinary A shares of £1 each and 25,000 ordinary B shares of £1 each	100% Full-service theatre and live entertainment marketing agency
First Artist Management Limited	UK	200 ordinary shares of £1 each	100% Entertainment management
First Artist Scandinavia A/S	Denmark	500,000 ordinary shares of DKK1 each	100% Sports promotion and management
First Artist Sport Limited	UK	1 ordinary share of £1	100% Sports promotion and management
First Rights Limited	UK	1 ordinary share of £1	100% Sponsorship agency
Optimal Wealth Management Limited	UK	65,000 A shares of £0.01 each, 20,000 B shares of £0.01 each; and 15,000 C Shares of £0.01 each	100% Wealth management
Promosport Srl	Italy	20 million shares of 1 Lire each	100% Sports promotion and management

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i> Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Sponsorship Consulting Limited	UK	15,400 ordinary shares of £0.01 each and 6,000,000 redeemable preference shares of £0.01 each	100%	Sponsorship consultancy
The Finishing Touch (Corporate Events) Limited	UK	4,000 ordinary shares of £1 each	100%	Event management
Yell Communications Limited	UK	60 ordinary shares of £1 each	100%	Event promotion

### 1.3 *Sub-subsidiaries and LLP Joint Ventures*

SCL owns 100 per cent. of the issued share capital of each of Arts & Industry Limited (company number 3276645) and Corporate Reputation Consulting Limited (company number 5275616).

Optimal has a 50 per cent. interest in Fisher Family Office LLP (registered number OC323232), a joint venture with Fisher & Co LLP.

TFT owns 100 per cent. of VenuesFirst Limited (company number 6705962) and has a 50 per cent. interest in Sport Events Organisation LLP (registered number OC320219), a joint venture with The Complete Leisure Group Plc (company number 5516278).

Dewynters owns 100 per cent. of the issued share capital of The Entertainment Library Limited (company number 3175870), 100 per cent. of the issued share capital of Newman Displays Limited (company number 2250911), 4,750 ordinary shares in the capital of Theatre Now Limited (company number 3858322), 40 per cent. of the ordinary shares in Cosette Promotions Limited (company number 1941285) and owns 100 per cent. of the issued share capital of Dewynters Advertising Inc.

Cosette Promotions Limited owns 100 per cent. of the issued share capital of Cosette Promotions USA Inc.

## 2. **Share capital of the Company**

- 2.1 First Artist was incorporated on 23 June 1992 with an authorised share capital of £100 divided into 100 shares of £1 each, of which two were issued to the subscribers to the Memorandum of Association.
- 2.2 By a special resolution of the Company dated 28 June 1999, the authorised share capital of First Artist was increased to £10,000 divided into 10,000 ordinary shares of £1 each.
- 2.3 By an ordinary resolution of the Company dated 18 December 2000:
  - 2.3.1 the authorised share capital of First Artist was increased to £200,000 divided into 200,000 ordinary shares of £1 each; and
  - 2.3.2 the 200,000 ordinary shares of £1 each (comprising the entire authorised share capital of the Company) were sub-divided into 80,000,000 ordinary shares of 0.25 pence each.
- 2.4 By an ordinary resolution of the Company passed on 20 December 2001, the authorised share capital of First Artist was increased from £200,000 to £300,000 divided into 120,000,000 ordinary shares.
- 2.5 By an ordinary resolution of the Company passed on 15 August 2005, the authorised share capital of First Artist was further increased from £300,000 to £375,000 divided into 150,000,000 ordinary shares.

- 2.6 By an ordinary resolution of the Company dated 22 December 2006 the authorised share capital of the Company was increased and consolidated from £375,000 to £625,000 divided into 25,000,000 ordinary shares of 2.5 pence each. The consolidation of shares involved issuing one Ordinary Share of 2.5 pence each for 10 ordinary shares of 0.25 pence each. Fractional entitlements to receive Ordinary Shares were disregarded. Prior to the consolidation there were 113,258,762 ordinary shares of 0.25 pence in issue. Following the consolidation there were 11,325,799 Ordinary Shares in issue.
- 2.7 By an ordinary resolution of the Company passed on 18 January 2008, the authorised share capital of the Company was increased from £625,000 to £1,000,000 divided into 40,000,000 ordinary shares of 2.5 pence each.
- 2.8 The authorised share capital of First Artist as at 9 October 2008 (the latest practicable date prior to publication of this Document) was as follows:

	<i>Existing Number of Ordinary Shares</i>	<i>Nominal Value £</i>
Authorised share capital	40,000,000	£1,000,000
Issued and fully paid up share capital	13,877,371	£346,934

- 2.9 Immediately following Admission, the issued share capital of the Company will be as stated in 2.8 above.
- 2.10 During the period from 1 November 2004 (when the Company's issued share capital comprised 47,906,523 ordinary shares) and 9 October 2008 (the latest practicable date prior to publication of this Document), the following alterations in First Artist's issued ordinary share capital have occurred:

<i>Date of issue</i>	<i>Number of ordinary shares issued</i>	<i>Details of issue</i>	<i>Nominal value of each ordinary share</i>	<i>Price paid (or credited as fully paid) for each ordinary share</i>
17 August 2005	1,250,000	Issued as partial consideration for the acquisition of Optimal	0.25 pence	5.256 pence
17 August 2005	25,000,000	Placing pursuant to the acquisition of Optimal	0.25 pence	5 pence
16 September 2005	1,000,000	Issued as partial consideration for the acquisition of TFT	0.25 pence	6.5 pence
16 September 2005	6,666,666	Placing pursuant to the acquisition of TFT	0.25 pence	5.25 pence
25 October 2005	7,619,048	Placing pursuant to acquisition of Optimal	0.25 pence	5.25 pence
21 December 2005	250,000	Allotment of shares to Claudio Vigorelli	0.25 pence	0.25 pence
10 July 2006	500,000	Issued as partial consideration for the acquisition of FAM	0.25 pence	7.38 pence

<i>Date of issue</i>	<i>Number of ordinary shares issued</i>	<i>Details of issue</i>	<i>Nominal value of each ordinary share</i>	<i>Price paid (or credited as fully paid) for each ordinary share</i>
14 July 2006	333,334	Placing pursuant to the acquisition of FAS (formerly known as Proactive Scandinavia A/S) and N.C.I. (now First Artist Management Limited)	0.25 pence	6 pence
14 July 2006	16,425,000	Placing pursuant to the acquisition of FAS and FAM	0.25 pence	6 pence
04 August 2006	528,089	Deferred consideration pursuant to the share purchase agreement in respect of the acquisition of TFT	0.25 pence	6.88 pence
16 August 2006	500,000	Issued as partial consideration for the acquisition of SCL	0.25 pence	6.88 pence
7 September 2006	5,210,388	Deferred consideration pursuant to the share purchase agreement in respect of the acquisition of Optimal	0.25 pence	6.78 pence
31 August 2006	69,714	Additional deferred consideration pursuant to the share purchase agreement in respect of the acquisition of TFT	0.25 pence	6.88 pence
22 December 2006	1,000,000	Partial initial consideration for the acquisition of the entire issued share capital of Dewynters	0.25 pence	10 pence
22 December 2006	1,600,000	Placing pursuant to the acquisition of Dewynters	2.5 pence	62.5 pence
25 April 2007	40,000	Allotment to Cornell Capital Partners LLP	2.5 pence	48.38 pence
27 July 2007	43,037	Additional deferred consideration pursuant to the share purchase agreement in respect of the acquisition of TFT	2.5 pence	109.12 pence
23 August 2007	2,500	Allotment of shares on exercise of Options	2.5 pence	30 pence

<i>Date of issue</i>	<i>Number of ordinary shares issued</i>	<i>Details of issue</i>	<i>Nominal value of each ordinary share</i>	<i>Price paid (or credited as fully paid) for each ordinary share</i>
7 September 2007	391,700	Additional deferred consideration pursuant to the share purchase agreement in respect of the acquisition of Optimal	2.5 pence	96.10 pence
5 February 2008	236,379	Deferred consideration pursuant to the share purchase agreement in respect of the acquisition of Dewynters	2.5 pence	73.53 pence
30 July 2008	137,956	Deferred consideration pursuant to the share purchase agreement in respect of the acquisition of TFT	2.5 pence	74.15 pence

2.11 At an AGM of the Company held on 28 April 2005:

2.11.1 the Directors were generally and unconditionally empowered:

2.11.1.1 pursuant to section 80 of the Act, to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £67,379.42 for a period expiring (unless previously revoked or varied by the Company in general meeting) at the earlier of the conclusion of the next AGM of the Company or 28 July 2006 but the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities pursuant to such offer or agreement; and

2.11.1.2 pursuant to section 95 of the Act, to exercise all powers of the Company to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred on them under section 80 of the Act (as set out above) as if section 89(1) of the Act did not apply to any such allotment. This power was limited to:

2.11.1.2.1. the allotment of equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory;

2.11.1.2.2. the allotment of equity securities in consequence of the exercise of options; and

2.11.1.2.3. the allotment (otherwise than pursuant to the sub-paragraphs above) of equity securities up to an aggregate nominal amount of £20,213.83

and shall expire at the conclusion of the next AGM of the Company or on 28 July 2006, whichever is the earlier, save that the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the Directors may allot equity securities pursuant to such offer or agreement;

2.11.2 the Company was authorised in accordance with section 166 of the Act to make market purchases of ordinary shares, subject to the following restrictions and provisions:

2.11.2.1 up to 5,390,353 ordinary shares were authorised to be purchased;

2.11.2.2 the maximum price which may be paid for an ordinary share is an amount (exclusive of expenses) equal to not more than 5 per cent. above the arithmetical average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for ordinary shares on the five Business Days preceding any such purchase;

2.11.2.3 unless previously revoked or varied, this authority shall expire at the conclusion of the next AGM of First Artist in 2006; and

2.11.2.4 the Company may make a contract to purchase ordinary shares under this authority before the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares pursuant to any such contract.

2.12 At an EGM held on 15 August 2005:

2.12.1 the authorised share capital of the Company was increased from £300,000 to £375,000 by the creation of an additional 30,000,000 ordinary shares;

2.12.2 the Directors were generally and unconditionally empowered to:

2.12.2.1 allot ordinary shares with an aggregate nominal value of £255,233.69 for a period expiring (unless previously revoked or varied by the Company in a general meeting) at the earlier of the conclusion of the next AGM of the Company or 14 November 2006 but the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities pursuant to such offer or agreement; and

2.12.2.2 pursuant to section 95 of the Act, exercise all powers of the Company to allot equity securities (within the meaning of section 94 of the Act) up to a nominal amount of £187,500 for cash pursuant to the authority conferred on them under section 80 of the Act (as set out above) as if section 89(1) of the Act did not apply to any such allotment. This power is limited to the allotment of:

2.12.2.2.1 25,000,000 ordinary shares in connection with a placing by Shore Capital and Corporate Limited in order to raise finance with which to complete the acquisition of the entire issued share capital of Optimal;

2.12.2.2.2 1,250,000 ordinary shares to the sellers of the entire issued share capital of Optimal;

2.12.2.2.3 further deferred consideration shares;

2.12.2.2.4 equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements

as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory; and

2.12.2.2.5 equity securities for cash (otherwise than pursuant as above)

and shall expire on the earlier conclusions of the next AGM of the Company or 14 November 2006 but the Company may make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement.

2.13 At the AGM of the Company held on 29 March 2006:

2.13.1 the Directors were generally and unconditionally authorised:

2.13.1.1 pursuant to section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £120,000 for the period expiring at the earlier of the conclusion of the next AGM or 28 June 2007, (unless previously revoked or varied by the Company in its general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired); and

2.13.1.2 pursuant to section 95 of the Act, to exercise all powers of the Company to allot equity securities (within the meaning of section 94 of the Act) up to a nominal amount of £120,000 for cash pursuant to the authority conferred on them under section 80 of the Act (as set out above) as if section 89(1) of the Act did not apply to any such allotment.

This power was limited to the allotment of:

2.13.1.3 equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory; and

2.13.1.4 equity securities in consequence of the exercise of options over ordinary shares in the Company; and

2.13.1.5 equity securities up to an aggregate nominal amount of £120,000 (otherwise than pursuant as above) and shall expire on the earlier conclusions of the next AGM of the Company or 14 November 2006 but the Company may make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement.

2.13.2 The Company was generally and unconditionally authorised in accordance with Section 166 of the Act to make market purchases of up to an aggregate of 10,000,000 ordinary shares of 0.25p each in the capital of the Company at a price (exclusive of expenses) which is:

2.13.2.1 not less than 0.25 pence per share; and

2.13.2.2 not more than 5 per cent. above the arithmetical average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange plc) for ordinary shares on the five business days preceding any such purchase

and the authority shall expire on the date of the Company's AGM in 2007 (except in relation to the purchase of shares the contract for which was concluded before such date and which might be executed wholly or partly after such date).

2.14 At an EGM held on 22 December 2006:

2.14.1 the Directors were authorised to take all necessary steps to effect the acquisition by the Company of the whole of the issued share capital of Dewynters Limited (formerly known as "Dewynters Plc") pursuant to an acquisition agreement to be entered between the Company and the shareholders of Dewynters;

2.14.2 the authorised share capital of the Company was increased from £375,000 to £625,000 by the creation of 100,000,000 new ordinary shares of 0.25 pence each;

2.14.3 a share consolidation was approved on the basis that the 250,000,000 issued and unissued ordinary shares be consolidated and divided into 25,000,000 Ordinary Shares of 2.5 pence each;

2.14.4 it was agreed that in respect of each holding of issued shares on the register of members of the Company at 5 p.m. on 27 December 2006 (the "Record Date") every 10 of the issued ordinary shares be consolidated into one Ordinary Share of 2.5 pence in the capital of the Company on terms that fractional entitlements to the Ordinary Shares shall be aggregated and consolidated into Ordinary Shares;

2.14.5 the Directors were generally and unconditionally authorised pursuant to Section 80 of the Act to exercise the powers of the Company to allot all authorised but unissued relevant securities (as defined in section 80 of the Act) such power to expire at the earlier of the conclusion of the next AGM of the Company or the date 15 months from the date this resolution came into effect, (unless previously revoked or varied by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired) and so that all previous authorities given by the Company in general meeting pursuant to Section 80 of the Act are revoked (save to the extent relied upon prior to the passing of this resolution);

2.14.6 the Directors were empowered, to allot or make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) up to a nominal amount of £221,274.15 for the purposes of section 95 of the Act for cash, pursuant to the authority granted by the resolution at paragraphs 2.14.5 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power was in substitution for any existing powers conferred on the Directors pursuant to section 95 of the Act and was limited to the allotment of:

2.14.6.1 1,650,966 ordinary shares in connection with the placing and the DD Options;

2.14.6.2 equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory or of

the requirements of any generally recognised regulatory body or stock exchange in any territory; and

2.14.6.3 up to 7,200,000 new Ordinary Shares for cash otherwise than *pro rata* to existing shareholders for any other purpose

such power to expire on the earlier of the conclusion of the next AGM of the Company and the date falling 15 months from the date of such resolution comes into effect (save that the Company may before such expiry, make an offer or agreement which would or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of the offer or agreement as if the power conferred by this resolution had not expired);

2.14.7 the share premium account of the Company was reduced by £4,046,557 from £8,849,063 to £4,802,506; and

2.14.8 that pursuant to the Company's Articles of Association, the Company was generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) of the Ordinary Shares provided that:

2.14.8.1 the maximum number of Ordinary Shares authorised to be purchased was 1,953,881

2.14.8.2 the minimum price which may be paid for each such Ordinary Share was the prevailing price at the relevant time or at a small premium;

2.14.8.3 the maximum price which may be paid for each such ordinary share was an amount equal to 105 per cent. of the average of the middle market quotations for Ordinary Share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and

2.14.8.4 this authority was to expire at the conclusion of the 2007 AGM or the date falling 15 months from the date that this resolution came into effect whichever is the earlier (except in relation to a purchase of such shares, the contract for which was concluded before such time and which will or may be executed wholly or partly after such time);

2.14.9 the Articles of Association of the Company were amended by the deletion of Article 111.3(a)(v)(A).

2.14.10 the rules of the First Artist Corporation plc Savings Related Share Option Scheme were approved and the Directors were authorised to do all such acts and things as were considered necessary or expedient to bring the Sharesave Scheme into effect.

2.15 At an AGM of the Company on 7 June 2007:

2.15.1 the Directors were generally and unconditionally authorised pursuant to Section 80 of the Act to exercise the powers of the Company to allot all authorised but unissued relevant securities (as defined in section 80 of the Act) such power to expire at the earlier of the conclusion of the next AGM of the Company or the date 15 months from the date this resolution came into effect, (unless previously revoked or varied by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired) and so that all previous authorities given by the Company in general meeting pursuant to Section 80 of the Act are revoked (save to the extent relied upon prior to the passing of this resolution);

2.15.2 the Directors of the Company were authorised to allot or make offers or agreements to allot equity securities (as defined in s.94(2) of the Act) for cash as if s.89(1) of the Act did not apply to any such allotment, subject to the following limitations:

2.15.2.1 the allotment of equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or the requirements of any generally recognised regulatory body or stock exchange in any territory; and

2.15.2.2 the allotment (otherwise than pursuant to sub-paragraph 2.15.2.1 above) of equity securities up to any aggregate nominal value of £218,750

such power to expire at the earlier of the conclusion of the next annual general meeting of the Company or the date falling 15 months from the date that this resolution came into effect, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities in pursuance of the offer or agreement as if the power conferred by this resolution had not expired.

2.15.3 pursuant to the Company's Articles of Association, the Company was authorised to make market purchases (within the meaning of s.163(3) of the Act) of ordinary shares of 2.5 pence each in the capital of the Company subject to the following conditions:

2.15.3.1 the maximum number of shares which may be purchased under this resolution is 1,953,870 shares;

2.15.3.2 the minimum price, exclusive of expenses, which may be paid for each share is 2.5 pence;

2.15.3.3 the maximum price, exclusive of expenses, which may be paid for each share is not more than 5 per cent. above the average of the middle market quotations for the ordinary shares for the five business days preceding any such purchase

such power to expire at the earlier of the conclusion of the next AGM of the Company or the date 15 months from the date this resolution came into effect, except in relation to a purchase of such shares, the contract for which was concluded before such time and which will or may be executed wholly or partly after such expiry, where the Company may purchase ordinary shares in pursuance of such contract as if the authority conferred hereby had not expired.

2.16 At an EGM of the Company on 30 August 2007:

2.16.1 the Shareholders approved and ratified all of the special resolutions purportedly passed at the EGM held on 22 December 2006, namely:

2.16.1.1 the Directors were empowered to allot or make offers or agreements to allot equity securities (as defined in s.94(2) of the Act) up to a nominal amount of £221,274.15 for the purposes of s.95 of the Act for cash, pursuant to the authority granted by the ordinary resolutions numbered 6, 7 and 8 as passed on 22 December 2006 as if s.89(1) of the Act did not apply to any such allotment, provided that this power was in substitution for any existing powers conferred on the Directors pursuant to s.95 of the Act and were limited to the allotment of:

2.16.1.1.1 11,600,000 Ordinary Shares in connection with the Placing (as defined in the admission document dated 30 November 2006);

2.16.1.1.2 up to 50,966 Ordinary Shares pursuant to the exercise of options to be issued to Dawnay Day;

2.16.1.1.3 equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory or of the requirements of any generally recognised regulatory body or stock exchange in any territory; and

2.16.1.1.4 up to 7,200,000 Ordinary Shares for cash otherwise than *pro rata* to existing shareholders for any other purpose

such power to expire on the earlier of the conclusion of the 2008 AGM and the date falling 15 months from the date of this resolution came into effect.

2.16.1.2 the share premium account of the Company was reduced by £4,046,557 (from £8,849,063 to £4,802,506);

2.16.1.3 pursuant to the Company's Articles, the Company was authorised to make market purchases (within the meaning of s.163(3) of the Act) of Ordinary Shares of 2.5 pence each in the Company provided that:

2.16.1.3.1 the maximum number of Ordinary Shares authorised by this resolution was 1,953,881;

2.16.1.3.2 the minimum price which may be paid for each such Ordinary Share is the prevailing price at the relevant time or at a small premium;

2.16.1.3.3 the maximum price which may be paid for each such Ordinary Share was an amount equal to 105 per cent. of the average of the middle market quotations for Ordinary Shares in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and

2.16.1.3.4 this authority was due to expire at the conclusion of the 2008 AGM or the date falling 15 months from the date this resolution came into effect whichever was the earlier.

2.16.1.4 the Company's Articles were amended by the deletion of Article 111.3(a)(v)(A);

2.16.1.5 all actions taken by the Company and its Directors in reliance on the special resolutions purportedly passed on 22 December 2006 were ratified; and

2.16.1.6 The Articles of Association of the Company were amended by deleting Article 51.1 and replacing it with the following:

**“51.1 Length of notice**

The Length of notice required for an annual general meeting or an extraordinary general meeting of the Company shall be in accordance with the provisions of the Act.”

2.17 At the AGM of the Company on 18 January 2008:

2.17.1 the authorised share capital of the Company was increased from £625,000 to £1,000,000 by the creation of 15,000,000 additional Ordinary Shares of 2.5 pence each.

2.17.2 the Directors were generally and unconditionally authorised pursuant to Section 80 of the Act to exercise the powers of the Company to allot all authorised but unissued relevant securities (as defined in section 80 of the Act) such power to expire at the earlier of the conclusion of the next AGM of the Company or the date 15 months from the date this resolution came into effect, (unless previously revoked or varied by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired) and so that all previous authorities given by the Company in general meeting pursuant to Section 80 of the Act are revoked (save to the extent relied upon prior to the passing of this resolution);

2.17.3 the Directors of the Company were empowered to allot or make offers or agreements to allot equity securities (as defined in s.94(2) of the Act) as if s.89(1) of the Act did not apply to any such allotment, provided that such power shall be in substitution for any existing powers conferred on the Directors and shall be limited to the allotment:

2.17.3.1 of equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with share representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or the requirements of any generally recognised regulatory body or stock exchange in any territory; and

2.17.3.2 otherwise than pursuant to sub-paragraph 2.17.3.1 above of up to 20,000,000 Ordinary Shares of 2.5 pence for cash other than *pro rata* to existing shareholders for any other purpose

such power to expire at the earlier of the conclusion of the next AGM of the Company or the date 15 months from the date this resolution came into effect save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of the offer or agreement as if the power conferred by this resolution had not expired.

2.17.4 pursuant to the Company's Articles of Association, the Company was unconditionally authorised to make market purchases (within the meaning of s.163(3) of the Act) of Ordinary Shares in the capital of the Company subject to the following conditions:

2.17.4.1 the maximum number of shares which may be purchased is 2,025,455 Ordinary Shares;

2.17.4.2 the minimum price, exclusive of expenses, which may be paid for each share is 2.5 pence; and

2.17.4.3 the maximum price, exclusive of expenses, which may be paid for each share is not more than 5 per cent. above the average of the middle market quotations for the ordinary shares for the 5 business days preceding any such sale

such power to expire at the earlier of the conclusion of the next AGM of the Company or the date 15 months from the date this resolution came into effect, except in relation to a purchase

of such shares the contract for which was concluded before such time and which will or may be executed wholly or partly after such expiry, when the Company may purchase ordinary shares in pursuance of such contract as if the authority conferred by the resolution had not expired.

- 2.18 The agreements for the acquisitions of each of Optimal, TFT, First Artist Management (formerly N.C.I. Management Limited), SCL and Dewynters (“**Subsidiary Acquisition Agreements**”) provide for deferred consideration to be partly satisfied by the issue and allotment (credited as fully paid up) by the Company to the former holders of shares in the respective companies of further Ordinary Shares. Each of the Subsidiary Acquisition Agreements are summarised at paragraph 8 below.
- 2.19 A summary of the Share Option Schemes is set out in paragraph 7 below. The number of Ordinary Shares in respect of which certain Directors and employees currently hold Options totals 1,369,351. Further details are contained in paragraph 7 below.
- 2.20 Save as disclosed in this document:
- 2.20.1 no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option; and
- 2.20.2 other than pursuant to the satisfaction of the Options, or under each of the Subsidiary Acquisition Agreements, there is no present intention to issue any of the authorised but unissued share capital of the Company.

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

- 3.1 The principal objects of the Company, which are set out in clause 4 of its Memorandum of Association, include the carrying on of business as promoters of exhibitions, demonstrations, events, entertainments, indoor and outdoor sports and sporting competitions, and all activities concerned with the management thereof; and to carry on any other business in connection with these activities
- 3.2 The Articles contain, among others, provisions to the following effect:

#### *3.2.1 Issue of shares and pre-emption*

Subject to the provisions of the Act (including those at section 89(1) of the Act requiring certain offers of shares for cash to be made to shareholders on a pre-emptive basis, unless such authority is disapplied pursuant to section 95(1) of the Act) and without prejudice to any relevant authority of the Company in general meeting required by the Act, unissued shares at the date of adoption of the Articles and any shares created after such date are at the disposal of the Board which may allot, grant rights over, offer or otherwise deal with or dispose of them to such persons (including the Directors themselves) at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount.

#### *3.2.2 Voting rights*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman. Two members present in person or by proxy and entitled to vote upon the business to be transacted at the meeting shall be a quorum.

Subject to the provisions of the Act and to any rights or restrictions on voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll of every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share of which he is the holder.

In the case of an equality of votes at a general meeting (whether on a show of hands or on a poll), the Chairman of the meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

### 3.2.3 *Restrictions on voting*

No member of the Company (unless the Board determines otherwise) shall be entitled, in respect of any share held by him, to vote either personally or (save as for another member) by proxy at any general meeting of the Company unless and until all calls for the time being due and payable by him in respect of that share in the Company have been paid.

A member of the Company shall not, if the Directors so determine, be entitled to attend or vote or to exercise rights of membership, if he or any person appearing to be interested in such shares has failed to comply with a notice given under section 212 of the Act within 14 days (in a case where the shares in question represent at least 0.25 per cent. in nominal value of their class) from the date of service of such notice. The restrictions will continue until the end of the period of one week (or such shorter period as the Board shall determine) following the receipt of the information required by the notice is supplied to the Company or until the shares in question are transferred by means of an approved transfer or a withdrawal notice is served by the Company.

### 3.2.4 *General meetings*

All general meetings other than AGMs shall be called general meetings.

The Board may convene a general meeting whenever it thinks fit. At any meeting convened on such requisition or by such requisitionists, no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the UK sufficient members of the Board to convene a general meeting, any Director or any member of the Company may call a general meeting.

The length of notice required for an AGM or an GM shall be in accordance with the provisions of the Act.

Subject to the provisions of the Act, a general meeting shall be deemed to have been duly convened if the short notice period is agreed:

- (i) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

Subject to the Articles and to any restrictions imposed on shares, every notice convening a general meeting shall be given to all the members, the Directors and auditors of the Company. The accidental omission to send a notice of meeting to any person entitled to receive it shall not invalidate the proceedings at that meeting.

### **Security arrangements at general meetings**

The Board may direct that members or proxies wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and the Board shall be entitled in its absolute discretion to refuse entry to such general meeting to any member or proxy who fails to submit to such searches or otherwise comply with such security arrangements or restrictions.

### **Form and service of notices**

Any notice to be given pursuant to the Articles shall be in writing except that a notice calling a meeting of the Directors need not be in writing.

The Company may give any notice to a member, either:

- (i) personally;
- (ii) by sending it by post or other delivery service in a first-class prepaid envelope addressed to the member at his registered address;
- (iii) by leaving it at that address;
- (iv) by advertisement in at least one leading daily national newspaper published in the United Kingdom.

In the case of joint holders of a share, all notices and other documents shall be given to the joint holder whose name stands first in the Company's register of members in respect of the joint holding and notice so given shall be sufficient notice to all the joint holders.

Where a member (or in the case of joint holders, the person first named in the Company's register of members) has a registered address outside the United Kingdom, but has notified the Company of an address within the United Kingdom at which notices or other documents may be given to him, he shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice or other document from the Company.

If, on 3 consecutive occasions, notices or other documents have been sent through the post to a member's address for service of notices, but have been returned undelivered, such member shall not be entitled to receive any notices or other documents from the Company until he provides a new address in the United Kingdom for service of notices.

#### *3.2.5 Transfer of shares*

Each member may transfer any or all of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of uncertificated shares without a written instrument in accordance with the Uncertificated Securities Regulations 1995. Any written instrument shall be executed by the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect of it.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) in respect of only one class of shares;
- (iv) it is in favour of a single transferee or not more than 4 joint transferees;
- (v) it is duly stamped (if required); and

- (vi) it is lodged at the registered office, or such other place as the Board may from time to time determine, together with (except in the case of a transfer by a recognised person where a certificate has not been issued) the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer, or if the transfer is executed by some other person on his behalf, the authority of that person to do so, provided that such discretion may not be exercised in such a way as to prevent dealing from taking place on an open and proper basis.

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a Participating Security held in an uncertificated form in accordance with the 1995 Regulations, except that the Board may refuse to register the transfer of an uncertificated share which is in favour of more than four persons jointly or in any other circumstance permitted by the 1995 Regulations. If the Board refuses to register a transfer it must, within 2 months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

### 3.2.6 *Dividends*

Subject to the provisions of the Act and the Articles, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up (otherwise in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Subject to the provisions of the Act, interim dividends may be paid provided they appear to the Board to be justified by the profits available for distribution and the position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

Any dividend unclaimed after a period of 12 years from its due date of payment shall be forfeited and cease to remain owing by the Company and shall thereafter belong to the Company absolutely. If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled thereto by post are returned to the Company undelivered or left uncashed on 2 consecutive occasions, the Company shall not be obliged to send any further dividends or other moneys payable in respect of that share due to that person until he notifies the Company of an address to be used for that purpose.

The Board may deduct from any dividend or other money payable to any member in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to the shares of the Company.

Unless otherwise provided by the rights attached to the share, no dividend or other moneys payable by the Company or in respect of a share shall bear interest as against the Company.

There are no fixed dates on which the entitlement to receive a dividend arises and no fixed entitlement to receive a dividend.

The Board may, in its discretion, make provisions to enable such members as the Board shall from time to time determine to receive dividends duly declared in a currency or currencies other than sterling. The Articles contain the procedure for determining the applicable rate of exchange.

### 3.2.7 *Disclosure of interests in shares*

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the 2006 Act and has failed in relation to any shares (“the default shares”) to give the Company the information thereby required within the prescribed period from the date of the notice, or, in purported compliance with such notice, has made a statement which is false or inadequate in a material particular, then the Board may at least 14 days after service of the 793 notice serve on the holder of such default shares a notice (“disenfranchisement notice”) whereupon following sanctions shall apply:

- (i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- (ii) where the default shares represent at least 0.25 per cent. in nominal value of their class:
  - (A) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect, in the case of a scrip dividend, to receive shares instead of that dividend; and
  - (B) no transfer, other than an approved transfer as defined in the new Articles pursuant to a takeover offer for the Company or a *bona fide* sale to an unconnected third party of any shares held by the member shall be registered unless:
    - the member is not himself in default as regards supplying the information required; and
    - the member provides to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The above sanctions shall also apply to any shares in the Company issued in respect of the default shares (whether by way of a capitalisation issue, a rights issue or otherwise).

In respect of any default shares, which are in uncertificated form, the Board may require their holder to change them from uncertificated form to certificated form within a period specified in a written notice given to such holder and then to hold such default shares in certificated form for so long as a default subsists. Additionally, the Board may appoint any other person to take any steps in the name of such holder as may be required to change such shares from uncertificated form into certificated form.

Part VI of the Act contains obligations on members to disclose certain interests and transactions in Ordinary Shares, including but not limited to a requirement to notify the Company of material interest (as defined in the Act) equal to or in excess of 3 per cent. Of the aggregate nominal value of the Company’s relevant share capital (as defined in the Act), from time to time.

### 3.2.8 *Distribution of assets on liquidation*

On a winding up of the Company, the surplus assets available for distribution shall be divided among the members in proportion to the amounts paid upon their respective shares at the commencement of the winding-up, or, with the sanction of an extraordinary resolution of the Company and any other sanction required by law be divided amongst the members *in specie* in such manner as shall be determined by the liquidator.

### 3.2.9 *Changes in share capital*

The Company may alter its share capital as follows:

- (i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts; and
- (ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner.

### 3.2.10 *Purchase of own shares*

Subject to the provisions of the Act and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any undistributable reserve in any manner.

### 3.2.11 *Variation of rights*

Subject to the provisions of the Act and the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). The quorum for such separate general meeting of the holders of the shares of the class shall be at least 2 persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.

Subject to the terms on which any shares may be issued, the special rights attached to any shares or class of shares shall be deemed to be varied or abrogated by a reduction of the capital paid up on those shares or by the allotment of further shares ranking in priority for the payment of a dividend or in respect of capital or howsoever or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects with them (save as to the date from which such new shares shall rank for dividend) or subsequent to them.

### 3.2.12 *Directors' interests*

Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of any committee of the Board in respect of any contract, arrangement, transaction or any proposal whatsoever in which he has any material interest or duty which conflicts with the interests of the Company. A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- (i) the giving of him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;

- (iv) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 791-828 of the 2006 Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (v) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not accord him any privilege or benefit not generally accorded to the employees to whom such arrangement relates; or
- (vi) concerning insurance with the Company proposed to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

A Director may not vote or be counted in the quorum on any resolution of the Board or committee thereof concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested (including fixing or varying the terms of such appointment or its termination).

### 3.2.13 *Remuneration of Directors*

The Directors shall be entitled to receive fees for their services as Directors such sums as the Board may from time to time determine (not exceeding £150,000 per annum unless the Company in general meeting determines otherwise). Such fees paid pursuant to regulation 96 of the Articles shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of the Articles. Each Director shall be entitled to be repaid all reasonable expenses incurred by him in or about the performance of his duties as a Director. If by arrangement with the Board the Director performs any special duties outside his ordinary duties as a Director, he shall be paid such reasonable additional remuneration as the Board may determine.

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) to benefit any person who is or has at any time been a Director of the Company or any company which is a subsidiary company of or allied to or associated with the Company and for any member of his family (including a spouse and former spouse) and any person who is or was dependent on him.

### 3.2.14 *Appointment of Directors*

Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two nor more than 10.

Subject to the provisions of the Articles, the Company may by ordinary resolution appoint a person who is willing to act as a Director either to fill a vacancy or as an additional Director. The Directors may appoint a person who is willing to act as a Director, either to fill a vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors. Any Director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting. If not re-appointed at such annual general meeting, he shall vacate his office at the conclusion of the meeting. The Board may determine the rotation in which any additional Directors are to retire.

### 3.2.15 *Retirement of Directors*

At every AGM one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, shall retire from office by rotation provided that if there is only one Director who is subject to

retirement by rotation he shall be subject to Article 82 of the Company's Articles. No Director holding any executive office shall be subject to retirement by rotation. No Director shall be required to retire by reason of him having attained the age of 70. The Company may by ordinary resolution of which special notice has been given in accordance with section 312 of the 2006 Act remove any Director before the expiration of his period of office notwithstanding anything in the Articles or any agreement between the Company and such Director. The office of a Director shall also be vacated for certain other reasons set out in the Articles, for example, if the Director resigns by notice in writing, is convicted of an indictable offence or becomes a bankrupt.

### 3.2.16 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part of parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings so as to procure that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Group shall not at any time without the sanction of ordinary resolution exceed an amount equal to three times the adjusted capital and reserves.

### 3.2.17 *Untraced Shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable any shares of a member or the shares to which a person is entitled by virtue of transmission if and provided that:

- (a) for a period of 12 years, no cheque, order or warrant sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled to the shares at his address on the Company's register of members or (if different) the last known address given by the member or the person so entitled to which cheques, orders and warrants are to be sent has been paid and no communication has been received by the Company from the member or the person so entitled provided that, during such 12 year period, at least 3 cash dividends in respect of the shares in question have become payable and no such dividend during that period has been claimed by the person entitled to it;
- (b) the Company has at the expiration of the said period of 12 years by advertisement in both a national newspaper and in a newspaper circulating in the area in which the address referred to in sub-paragraph (a) above is located given notice of its intention to sell such shares;
- (c) the said newspaper advertisements, if not published on the same day, must be published within 30 days of each other); and
- (d) during the period of three months following the publication of the said advertisements (or if published on different day, the later or latest of them) and prior to the exercise of the power of sale the Company has received no communication in respect of such share from such member or person entitled.

If at any time during or after the said period of 12 years further shares have been issued in respect of those shares, provided the requirements of paragraphs (a) to (d) above have been satisfied in respect of such further shares, the Company may also sell the further shares.

#### 4. Directors' interests

- 4.1 As at 9 October 2008 (being the latest practicable date prior to the publication of this Document), conditional on Admission, the interests of the Directors and their immediate families and persons connected (within the meaning of section 252 of the 2006 Act) with such persons, in the issued share capital of the Company (all of which are beneficial unless otherwise stated) which (i) have been notified to the Company pursuant to sections 324 and 328 of the Act; or (ii) are required to be entered in the register referred to in section 809 of the 2006 Act; or (iii) are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to, or could with reasonable diligence be ascertained by, that person, were (excluding the Options, details of which are set out in paragraph 7.11 below) as follows:

<i>Name</i>	<i>As at 9 October 2008</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Jon Smith*	1,184,620	8.5%
Phil Smith**	841,908	6%
David Noble	0	0
Jarvis Astaire	16,000	0.1%

\* the Ordinary Shares held by Jon Smith include 5,810 shares held by his immediate family.

\*\* the Ordinary Shares held by Phil Smith include 279,760 shares held by the Smith Family Trust.

The Directors beneficially own 2,042,528 Ordinary Shares representing approximately 14.7 per cent. per cent. of the issued share capital. Therefore, the Directors may be able to exert significant influence over the Company's management and policies. Whilst the Directors (together) may be deemed to control the Company, the Directors have adopted measures to ensure that this control is not abused. These measures include those regarding corporate governance (set out in Part I of this Document) and advice from the Company's advisers when required.

- 4.2 The Company is not aware of any person, other than a Director who is interested (within the meaning given to that expression in Part VI of the Act), directly or indirectly, in 3 per cent. or more of the share capital (as defined in section 792 of the 2006 Act) of the Company other than those set out in paragraph 4.1 above and below as at 9 October 2008 (being the latest practicable date prior to publication of this Document). None of the shareholders has different voting rights from the Shareholders:

<i>Shareholder</i>	<i>Current percentage of issued share capital</i>	
	<i>Number of Ordinary Shares</i>	
Vincenzo Morabito	821,878	5.9%
Barclays Wealth	781,166	5.6%
Squaregain	648,510	4.7%
Singer & Friedlander Investment Management	590,915	4.3%
Herald Investment Management	525,000	3.8%
TD Waterhouse IS Europe	475,591	3.3%

- 4.3 As at 9 October 2008 (being the latest practicable date prior to publication of this document) and save as disclosed in this paragraph 4, the Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Directors are not aware of any arrangements the operation of which at a subsequent date could lead to a change in control.

- 4.4 Save as set out in sub paragraph 4.1 above following the completion of the Proposals no Director or any person connected with such a Director (within the meaning of Section 252 of the 2006 Act) is expected to have any interest in the share capital of the Company.
- 4.5 Save as disclosed in this paragraph 4, there are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 4.6 Details of loans made by certain Directors to the Company are set out below:

*Loans from the Directors*

	2002	2003	2004	2005	2006	2007	2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts payable to the Directors							
Jon Smith	256.5	148.5	117.8	92	34	–	–
Phil Smith	10.2	–	–	–	–	–	–
Vincenzo Morabito (resigned 29 November 2006)	–	153.0	–	–	–	–	–
	<u>266.7</u>	<u>301.5</u>	<u>117.8</u>	<u>92</u>	<u>34</u>	<u>–</u>	<u>–</u>
Interest payable to the Directors during the year							
Jon Smith	12.4	5.1	5.6	5.0	2.0	–	–
Phil Smith	4.3	–	–	–	–	–	–
Vincenzo Morabito (resigned 29 November 2006)	–	5.0	–	–	–	–	–
	<u>16.7</u>	<u>10.1</u>	<u>5.6</u>	<u>5.0</u>	<u>2.0</u>	<u>–</u>	<u>–</u>

- 4.7 Save as disclosed in this paragraph 4, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 4.8 The Company has entered into a contract for the provision of services with a company called Splash Events Limited. One of the shareholders who owns 50 per cent. of Splash Events Limited is the wife of Jon Smith, one of the Directors. She is also a director of Splash Events Limited. The main terms of the contract provide that Splash Events Limited is to carry out for the Company the research, implementation and servicing of all types of events, as the Company may require. The current fee chargeable under the contract is £2,107 per month plus VAT. The term of the agreement is one year, where termination may be effected by either party, giving to the other not less than one month's notice to expire no earlier than the end of that period.
- 4.9 The Company used to lease the premises at First Artist House from Jon Smith at a rent of £28,000 per annum. Jon Smith sold the premises to the pension fund First Artist Corporation plc SSAS on 31 July 2006. The rent under the lease was subsequently increased to £33,000 per annum on 4 September 2006 due to HM Revenue & Customs regulations requiring First Artist Corporation plc SSAS to carry out a rent review to ensure that the rent was at an appropriate commercial rate. The lease, dated 23 May 2000, runs from 1 January 1999 for a period of twenty years.

## 5. Service agreements, letters of appointment and other disclosures

### 5.1 Jon Smith (Chief Executive)

On 1 January 2007 Jon Smith entered into a new service agreement with the Company pursuant to which he acts as an executive director and as Chief Executive of the Company. The terms of this agreement include, *inter alia*:

- 5.1.1 that the agreement can be terminated by either party giving to the other 12 months' written notice and that the Company may elect to pay Jon Smith in lieu of any unexpired period of

notice a lump sum equal to the salary and other benefits payable to Jon Smith during such period of notice;

5.1.2 that in the event of a material change of control of the Company Jon Smith is entitled to 24 months' written notice of termination if such notice is given in the 12-month period following the change of control;

5.1.3 that Mr. Smith's salary shall be as determined from time to time by the Remuneration Committee and shall be reviewed by the Committee in September of each year. On 1 September 2008 Mr. Smith's salary was increased to £250,000 per annum;

5.1.4 Mr. Smith is entitled to participate in such variable pay schemes as the Company may operate from time to time, subject always to the rules of those schemes and to the achievement of financial or other targets as set by the Remuneration Committee.

## 5.2 ***Phil Smith (Chief Operating Officer)***

On 1 January 2007 Phil Smith entered into a new service agreement with the Company pursuant to which he acts as an executive director and as Chief Operating Officer of the Company. The terms of this agreement include, *inter alia*:

5.2.1 that the agreement can be terminated by either party giving to the other 12 months' written notice and that the Company may elect to pay Phil Smith in lieu of any unexpired period of notice a lump sum equal to the salary and other benefits payable to Phil Smith during such unexpired period of notice;

5.2.2 that in the event of a material change of control of the Company Phil Smith is entitled to 24 months' written notice of termination if such notice is given in the 12-month period following the change of control;

5.2.3 that Phil Smith's salary shall be as determined from time to time by the Remuneration Committee and shall be reviewed by the Committee in September of each year. On 1 September 2008 Phil Smith's salary was increased to £221,000 per annum;

5.2.4 Phil Smith is entitled to participate in such variable pay schemes as the Company may operate from time to time, subject always to the rules of those schemes and to the achievement of financial or other targets as set by the Remuneration Committee.

## 5.3 ***Jarvis Astaire OBE (Chairman)***

By an appointment letter dated 16 January 2006 Jarvis Astaire OBE agreed to act as the Company's non-executive chairman. His annual fee is £22,500. This agreement is terminable on three months' notice.

## 5.4 ***David Noble (Non-Executive Director)***

At the AGM held on 18 January 2008 David Noble was elected by the shareholders as a non-executive Director. His appointment is for an initial term of three years unless terminated by either party giving to the other three months' notice in writing. His annual fee is £22,500.

## 5.5 ***Richard Hughes (formerly Group Managing Director)***

On 1 January 2007 Richard Hughes entered into a new service agreement with the Company pursuant to which he acted as the Group Managing Director. The terms of this agreement included, *inter alia*:

5.5.1 that the agreement could be terminated by either party giving to the other 12 months' written notice and that the Company could elect to pay Richard Hughes in lieu of any unexpired period of notice a lump sum equal to the salary and any unpaid benefits payable to Richard Hughes during such unexpired period of notice;

- 5.5.2 that in the event of a material change of control of the Company, Richard Hughes was entitled to 24 months' written notice of termination if such notice was given during the 12 month period following the change of control;
- 5.5.3 that Richard Hughes' salary was £160,000 per annum. This was increased to £185,000 on 1 September 2007; and
- 5.5.4 that Richard Hughes was entitled to participate in such variable pay schemes as the Company may operate from time to time, subject always to be rules of those schemes and to the achievement of financial or other targets as set by the Remuneration Committee.

Richard Hughes left the Company on 31 July 2008. The Company has agreed to pay him an aggregate sum of £120,000 in connection with the cessation of his employment, such payment being made in 12 monthly instalments from 1 September 2008.

**5.6 *Timothy Chadwick (former Non-Executive Director and Deputy Chairman)***

By an appointment letter dated 15 April 2005, Timothy Chadwick agreed to act as a Non-Executive Director for an annual fee of £20,000 (payable quarterly). This agreement was terminable on 3 months' notice. Timothy Chadwick also served as the Chairman of the Company prior to the appointment of Jarvis Astaire OBE, when he became Deputy Chairman. At the AGM held on 18 January 2008, Timothy Chadwick retired as a Non-Executive Director of the Company.

- 5.7 Save as disclosed in paragraphs 5.1 to 5.6 above, no service contract between any Director and the Company (or between directors of any member companies of the Group and their employer) provides for any benefits which are solely expressed to be payable to that Director on termination of his employment (other than accrued but unpaid remuneration).
- 5.8 The aggregate remuneration and benefits in kind paid to the Directors by the Company was £820,000 in respect of the year ended 31 October 2004, £954,000 in respect of the year ended 31 October 2005 £762,000 for the year ending 31 August 2006 and £1,025,000 for the year ending 31 August 2007. It is estimated that the aggregate remuneration and benefits in kind payable to the Directors for the financial period ending 31 August 2008 will be £758,000.
- 5.9 The Directors are not aware of any agreement, arrangement or understanding by which the beneficial ownership of any shares will be transferred to any person.
- 5.10 In accordance with the terms of the Acquisitions & Disposals Bonus Scheme, the Remuneration Committee approved bonuses of up to £305,000 payable to certain executive Directors and officers of First Artist as additional compensation for their efforts relating to the acquisition of Dewynters, of which £236,000 was payable following completion of the acquisition and the balance payable over the subsequent three years subject to the performance of Dewynters over that period.
- 5.11 In accordance with the terms of the Acquisitions & Disposals Bonus Scheme, the Remuneration Committee approved bonuses of up to £47,500 payable to certain executive Directors and officers of First Artist as additional compensation for their efforts relating to the acquisition of Yell, of which £5,000 was payable following completion of the acquisition and the balance payable over the subsequent three years subject to certain performance criteria over that period.
- 5.12 The Remuneration Committee has decided that no bonuses will be payable under the Acquisitions & Disposals Bonus Scheme in respect of the acquisition of SpotCo.

**6. Additional information on the Board**

- 6.1 The table below sets out the current directorships (other than that of the Company) and the partnerships held by each of the Directors as at the date of this Document (and their ages and length of service with the Company as at the date of this Document):

*Name, age and length of directorship*

Jarvis Joseph Astaire  
(Age 85, Director since 16 January 2006)

Jonathan Andrew Smith  
(Age 56, Director since 1 July 1992)

Philip Malcolm Smith  
(Age 49, Director since 30 June 1998)

David Noble  
(Age 52, Director since 18 January 2008)

*Current directorships and partnerships*

Ashgrange  
Astola  
London Youth Trading Company Limited  
The Federation of London Youth Clubs  
The Variety Club Children's Charity  
Thomas Jarvis LLP

Arts & Industry Limited  
Corporate Reputation Consulting Limited  
Dewynters Limited  
First Artist Management Limited  
First Artist Scandinavia A/S  
First Artist Sport Limited  
First Rights Limited  
Newman Displays Limited  
Optimal Wealth Management Limited  
Sponsorship Consulting Limited  
The Entertainment Library Limited  
The Finishing Touch (Corporate Events)  
Limited  
The Lee Smith Foundation Limited

Double Impact Ltd  
First Artist Management Limited  
First Artist Scandinavia A/S (Denmark)  
First Artist Sport Limited

QV Partners Limited

6.2 The table below sets out the directorships and partnerships held by each Director in the five years immediately preceding the date of this document but which are not currently held:

Jarvis Joseph Astaire OBE

British Greyhound Racing Fund Limited  
Deltamed  
GRA Limited  
Jewish Music Institute  
Kelmead  
Lilydale  
Newquay  
Racecourse Promoters Association Limited  
Texport  
Unipride

Jonathan Andrew Smith

First Artist Productions Limited  
First Artist Radio and Television Limited  
First Artist Snooker Management Limited  
Sporting Idols Limited

Philip Malcolm Smith

First Artist Radio and Television Limited  
First Artist International Pte Limited

6.3 Jon Smith was a director of Lordswood Securities Limited at the time when it was liquidated following a member's voluntary (solvent) liquidation and the company was subsequently dissolved on 15 August 2000.

Jon Smith and Phil Smith were directors of First Artist 1985 Limited. The company was liquidated on 21 August 1996 following its cessation of trade on 12 August 1994, when the company was placed into creditors' voluntary liquidation. There were no actions against the directors in respect of antecedent transactions or pursuant to the Company Directors' Disqualification Act 1986. The amount owed to the only third party creditor was £411, which was settled under a separate transaction.

Jon Smith was a director of First Artist Management Plc and this company was liquidated on 21 August 1996 after having been put into creditors' voluntary liquidation. There were no actions taken against the directors in respect of antecedent transactions or pursuant to the Company Directors' Disqualification Act 1986. There was one contingent liability pursuant to a claim made by a third party, a former employee. The liquidator never agreed the figure of the claim and judgment was never obtained in respect of the claim.

6.4 None of the Directors has:

6.4.1 any unspent convictions in relation to indictable offences;

6.4.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

6.4.3 save as disclosed in paragraph 6.3, been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

6.4.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

6.4.5 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

6.4.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies);

6.4.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company;

6.4.8 (and no member of a Director's family has) a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares.

## **7. Share Option Schemes**

The Company has adopted the following Share Option Schemes:

- (a) an Inland Revenue approved share option scheme adopted on 18 December 2001 ("Approved Option Scheme");
- (b) an unapproved share option scheme adopted on 18 December 2001 ("Unapproved Option Scheme"); and
- (c) an enterprise management incentive share option plan, adopted at the Company's AGM on 28 April 2005 ("EMI Scheme").
- (d) a savings related share option scheme ("Sharesave Scheme") was adopted by way of an ordinary resolution at the EGM held on 22 December 2006 referred to in paragraph 2.14 above.

Options have been granted under the Share Option Schemes to the Directors and certain employees of the Group as set out in paragraph 7.11 below.

The Share Option Schemes have the following main features:

#### **7.1 *Timing of option grants***

Other than in circumstances considered to be exceptional by the Remuneration Committee, options may only be granted under the Approved Option Scheme and Unapproved Option Scheme within the 42 day period immediately following the preliminary announcement of the final or interim results of the Company or within 42 days of the recruitment of a senior employee where the grant of Options is required in order to recruit such individual provided always that any grant is subject to the Model Code.

Under the Sharesave Scheme, Options can only be granted to employees who enter into HMRC approved SAYE contracts. Each Option is granted over a number of shares which, when multiplied by the exercise price, have an aggregate acquisition price which does not exceed the total monthly contributions plus the bonus payable on the maturity of the SAYE contract. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the exercise price is set. Any such option may not be granted more than ten years after shareholder approval of the Scheme.

Options may not be granted under any Share Option Scheme after the tenth anniversary of the applicable adoption date.

#### **7.2 *Scheme limits***

The aggregate number of Ordinary Shares, which might fall to be or have already been issued within the preceding ten years pursuant to all share option or other employees' share schemes established by the Company may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time.

#### **7.3 *Individual limits***

##### **7.3.1 *Approved Option Scheme***

No option may be granted to an individual under the Approved Option Scheme if, as a result, the aggregate market value as at the respective dates of grant of Ordinary Shares which might fall to be acquired by him upon the exercise of Options under the Approved Option Scheme, or under any other share option scheme (not being a savings-related share option scheme) established by the Company or any subsidiary and approved by the Inland Revenue would exceed £30,000 or such other limit as may apply from time to time under Schedule 9 to the Income and Corporation Taxes Act 1988.

##### **7.3.2 *Unapproved Option Scheme***

No option may be granted to an individual under the Unapproved Option Scheme if, as a result, the aggregate market value (as at the respective dates of grant) of Ordinary Shares which might fall to be or have been acquired by him upon the exercise of Options granted under any share option scheme established by the Company or any subsidiary (excluding any savings-related share option scheme) and in either case granted in the immediately preceding ten years, would exceed four times his earnings.

##### **7.3.3 *EMI Scheme***

Whilst the EMI Scheme does not contain an individual limit, Options may not be granted to a person who has a material interest in the Group (within the meaning set out in paragraph 28 of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003).

#### 7.3.4 *Savesave Scheme*

Participants can choose to save an amount per month within the range of a minimum of £5 and a maximum of £250 or as otherwise specified by HMRC limits, under their SAYE contract. The number of shares over which options are granted to each individual is then calculated by reference to the total projected savings over the life of the savings contract (either three or five years), plus the tax-free bonus payable on maturity, and the exercise price. If any Savesave invitation is oversubscribed with reference to a predetermined maximum number, then the scheme permits the scaling back of applications.

#### 7.4 *Grant of options*

No payment is required for the grant of Options.

#### 7.5 *Exercise price*

7.5.1 In respect of the Approved Option Scheme, the exercise price per Ordinary Share is the greater, of (a) the market value of an Ordinary Share at the date of grant determined in accordance with the Scheme and (b) its nominal amount.

7.5.2 In respect of the Unapproved Option Scheme, the exercise price per Ordinary Share will be determined by the Directors at their sole discretion at the date of grant of an Unapproved Option.

7.5.3 In respect of the EMI Scheme, the exercise price per Ordinary Share will be determined by the Remuneration Committee but shall not be less than its nominal amount.

7.5.4 In respect of the Savesave Scheme the Exercise Price at which participants in the Savesave Scheme may acquire ordinary shares in the capital of the Company upon exercise of an options shall be not less than the greater of eighty per cent. of the average middle-market quotation on the three days preceding a date specified in an invitation to participate in the Scheme, or otherwise agreed with HMRC, and if the option relates only to new issue shares, the nominal value of the share. The exercise price is determined by reference to dealing days which fall within the period of six weeks following HMRC approval of the Scheme, within six weeks following the announcement by the Company of its results for any period or at any other time which the Board considers sufficiently exceptional to justify offering options under the Scheme.

7.5.5 The exercise price (and/or number of Ordinary Shares the subject of options) may be adjusted in the event of a rights issue, capitalisation issue or upon consolidation, sub-division or reduction of the Company's share capital, subject to (a) the written certificate of the auditors that such adjustment is fair and reasonable and (b) the approval of the Inland Revenue in the case of the Approved Option Scheme, provided (in the case of the Approved Option Scheme and Unapproved Option Scheme) no increase is made to the aggregate exercise price relating to any option and, in the case if the EMI Scheme, the exercise price may not be reduced below the nominal value of the applicable Ordinary Shares.

#### 7.6 *When options may be exercised*

7.6.1 In normal circumstances an option granted pursuant to the Approved Option Scheme and Unapproved Option Scheme may only be exercised between the third and tenth anniversaries of the date of grant providing that any performance condition subject to which it is granted has been satisfied. Options may be subject to performance conditions determined by the Remuneration Committee at the time of grant. Options granted pursuant to the EMI Scheme may not be exercised during a Close Period (as defined in the Model Code) or after the tenth anniversary of the adoption of the EMI Scheme. The Company may (subject to the foregoing) specify the periods during which options granted pursuant to the EMI Scheme may be exercised.

- 7.6.2 Options will, in most cases, lapse on cessation of employment however:
- 7.6.2.1 the Remuneration Committee has a discretion to permit the exercise of Options by a former employee;
  - 7.6.2.2 the Approved Option Scheme and Unapproved Option Scheme permit Options to be exercisable within 6 months following cessation of employment if the reason for such cessation is retirement, injury or disability;
  - 7.6.2.3 if the Option holder dies, Options will become exercisable for a period of 12 months following death.
- 7.6.3 Rights of exercise may, subject to the satisfaction of any applicable performance conditions, also arise on a person obtaining control of the Company (subject to the exercise of rollover rights described in paragraph 7.8 below) or upon a members' voluntary winding up of the Company or, in the case of the Sharesave Scheme:
- 7.6.3.1 Following cessation of the Optionholder's employment by reason of death, injury, disability, redundancy, retirement or on reaching a specified age (or other age at which the employee is bound to retire under his terms of employment) or the business or company that the employee works for ceasing to be part of the Group;
  - 7.6.3.2 When an employee reaches a specified age;
  - 7.6.3.3 Where employment ceases more than three years from grant for any reason (for any reason other than dismissal for misconduct); and
  - 7.6.3.4 In the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate reorganisation when the Board may decide to exchange existing Options for equivalent new options over shares in a new holding company.

#### 7.7 ***PAYE and National Insurance – Unapproved Options***

Where employees are granted unapproved Options, the Unapproved Option Scheme provides that they must indemnify the Company for any PAYE or national insurance liabilities arising on exercise of the Options (including employer's national insurance).

#### 7.8 ***Voting, dividend, transfer and other rights***

- 7.8.1 Option holders have no voting rights in respect of the Ordinary Shares comprised in their Options until those Options are exercised. Ordinary Shares issued pursuant to the Schemes will rank *pari passu* in all respects with the Ordinary Shares already then in issue, except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the Option, nor for any dividend to be paid before the date of exercise of such option.
- 7.8.2 Options are not transferable.
- 7.8.3 On a change of control of the Company pursuant to a general offer, rights to exercise Options may, with the consent of the company acquiring control of the Company, be released in consideration of the grant of equivalent options over the shares of the acquiring company or a company controlling it.
- 7.8.4 Benefits under the Share Option Schemes are not pensionable and do not form part of the Option holder's remuneration.

## 7.9 *Alteration*

Certain amendments require prior approval of the Company in general meeting except for minor amendments to benefit the administration of the Share Option Scheme(s), to take account of a change in legislation or to obtain or maintain favourable tax treatment.

No alteration to the Approved Option Scheme shall become effective until it has been approved by the Inland Revenue.

The subsisting rights of Option holders may not be adversely altered without their consent.

## 7.10 *Termination*

7.10.1 The Company in general meeting or the Directors may at any time resolve to terminate the Approved Option and Unapproved Option Schemes in which event no further Options shall be granted but the provisions of such Schemes shall continue to apply in relation to the then subsisting Options.

7.10.2 Termination will not affect the then subsisting rights of Optionholders.

7.11 The following Ordinary Shares are subject to Options. In the case of Options held by Directors, these Options are in addition to the Directors' Interests set out in paragraph 4.1:

<i>Option Holder</i>	<i>Approved Unapproved</i>		<i>EMI</i>	<i>Sharesave</i>	<i>Exercise</i>	<i>Exercise</i>
	<i>Option</i>	<i>Option</i>				
	<i>Scheme</i>	<i>Scheme</i>	<i>Scheme</i>	<i>Scheme</i>	<i>Price</i>	<i>Period</i>
Jon Smith	15,000	–	–		170p	17 October 2005 to 17 October 2012
	15,000	–	–		30p	16 July 2007 to 16 July 2014
		23,826			71.25p	21 April 2009 to 21 April 2016
		75,000	–		98.5p	29 May 2010 to 29 May 2017
Jon Smith	–	–	85,000		31p	28 April 2006 to 28 April 2015
	–	–	37,037		67.5p	8 December 2006 to 8 December 2015
	–	–	26,174		71.25p	21 April 2007 to 21 April 2016
			8,550		84p	1 July 2010 to 31 December 2010
Phil Smith	15,000	–	–		170p	17 October 2005 to 17 October 2012
	15,000	–	–		30p	16 July 2007 to 16 July 2014
		23,826			71.25p	21 April 2009 to 21 April 2016
		75,000	–		98.5p	29 May 2010 to 29 May 2017
	–	–	85,000		31p	28 April 2006 to 28 April 2015
	–	–	37,037		67.5p	8 December 2006 to 8 December 2015

<i>Option Holder</i>	<i>Approved</i>	<i>Unapproved</i>	<i>EMI</i>	<i>Sharesave</i>	<i>Exercise</i>	<i>Exercise</i>
	<i>Option</i>	<i>Option</i>				
	–	–	26,174		71.25p	21 April 2007 to 21 April 2016
				8,550	84p	1 July 2010 to 31 December 2010
Employees	7,500	–	–		500p	24 January 2005 to 24 January 2012
	21,441	2,059	–		170p	17 October 2005 to 17 October 2012
	28,500	2,500	–		30p	16 July 2007 to 16 July 2014
	15,873				63p	28 April 2011 to 28 April 2018
	1,000	–	–		80p	10 January 2010 to 10 January 2017
		64,823	45,177		98.5p	29 May 2008 to 29 May 2017
		–	–	265,230	84p	1 July 2010 to 31 December 2010
	–	–	170,000		31p	27 April 2006 to 27 April 2015
	–	–	74,074		67.5p	7 December 2006 to 7 December 2015
	–	23,826	76,174		71.25p	20 April 2007 to 20 April 2016
Totals	<u>134,314</u>	<u>290,860</u>	<u>661,847</u>	<u>282,330</u>		

The following warrants have also been given by the Company:

- To Dawnay Day, the DD Options whereby it has the right to subscribe for 50,966 Ordinary Shares. The DD Options are transferable and exercisable for a period of 5 years from the date of grant.

## 7.12 *Employee Benefit Trust (“EBT”)*

7.12.1 The EBT has the following interests in Ordinary Shares of the Company:

<i>Date acquired</i>	<i>Number of</i>	<i>Nominal</i>	<i>Price paid per</i>
	<i>ordinary shares</i>	<i>value of each</i>	<i>ordinary share</i>
		<i>ordinary share</i>	<i>ordinary share</i>
10 September 2007	25,000	2.5 pence	99 pence
13 September 2007	75,000	2.5 pence	111.5 pence
19 November 2007	100,000	2.5 pence	100 pence
11 February 2008	26,000	2.5 pence	79 pence
21 February 2008	18,000	2.5 pence	80 pence
28 February 2008	15,000	2.5 pence	80 pence

## 8. **Material contracts**

8.1 In addition to the Directors’ service agreements, summarised in paragraph 5 above and the lease referred to in paragraph 4.9 above, the following are contracts entered into otherwise than in the

ordinary course of business, to which the Company and/or any member of the enlarged group is or has been a party to at any time during the last two years:

8.1.1 pursuant to a new banking facility agreement (“New Banking Facility Agreement”) dated 28 August 2008 between the Company (as borrower) and AIB, AIB has made available to the Company an aggregate sum of £16,428,000 as follows:

- 8.1.1.1 a term loan of £7,200,000, to be repaid in full within 5 years from the date of first drawdown by way of quarterly capital repayments and a bullet repayment at maturity (“Senior Term Loan A”);
- 8.1.1.2 a term loan of £5,000,000, to be repaid in full within 5 years of the date of first drawdown by way of bullet repayment at maturity (“Senior Term Loan B”);
- 8.1.1.3 a mezzanine facility of £3,728,000 to be repaid in full within 2 years from the date of first drawdown by way of bullet repayment at maturity (“Mezzanine Loan”);
- 8.1.1.4 a short term mezzanine loan of £500,000 to be repaid in full within 1 year from the date of first drawdown by way of a bullet repayment at maturity (“Short Term Mezzanine Loan”);
- 8.1.1.5 a working capital facility in the sum of £1,000,000 to be repaid on demand (“Working Capital Facility”).

The amortisation profile for the Senior Term Loan A is to be as follows:

<i>Year</i>	<i>Amount (£)</i>
1	0
2	750,000
3	1,000,000
4	1,200,000
5	1,450,000
5 (Bullet)	2,800,000

Senior Term Loan A shall only be applied in or towards the consideration payable in respect of the Acquisition, towards the deferred consideration of £1,505,431.39 paid on 5 August 2008 in connection with the acquisition by the Company of Dewynters Limited, towards the fees and costs associated with the Acquisition and to restructure the existing indebtedness owing to AIB by the Company.

Senior Term Loan B shall only be applied in or towards the consideration payable in respect of the Acquisition, towards the deferred consideration of £1,505,431.39 paid on 5 August 2008 in connection with the acquisition by the Company of Dewynters Limited, towards the fees and costs associated with the Acquisition and to restructure the existing indebtedness owing to AIB by the Company.

The Mezzanine Loan shall only be applied in or towards the consideration payable in respect of the Acquisition, towards the deferred consideration of £1,505,431.39 paid on 5 August 2008 in connection with the acquisition by the Company of Dewynters Limited, towards the fees and costs associated with the Acquisition and to restructure the existing indebtedness owing to AIB by the Company.

The Short Term Mezzanine Loan shall only be applied in or towards the consideration payable in respect of the Acquisition, towards the deferred consideration of £1,505,431.39 paid on 5 August 2008 in connection with the acquisition by the Company of Dewynters Limited, towards the fees and costs associated with the Acquisition and to restructure the existing indebtedness owing to AIB by the Company.

The Working Capital Facility shall only be applied in or towards the working capital requirements of the Company.

Should Senior Term Loans A or B be prepaid from third party refinancing prior to the third anniversary of initial drawdown, a fee of 1 per cent. will be payable to AIB on the amount prepaid.

The Short Term Mezzanine Loan shall be subject to a fee of £5,000 being 1 per cent. of the initial Short Term Mezzanine Loan and shall be payable upon the sooner of maturity, prepayment, refinancing or cancellation of the Short Term Loan.

The Mezzanine Loan shall be subject to a fee of £37,280, being 1 per cent. of the initial Mezzanine Loan and will be payable upon the sooner of maturity, prepayment, refinancing or cancellation of the Mezzanine Loan.

A margin of 2.25 per cent. per annum will be applied over the LIBOR rate plus costs in respect of Senior Term Loan A. A margin of 2.75 per cent. per annum will be applied over the LIBOR rate plus costs in respect of Senior Term Loan B.

A margin of 10 per cent. per annum payable quarterly will be applied over the LIBOR rate plus the costs in respect of the Mezzanine Loan comprising: (i) 4 per cent. per annum of the margin shall be payable quarterly from available cash; (ii) 6 per cent. per annum of the margin shall be capitalised at the end of each consecutive period of 3 months and added to the principal amount of the Mezzanine Loan.

A margin of 10 per cent. per annum payable quarterly shall be applied over the LIBOR rate plus the costs in respect of the Short Term Loan comprising: (i) 4 per cent. per annum of the margin shall be payable quarterly from available cash; (ii) 6 per cent. per annum of the margin shall be capitalised at the end of each consecutive period of 3 months and added to the principal amount of the Short Term Loan.

Interest on the Working Capital facility shall be charged at a rate of 2.50 per cent. above AIB's base rate and shall be met quarterly as it falls due.

The Company and/or certain companies within the Group are to grant the following security to AIB: (i) mortgage debentures incorporating a fixed and floating charge (or the US equivalent) over SpotCo Inc and First Artist Inc; (ii) a cross composite guarantee structure including SpotCo Inc and First Artist Corporation Inc; (iii) the assignment of key man insurance cover on the lives of Jon Smith, Andrew Pye-Jeary, Drew Hodges (in a minimum sum of £2 million) and Robert King (in a minimum sum of £1 million), in amounts to be determined prior to first drawdown of the facilities. This is in addition to the existing security granted by the Company and certain companies within the Group including, *inter alia*, mortgage debentures incorporating fixed and floating charges over the respective assets and undertakings, a cross composite guarantee and the assignment of key man insurance cover on the lives of certain senior staff.

An arrangement fee of £271,062 being 165 basis points of the total Senior, Mezzanine and Short Term Mezzanine facilities, shall be payable as a one off fee in respect of the Senior, Mezzanine and Short Term Mezzanine facilities and will be charged at initial drawdown.

An annual arrangement fee being 100 basis points of the Working Capital Facility, will be payable in respect of the Working Capital Facility upon acceptance of the facility an annually thereafter.

All legal and other costs including VAT payable thereon, relating to the facilities under the New Banking Facility Agreement shall be payable on a full indemnity basis by the Company whether or not the Company draws down the Facilities.

The New Banking Facility Agreement contains customary representations and undertakings given by the Company, which include certain financial condition undertakings and covenants. It also contains normal events of default which, if occur, give AIB the right to cancel the New Banking Facility Agreement and demand repayment.

8.1.2 the Acquisition Agreement under which it is agreed that the Company, through its wholly owned subsidiary First Artist Corporation, Inc., will acquire the entire issued share capital of SpotCo. The consideration for the Acquisition is capped at \$18.86 million (subject to adjustment by reference to its net asset value as at Completion) and is to be satisfied as follows:

8.1.2.1 by the payment on completion to Drew Hodges of \$5.5 million in cash. This is followed by three guaranteed cash payments of \$1.5 million on the first three anniversaries of the date of Completion;

8.1.2.2 deferred consideration as follows if the EDBITDA exceeds certain thresholds on each of the three anniversaries of the completion balance sheet date:

	<i>Profit Threshold</i>	<i>Deferred Consideration</i>
Year 1	\$1.25m-\$1.75m	\$10 cash for every \$10 of EBITDA within the threshold
	over \$1.75m	\$20 cash for every \$10 of EBITDA above the threshold
Year 2	\$1.50m-\$2.00m	\$10 cash for every \$10 of EBITDA within the threshold
	over \$2.00m	\$20 cash for every \$10 of EBITDA above the threshold
Year 3	\$1.75m-\$2.25m	\$10 cash for every \$10 of EBITDA within the threshold
	over \$2.25m	\$20 cash for every \$10 of EBITDA above the threshold

8.1.2.3 the annual deferred cash payments in respect of any one year are limited to \$2.5 million with any excess cash consideration due being carried forward to the ensuing year and then continuing to roll over subject to the maximum annual payment of \$2.5 million. In order to exceed the maximum deferred consideration, EBITDA for three years post completion must total \$9.8 million.

8.1.2.4 the Acquisition Agreement contains certain representation and warranties in favour of the Company regarding SpotCo's business and tax position. The seller warrants, amongst other things, ownership of the shares in the capital of SpotCo. The Acquisition Agreement also contains certain restrictive covenants to be given by the seller. The Acquisition Agreement is conditional upon the Resolution being passed.

8.1.3 On 7 November 2007 the Company appointed Redleaf Communications Limited (Company Number 03917246) whose registered office is at 9-13 St. Andrew Street, London EC4A 3AF as its financial PR adviser with immediate effect.

8.1.4 pursuant to an agreement between (1) Daniel Stewart and (2) the Company dated 30 April 2007, the Company appointed Daniel Stewart as Corporate Broker for the Company. On 21 July 2008 Daniel Stewart was also appointed as the Company's Nominated Adviser.

8.1.5 a share purchase agreement dated 25 April 2007 between (1) Andre Yell (2) Elizabeth Yell (together being the "Yell Sellers") and (3) the Company under which the Company acquired the entire issued share capital of Yell ("Yell Acquisition Agreement").

8.1.5.1 The consideration under the Yell Acquisition Agreement is to be satisfied as follows:

8.1.5.1.1 on completion:

8.1.5.1.1.1 the payment by the Company to the Yell Sellers of the initial cash consideration of £100,000; and

8.1.5.1.1.2 the payment by the Company to the Yell Sellers of £296,347.82 (in respect of Yell's net assets).

8.1.5.1.2 deferred consideration of £75,000 is payable for the first year following completion and £50,000 for the second year following completion, dependent on the attaining by Yell of certain financial and contractual performance targets over the two year period;

8.1.5.1.3 earn-out consideration in relation to the earn-out profit generated in a particular year constituting 15 per cent. of any earn-out profit between £100,000 and £250,000, 35 per cent. of any earn-out profit in excess of £250,000 generated in that year and a single payment of £25,000 for any earn-out profit greater than £300,000 generated in that year;

and the consideration is to be subject to an overall cap of £1,000,000.

8.1.5.2 The Yell Acquisition Agreement contained various warranties and indemnities from the Yell Sellers in favour of the Company regarding Yell's business and tax position. The Yell Sellers have entered into certain restrictive covenants in relation to the business.

8.1.6 a placing agreement, dated 30 November 2006 between the Company, Dawnay Day and the Directors.

The placing agreement contained indemnities and warranties from the Company and certain Directors in favour of Dawnay Day. The liability of those Directors for breach of warranty or indemnity is limited to £75,000 each. The liability of the Company for a breach of warranty or indemnity is limited to £1,000,000 plus costs. The Company agreed to pay Dawnay Day a corporate finance fee of £130,000 and a commission of 5 per cent. of the value of the shares placed by them.

8.1.7 pursuant to an acquisition agreement between the Company, Robert Ivon De Wynter and Anthony John Pye-Jeary dated 29 November 2006 ("Dewynters Acquisition Agreement") the Company acquired the entire issued share capital of Dewynters. The consideration for the acquisition of Dewynters was capped at £15.5 million (subject to adjustment by reference to Dewynters' net asset value as at 31 October 2006) and was satisfied as follows:

8.1.7.1 by the issue and allotment on completion of the acquisition of Dewynters of the initial consideration shares to Mr. Pye-Jeary;

8.1.7.2 by the payment on completion by the Company to the vendors of Dewynters of £9 million (as adjusted and in aggregate) in cash; and

8.1.7.3 deferred consideration payable as follows if the operating profit before amortisation of goodwill exceeds certain thresholds in each of the three years ending on the respective anniversary of the Completion balance sheet date:

	<i>Profit Threshold</i>	<i>Deferred Consideration</i>
<b>Year 1</b>	£1.35 million – £1.49 million £1.5 million or over	£1 for every £1 of excess £2 for every £1 of excess
<b>Year 2</b>	£1.45 million – £1.64 million £1.65 million or over	£1 for every £1 of excess £2 for every £1 of excess
<b>Year 3</b>	£1.55 million – £1.79 million £1.8 million or over	£1 for every £1 of excess £2 for every £1 of excess

In addition to the above, Mr. Pye-Jeary receives 1 Ordinary Share for every £10 of cash consideration he receives (credited as fully paid up).

The Dewynters Acquisition Agreement contained various warranties and indemnities from the vendors of Dewynters (“Dewynters Vendors”) in favour of the Company regarding Dewynters’ business and tax position. The Dewynters Vendors warranted, amongst other things, their ownership of the shares they are selling and their capacity to sell. There were restrictions on the disposal of the consideration shares for the acquisition of Dewynters and completion was conditional on, amongst other things, various resolutions being passed. The Dewynters Acquisition Agreement also contained certain restrictive covenants given by the Dewynters Vendors.

It was announced on 7 February 2008 that Dewynters exceeded its first year performance targets detailed under the terms of the Dewynters Acquisition Agreement, generating earn-out profits of £3,089,845 in the year ended 31 October 2007. As a result of the first year earn-out profits the following consideration was paid by the Company:

- 8.1.7.4 a cash entitlement of £1,466,000 in the form of loan notes;
- 8.1.7.5 the allotment by the Company to Anthony John Pye-Jeary of 236,379 Ordinary Shares at a consideration price of 73.53 pence per share.
- 8.1.8 a partnership agreement dated 19 October 2006 between (1) Optimal (at the date of the agreement, such company being named ABG Financial Management Limited), (2) H.W. Fisher & Company (“Partnership”), (3) Fisher & Co LLP (“Fisher”), (4) Fisher Family Office LLP (“FFO LLP”) and (5) the Company pursuant to which FFO LLP will run the business of providing independent wealth management and financial services advice. Each of Optimal and Fisher are designated members of FFO LLP having each made equal capital contributions in return for 50 per cent. interest in FFO LLP. The Company has certain obligations under the agreement to FFO LLP and Fisher. The Company and Fisher have entered into a put and call option which will allow the Company to buy Fisher’s stake in FFO LLP after 3 years, subject to certain levels of annual gross profit being achieved. The consideration payable on the exercise of the options will be a percentage of the annual gross profit in the year before exercise with the remainder being a percentage of each of the following 3 years’ annual gross profit. One ordinary share shall be issued to Fisher for every £1 of cash consideration, the total consideration being capped at £2,750,000. The Partnership’s 5,000 private clients will have access to the Company’s growing wealth management division as a result of such an arrangement.
- 8.1.9 a financial adviser agreement dated 25 September 2006 between the Company (1) and Dawnay Day (2) pursuant to which the Company appointed Dawnay Day to act as its financial adviser. The monthly retainer fee was £10,000 (payable in advance) together with all reasonable expenses and VAT. Dawnay Day received a success fee of £130,000 (less any monthly retainer fees already paid) as well as warrants representing 0.45 per cent. of the Company’s issued share capital, prior to the issue of any Ordinary Shares in relation to the 2006 placing of shares, (such warrants being transferable and exercisable for a period of 5 years from the date of grant).
- 8.1.10 a placing agreement dated 11 July 2006 between the Company and Arbuthnot (“N.C.I. Placing Agreement”) pursuant to which 16,758,334 ordinary shares (the “N.C.I. Placing Shares”) were placed by Arbuthnot with institutional and other investors (including certain executive Directors of the Company) at a price of 6 pence per N.C.I. Placing Share to raise approximately £1 million before expenses.

The N.C.I. Placing Agreement contains indemnities and warranties from the Company in favour of Arbuthnot. The liability of the Directors for breach of warranty or indemnity is limited. The Company paid Arbuthnot a commission of 4 per cent. of the value of the funds introduced by Arbuthnot and 2 per cent. of the value of the funds introduced by the Company;

8.1.11 an acquisition agreement dated 16 August 2006 under which the Company acquired the entire issued share capital of SCL (“SCL Acquisition Agreement”). The consideration under the SCL Acquisition Agreement is capped at £750,000 and is to be satisfied as follows:

8.1.11.1 on completion:

8.1.11.1.1 by the payment by the Company to the former holders of shares in the capital of SCL (“SCL Sellers”) of an initial cash consideration of £230,000; and

8.1.11.1.2 by the issue and allotment by the Company to the SCL Sellers of (in aggregate) 500,000 ordinary shares at a deemed price of 10 pence per ordinary share;

8.1.11.2 deferred consideration, by a combination of unsecured loan notes and the allotment of further ordinary shares, as the Company may elect, depending on SCL achieving certain performance targets in each of the 3 years following completion of the SCL Acquisition Agreement. This includes a guaranteed payment of £20,000 at the end of year 1 and £10,000 at the end of year 2 to the previous preference shareholders.

The SCL Acquisition Agreement contains certain key warranties given by each of the SCL Sellers and additional warranties and indemnities given by Wendy Stephenson (“WS”) in regarding SCL’s business and tax position. The SCL Acquisition Agreement also contains restrictive covenants preventing the SCL Sellers from doing certain things in relation to the business.

8.1.12 an acquisition agreement dated 10 July 2006 between Nicola Ibison (“NI”) and the Company under which the Company acquired the entire issued share capital of N.C.I (“N.C.I. Acquisition Agreement”). The consideration payable under the N.C.I. Acquisition Agreement is capped at £1.75 million and is to be satisfied as follows:

8.1.12.1 on completion:

8.1.12.1.1 the Company paid to Nicola Ibison £859,817.72 (being the aggregate of the initial cash consideration of £650,000 and £209,817.72 in respect of N.C.I.’s net assets);

8.1.12.1.2 the Company issued and allotted to NI 500,000 ordinary shares credited as fully paid up with a deemed rate of 10 pence per ordinary share;

8.1.12.2 deferred consideration to be satisfied by a combination of an issue of unsecured interest bearing loan notes and the allotment of further ordinary shares, at the Company’s sole discretion, which is payable depending on the combined N.C.I./First Artist’s existing “Entertainment Division” achieving certain performance targets in each of the three years following completion of the N.C.I. acquisition.

The N.C.I. Acquisition Agreement contains certain warranties and indemnities from NI in favour of the Company regarding N.C.I.’s business and tax position. The N.C.I. Acquisition Agreement also contains ring fence provisions which the Company is obliged to comply with. The N.C.I. Acquisition Agreement also contains restrictive covenants and other restrictions preventing NI from doing certain things in relation to the business.

8.1.13 a share sale and purchase agreement dated 10 July 2006 between (1) Formation Group plc (“Formation Group”) and (2) the Company under which the Company acquired the entire issued share capital of FAS (at the date of such agreement, such company being named Proactive Scandinavia A/S) (“FAS Acquisition Agreement”). The consideration payable under the FAS Acquisition Agreement was as follows:

8.1.13.1 on completion, the payment by the Company to:

- 8.1.13.1.1 Formation Group, consideration of £1.75 million together with a further sum of approximately £210,000 in respect of FAS' net assets;
- 8.1.13.1.2 Karsten Aabrink, a sum of £150,000 with a further £100,000 being payable on the anniversary of the date that the FAS acquisition completed;
- 8.1.13.1.3 the repayment by the Company to Foundation Group of approximately £130,000 being equal to a sum advanced by Formation Group to FAS.

The FAS Acquisition Agreement contains certain warranties and indemnities from Formation Group in favour of the Company regarding FAS' business and tax position. The FAS Acquisition Agreement also contains restrictive covenants preventing Formation Group from doing certain things in relation to the business.

- 8.1.14 a partnership agreement dated 9 June 2006 between (1) The Complete Leisure Group plc ("CLG") (2) FT and (3) Sports Events LLP (subsequently renamed Sports Events Organisation LLP) ("LLP") under which each of CLG and FT are the designated members of the LLP having each contributed an equal sum in return for a 50 per cent. interest in the LLP. FT is appointed as the LLP's exclusive supplier of event management services for a series of targeted events and a preferred supplier for other events.
- 8.1.15 a nominated adviser agreement dated 7 February 2006 between the Company (1) and Arbuthnot Securities Limited ("Arbuthnot") (2) pursuant to which the Company has appointed Arbuthnot to act as its nominated advisor and broker. The annual retainer fee is £35,000 (payable quarterly in advance and subject to an annual review) together with all reasonable expenses and VAT. The Company is obliged to consult Arbuthnot in relation to potential acquisitions, mergers or other corporate transactions and the services to be provided by Arbuthnot in relation to these shall be subject to a separate fee arrangement. The agreement contains certain undertakings given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. Arbuthnot may terminate the agreement forthwith if the Company is in material breach. The Company may terminate if Arbuthnot is in material breach, and where capable of remedy, such material breach remains unremedied for a period of 30 days. In addition, either party may terminate the agreement on 30 days' written notice.
- 8.1.16 an acquisition agreement dated 13 September 2005 between (1) Melvyn Atkins, (2) Julie Atkins (Melvyn and Julie Atkins together being the "FT Sellers") and (3) First Artist under which the Company acquired the entire issued share capital of FT ("FT Acquisition Agreement"). The consideration for the FT Acquisition is capped at £3,360,000. Consideration paid on completion was:

- 8.1.16.1 the payment by the Company to the FT Sellers of £1,360,000 (in aggregate) in cash;
- 8.1.16.2 the issue and allotment by the Company to the FT Sellers of 1,000,000 ordinary shares credited as fully paid up with a price of 6.5 pence per ordinary share;

Deferred consideration is payable dependent on the achievement by FT of certain financial performance targets each year until 30 April 2008.

On 4 August 2006, following the approval of the earn out accounts which confirmed that FT had achieved and exceeded the first set of financial performance targets set out for the business for the year ended 30 April 2006, it was agreed that the first tranche of deferred consideration payable to the FT Sellers had a deemed aggregate value of £545,421.52 which the Company elected to satisfy as to:

- 8.1.16.3 £509,089 by the issue by the Company of unsecured interest bearing loan notes (redeemable 6 months from issue); and

8.1.16.4 £36,332.52 by the issue and allotment by the Company of 528,089 ordinary shares credited as fully paid up at a price of 6.88 pence per ordinary share (being the average mid-market closing price of the ordinary shares for the 30 dealing days prior to the date allotment).

Following a Company board meeting on 18 October 2006, it was agreed that the first tranche of deferred consideration as described above in paragraphs 8.1.16.3 and 8.1.16.4, payable to the FT Sellers, be increased due to a corrected calculation of first year average profits. It was thereby agreed that the first tranche payable to the FT Sellers be increased to £619,932.52 in aggregate (to replace the formerly agreed aggregate value of £545,421.52), which the Company elected to satisfy as to:

8.1.16.5 £578,803 by the issue by the Company of unsecured interest bearing loan notes (replacing the value stated at paragraph 8.1.5.3 above); and

8.1.16.6 £41,129.52 by the issue and allotment by the Company of 597,803 ordinary shares credited as fully paid up at a price of 6.88 pence per ordinary share (being the average mid-market closing price of the ordinary shares for the 30 dealing days prior to the date allotment) replacing the value stated at paragraph 8.1.5.4 above).

On 30 July 2007, following the approval of the earn out accounts which confirmed that FT had achieved and exceeded the second set of financial performance targets set out for the business for the year ended 30 April 2007, it was agreed that the second tranche of deferred consideration payable to the FT Sellers had a deemed aggregate value of £477,337 which the Company elected to satisfy as to:

8.1.16.7 £430,374 by the issue by the Company of unsecured interest bearing loan notes (redeemable 6 months from issue); and

8.1.16.8 £46,961.97 by the issue and allotment by the Company of 43,037 Ordinary Shares credited as fully paid up at a price of 109.12 pence per ordinary share (being the average mid-market closing price of the ordinary shares for the 30 dealing days prior to the date allotment).

On 7 July 2008, following the approval of the earn out accounts which confirmed that FT had achieved and exceeded the third set of financial performance targets set out for the business for the year ended 30 April 2008, it was agreed that the third tranche of deferred consideration payable to the FT Sellers had a deemed aggregate value of £818,732 which the Company elected to satisfy as to:

8.1.16.9 £400,000 by the issue by the Company of unsecured interest bearing loan notes (redeemable 6 months from issue); and

8.1.16.10 £316,438 by the issue by the Company of unsecured non-interest bearing loan notes (redeemable 12 months from issue); and

8.1.16.11 £102,294.37 by the issue and allotment by the Company of 137,956 Ordinary Shares credited as fully paid up at a price of 74.15 pence per ordinary share (being the average mid-market closing price of the ordinary shares for the 30 dealing days prior to the date allotment).

The FT Acquisition Agreement contains various warranties and indemnities from the FT Sellers in favour of the Company regarding FT's business and tax position. The FT Sellers have entered into certain restrictive covenants in relation to the business.

8.1.17 a placing agreement ("FT Placing Agreement") dated 13 September 2005, pursuant to which Shore Capital procured subscribers for 6,666,666 ordinary shares at the price of 5.25 pence per ordinary share ("FT Placing Shares).

The FT Placing Agreement contains indemnities and warranties from the Company and the Directors in favour of Shore Capital. The liability of the Directors for breach of warranty or

indemnity, is limited. The Company paid Shore Capital a corporate finance fee of £15,000 and a commission of 4 per cent. of the value of the FT Placing Shares;

8.1.18 an acquisition agreement dated 21 July 2005 under which the Company acquired the entire issued share capital of Optimal (such company at the date of acquisition being named ABG Financial Management Limited) (“Optimal Acquisition Agreement”). The consideration for the Optimal Acquisition is capped at £3 million. Consideration paid on completion was as follows:

8.1.18.1 the issue and allotment by the Company to the former holders of shares in the capital of Optimal (“Optimal Sellers”) of 1,250,000 ordinary shares credited as fully paid up at a price of 5.56 pence per ordinary share;

8.1.18.2 the payment by the Company to the Optimal Sellers of £1.3 million (in aggregate) in cash (together, “Initial Optimal Consideration”);

Deferred consideration is payable dependent on the achievement by Optimal of certain financial performance targets each year until 30 June 2008.

On 8 September 2006, following the approval of the earn out accounts which confirmed that Optimal had achieved and exceeded the first set of financial performance targets set out for the business for the year ended 30 June 2006, it was agreed that the first tranche of deferred consideration payable to the Optimal Sellers had a deemed aggregate value of £803,264, which the Company elected to satisfy as to:

8.1.18.3 the payment by the company to the Optimal Sellers of £450,000 in cash; and

8.1.18.4 £353,264 by the issue and allotment by the Company of 5,210,388 ordinary shares credited as fully paid up at a price of 6.78 pence per ordinary share.

On 13 September 2007, following the approval of the earn out accounts which confirmed that Optimal had achieved and exceeded the second and final set of financial performance targets set out for the business for the year ended 30 June 2007, it was agreed that the second and final tranche of deferred consideration payable to the Optimal Sellers had a deemed aggregate value of £826,424, which the Company elected to satisfy as to:

8.1.18.5 the payment by the company to the Optimal Sellers of £450,000 in cash; and

8.1.18.6 £376,424 by the issue and allotment by the Company of 391,700 ordinary shares credited as fully paid up at a price of 96.10 pence per ordinary share.

The Optimal Acquisition Agreement contains various warranties and indemnities from certain Optimal Sellers in favour of the Company regarding Optimal’s business and tax position. The Optimal Sellers have entered into certain restrictive covenants in relation to the business and there are restrictions on the Optimal Sellers’ disposal of the Optimal Consideration Shares (i.e. Initial Optimal Consideration and Deferred Optimal Consideration Shares). Completion was conditional on, amongst other things, certain resolutions being passed.

8.1.19 a placing agreement (“Optimal Placing Agreement”) dated 20 July 2005, pursuant to which Shore Capital and Corporate Limited, the Company’s former brokers and nominated advisers (“Shore Capital”), procured subscribers for 25,000,000 ordinary shares at the price of 5 pence per ordinary share (“Optimal Placing Shares”).

The Optimal Placing Agreement contains indemnities and warranties from the Company and the Directors in favour of Shore Capital. The liability of the Directors for breach of warranty or indemnity, is limited. The Company paid Shore Capital a corporate finance fee of £75,000 and a commission of 4 per cent. of the value of the Optimal Placing Shares (which was reduced in respect of certain placees). At the date of execution of the Optimal Placing Agreement, Optimal was named ABG Financial Management Limited;

8.1.20 a consultancy agreement dated 9 February 2005 between the Company and Melvyn Arnold Stein pursuant to which the Company has agreed to engage Mr. Stein to provide his services to the Company to promote and develop its business by generating and servicing new professional footballer clients for the Company. In consideration of the provision of his services under the agreement, Mr. Stein will be paid a fee equal to £25,000 per annum plus a sum equal to 10 per cent. of the commissions generated and received (over and above £250,000 per annum) from players serviced or introduced by Mr. Stein. The consultancy agreement was to continue until 31 December 2006 (unless the parties mutually agree to terminate it before that date), however, the agreement was extended on 1 July 2006, with Mr. Stein being paid £36,000 for his services until 31 December 2007;

8.1.21 an asset purchase agreement dated 2 February 2005 between (1) the Company (2) Team Sports Management Limited (“TSML”) (3) Melvyn Arnold Stein and (4) Curzon Investments Limited pursuant to which the Company acquired the staff, contracts, player roster and certain other assets of TSML. The total initial consideration is £50,000 to be satisfied as to £25,000 on completion, with the balance to be paid no later than 31 December 2005. In addition, deferred consideration of up to a maximum of £50,000 is payable based on income generation derived from the acquired roster;

8.1.22 pursuant to a loan facility letter dated 5 May 2004 between the Company and Chantheath Limited (company no 3437476) (“Chantheath”), Chantheath advanced a loan facility of £100,000. On 31 October 2005, the Company repaid £25,000. The remaining balance was repaid as follows:

8.1.23.1 on 31 October 2006, £5,000; and

8.1.23.2 on 31 October 2007, £25,000

Interest was calculated daily in arrears and was payable quarterly in arrears at the rate of 1 per cent. over UK base rate or 7 per cent. (whichever was higher).

8.1.23 ABG and Optimal (formerly named ABG Financial Management Limited) have had an informal arrangement whereby ABG has used its best endeavours to refer and introduce to Optimal those clients of ABG who, from time to time, properly required advice in relation to products not provided by ABG, but provided by Optimal (including financial advice and consulting services). These arrangements are to continue for at least two years post Completion (subject to the rules of ABG’s professional regulators). Optimal has paid a one off non-refundable commission payment of £100,000 to ABG in consideration of future referrals covering the period to June 2014.

8.1.24 a lease for 10 years and 6½ months, dated 8 October 2002, between SpotCo and 500-512 Seventh Avenue Limited Partnership over the property at 512 Seventh Avenue, New York, New York, USA. The base rent for the lease is \$504,396 per annum. In connection with the lease there is a security deposit of \$490,385 by letter of credit, which is subject to reduction to the following amounts:

8.1.24.1 Months 1-36 \$490,385

8.1.24.2 Months 37-60 \$367,789

8.1.24.3 Months 61-84 \$245,193

8.1.24.4 Month 84 – 9/1/2013 \$122,596

The lease is subject to a sub-lease dated 20 February 2003 between SpotCo (as sublandlord) and TMG the Marketing Group LLP as subtenant for a portion of the leased premises.

8.1.25 In relation to SpotCo’s real estate lease, SpotCo has a letter of credit with JPMorganChase in the amount of \$245,193 for the benefit of 500-512 Seventh Avenue LP.

- 8.1.26 IP transfers from Drew Hodges to SpotCo dated 8 May 2008 relating to three registrations for the U.S. trademark "SPOTCO" and design (registered number 3,068,009 issued 14 March 2006, registered number 2,264,243 for related services issued 27 July 1999 and registered number 2,260,508 issued 13 July 1999).
- 8.1.27 an agreement between SpotCo and Talent Partners dated 3 September 1998 for the provision, by Talent Partners, of payroll services to SpotCo. The agreement is of indefinite duration and can be terminated by either party without cause by 90 days' notice to the other party.
- 8.1.29 an agreement between SpotCo and HJK Enterprises Inc dated as at 20 May 2008 for HJK Enterprises Inc to undertake various building works during the course of 2008 for the sum of \$268,307.79, subject to various additions and deletions as provided for in the agreement. Interest on any unpaid amounts under the agreement shall accrue at a rate of 18 per cent. per annum.

## **9. Litigation**

Save as disclosed below, no member of the Group is involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the Company's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against any company within the Group:

- 9.1.1 a claim was made by a client of Optimal (formerly named ABG Financial Management Limited) in relation to advice given in October 2001 regarding an endowment. Optimal referred the matter to its professional indemnity insurers. Optimal's investigations reveal that, if successful, the claimant could recover approximately £25,000 (which is equal to the applicable deductible on Optimal's professional indemnity insurance). The issue is with the Ombudsman awaiting a ruling;
- 9.1.2 a claim was made by a client of Optimal in relation to advice given regarding an endowment. The actual quantum has been estimated at £8,700. The issue is with the Ombudsman awaiting a ruling;
- 9.1.3 a claim was made in October 2007 by a client of Optimal in relation to their endowment policy. This complaint was forwarded to us by the insurance company. The complaint was subsequently withdrawn by the client;
- 9.1.4 a complaint was made by a client of Optimal in April 2008 in relation to mortgage advice given and the product ultimately being unsuitable for the client's purpose of remortgaging six months hence. The complaint was declined and no further action was taken by the client;
- 9.1.5 a complaint was made in August 2008 by a client of Fisher Family Office in relation to the service and quality of advice he had received. The complaint was declined and the client confirmed that no further action will be taken;
- 9.1.6 a complaint was made in August 2008 by a client of Optimal concerning the performance of the clients' property investment fund within his pension. The complaint was declined and we await a response from the client as to whether it will be contested or referred to the Financial Ombudsman Service. No provision has been made as the complaint is about fund performance over which Optimal has no control.
- 9.1.7 In September 2008 a client of Fisher Family Office gave notice that he would hold the company liable for a shortfall of approximately £326,000 in the expected value of an investment bond which the company encashed in error, if it proved impossible to reverse the transaction. The company's professional indemnity insurer has been advised of a potential claim. Claims under this policy are subject to a deductible of £15,000 which is therefore the company's likely maximum liability.
- 9.1.8 Promosport is currently suing Al Ittihad, through Saudi Arabian lawyers, for unpaid commission of €500,000;

- 9.1.9 Promosport is currently pursuing actions in Italy for €100,000, and €163,000 in respect of unpaid commission. The company is also pursuing a claim of approximately €148,000 against the bankrupt Perugia FC.
- 9.1.10 First Artist Scandinavia A/S is currently pursuing actions against two British football clubs for £6,000 and £22,000 and against a Turkish club for €12,000, all in respect of unpaid commission.
- 9.1.11 First Artist Sport is currently suing a Danish agent for the sum of approximately €100,000 in respect of unpaid commission.
- 9.1.12 First Artist Sport is currently pursuing four claims through the Small Claims Court for unpaid commission of £14,000 in total.
- 9.1.13 In April 2008 The Finishing Touch were notified of a claim by a guest at a party organised by TFT who had suffered an allergic reaction to nuts. The claim, which has been denied, is being handled by the company's public liability insurers.
- 9.1.14 SpotCo is a co-defendant in a claim filed in 2004 by Horizon Media Inc for breach of contract. The plaintiff is seeking damages in excess of €450,000. The Vendor has indemnified First Artist for all losses associated with this claim, which is felt to be without merit. The judge's ruling on a motion to dismiss is currently awaited.
- 9.1.15 SpotCo is currently owed approximately US\$312,000 for work done in 2005-2006 by a performer, who has been paying down a debt. The company has made a provision against the debt and continues to pursue payment.

## **10. Taxation**

The statements set out below are intended only as a general guide to certain aspects of current United Kingdom tax law and practice and apply only to certain Shareholders. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers concerning the consequences under UK tax law of the acquisition, ownership and disposition of Ordinary Shares. This summary is based on UK law and Inland Revenue (now known as HM Revenue & Customs) practice which may be subject to change perhaps with retrospective effect.

The statements are not applicable to all categories of Shareholders, and in particular are not addressed to (i) Shareholders who do not hold their Ordinary Shares as capital assets, (ii) Shareholders who own (or are deemed to own) 10 per cent. or more of the voting power of the Company, (iii) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies and investment companies, (iv) Shareholders who hold Ordinary Shares as part of hedging or commercial transactions, (v) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise) or (vi) Shareholders who are not resident or ordinarily resident in the UK for tax purposes (unless express reference is made to non-UK resident Shareholders).

### **10.1 Dividends – UK resident Shareholders**

The Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK (for tax purposes) and who receives a dividend from the Company will generally be entitled to a tax credit which such Shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to ten per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. A UK resident individual Shareholder who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of ten per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. A UK resident individual Shareholder who is liable to income tax at the higher rate will be liable to tax on the gross dividend at the rate of 32.5 per cent. After taking into account the 10 per

cent. tax credit, such an individual will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received).

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, generally will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Subject to certain exceptions for the Company's securities, a Shareholder which is a company resident for tax purposes in the UK and which receives a dividend paid by another company resident for tax purposes in the UK will not generally have to pay corporation tax in respect of it. The dividend income received plus related tax credit will constitute franked investment income. Such Shareholders will not be able to claim repayment of tax credits attaching to dividends.

#### 10.2 *Dividends – non-UK resident Shareholders*

Subject to certain exceptions, non-UK resident Shareholders will not generally be able to claim repayment from the Inland Revenue of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A Shareholder who is not resident in the UK (for tax purposes) should consult his own tax adviser concerning his tax liabilities on dividends received from the Company.

#### 10.3 *Dividends – Trustees of UK Resident Trusts*

For dividends paid to Trustees of UK resident trusts, the dividend income will be subject to UK income tax at the dividend ordinary rate of 10 per cent. to the extent that the dividend income does not exceed the trust standard rate band (£1,000 for the current tax year). Any amount in the excess of the trust standard rate band is taxed at 32.5 per cent. To the extent that the related notional tax credit exceeds the Trustees' liability to account for income tax, the trustees will have no right to claim repayment of the related notional tax credit. Trustees who are in any doubt as to their position should consult their own tax adviser.

#### 10.4 *Taxation of capital gains*

A disposal of Ordinary Shares by a Shareholder who is either resident or, in the case of individuals, ordinarily resident for tax purposes in the UK may, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains. Broadly, Shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Ordinary Shares unless such Ordinary Shares are used, held or acquire for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency for the purpose of such branch or agency. Such Shareholders may be subject to foreign taxation on any gain under local law. A Shareholder who ceases to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years, and who disposes of the Ordinary Shares during that period of non-residence, may also be liable to UK taxation on chargeable gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such Shareholder's year of return to the UK.

#### 10.5 *Inheritance and gift taxes*

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or on the death of, an individual holder of such assets may be a transfer of value chargeable to UK inheritance tax even if the holder is not domiciled in the UK. Such a transfer of value may be subject to certain exemptions and reliefs that may reduce the inheritance tax otherwise due, notably business property relief under which a transfer of value may be free of tax, provided that the Ordinary Shares have been owned for at least two years. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a chargeable transfer of value. Special rules apply to gifts where the donor reserves or retains some benefit which, in general, could give rise to a liability to UK inheritance tax on the death of the donor. Shareholders should consult an appropriate

professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements. Gifts to individuals or to certain settlements where such gifts are made more than seven years before the death of the donor are generally exempt from inheritance tax.

#### 10.6 *UK stamp duty and stamp duty reserve tax (“SDRT”)*

Any subsequent transfer of Ordinary Shares not held through CREST will generally be liable to stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the nearest £5). An unconditional agreement to transfer Ordinary Shares will generally be subject to SDRT at 0.5 per cent. of the amount or value of the agreed consideration. However, if within the period of six years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any SDRT already paid will be repaid and any liability to SDRT will be cancelled. The liability to stamp duty or SDRT is generally satisfied by the purchaser or transferee.

No stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST, unless such transfer is made for a consideration in money or money’s worth such consideration to constitute a value of at least £1,000, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of the consideration.

A transfer of Ordinary Shares for consideration in money or money’s worth of more than £1,000, effected on a paperless basis within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration.

Where Ordinary Shares are transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, and the consideration for such transfer is more than £1,000 in money or money’s worth, stamp duty or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the amount or value of the Ordinary Shares.

**The above statements are intended only as a general guide to the current tax position under UK taxation law and practice. A Shareholder or potential investor who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the United Kingdom should consult his or her professional adviser without delay.**

### 11. Working Capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company and the Enlarged Group, taking in account the banking and other facilities, will be sufficient for its present requirements, which is for at least twelve months from the date of this Admission.

### 12. General

12.1 The total costs and expenses relating to the Acquisition and Admission are payable by the Company and are estimated to amount to approximately £1 million (including Value Added Tax).

12.2 Daniel Stewart has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which it appears and has approved this document for the purposes of s21 of the Financial Services and Markets Act 2000.

Daniel Stewart, which is authorised and regulated by the Financial Services Authority, is acting for First Artist in relation to the proposals described in this document and is not advising any other person in relation to them. Daniel Stewart will not be responsible to any person other than First Artist for providing the protections afforded to its customers or advising any such person on the proposals.

12.3 Adler Shine LLP has given and not withdrawn its written consent to the inclusion in this Document of references to its name and the inclusion of its reports in the form and context in which they appear

Adler Shine LLP is acting for First Artist in relation to the proposals described in this document and is not advising any other person in relation to them. Adler Shine LLP will not be responsible to any person other than First Artist for providing the protections afforded to its customers or advising any such person on the Proposals.

- 12.4 Other than the trading of the Company's Ordinary Shares on PLUS in 2001, the current trading of the Company's Ordinary Shares on AIM and on PLUS, and the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 12.5 The accounting reference date of the Company is 31 August.
- 12.6 The Ordinary Shares are registered and not bearer shares.
- 12.7 The Ordinary Shares are eligible for settlement in CREST pursuant to the CREST Regulations.
- 12.8 Save as disclosed in this Document, no person (excluding professional advisers whose fees are included in the estimated expenses disclosed in paragraph 12.1 and any trade suppliers) has received, directly or indirectly from the Company within the 12 months preceding the date of this Document or entered into any contractual arrangements whereby that person is entitled to receive directly or indirectly from the Company on or after Admission, either:
  - 12.8.1 fees totalling £10,000 or more;
  - 12.8.2 Ordinary Shares to the value of £10,000 or more;
  - 12.8.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 12.9 Save as disclosed in this Document:
  - 12.9.1 the Directors are unaware of any exceptional factors which have influenced the Enlarged Group's activities;
  - 12.9.2 the Directors are not aware of any patents or other intellectual property rights, licences or particular patents, industrial, commercial or financial contracts which are or may be of fundamental importance to the Enlarged Group's business;
  - 12.9.3 there has been no significant change in the trading or financial position of the Group or any significant trend affecting it since 31 August 2007 being the end of the last audited financial year;
  - 12.9.4 there has been no significant change in the trading or financial position of SpotCo or any significant trend affecting it since 31 December 2007 being the end of the last financial year;
  - 12.9.5 the Directors are not aware of any environmental issues which may affect the Company's utilisation of its tangible fixed assets; and
  - 12.9.6 save for the proposed Acquisition, there are no significant investments in progress.

Dated: 10 October 2008

**Company number: 02725009**

## **NOTICE OF GENERAL MEETING OF FIRST ARTIST CORPORATION PLC**

**NOTICE IS HEREBY GIVEN** that a general meeting of First Artist Corporation plc (the “**Company**”) will be held at the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London, EC2R 8DD on 29 October 2008 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution:

### **ORDINARY RESOLUTIONS**

THAT the acquisition by First Artist Corporation, Inc., a wholly owned subsidiary of the Company, of the entire issued share capital of Spot and Company of Manhattan, Inc. (“**Acquisition**”) pursuant to a conditional acquisition agreement dated 8 August 2008 (and the documents referred to therein) a copy of which has been produced to the meeting and initialled by the Chairman for the purposes of identification and material particulars of which are set out in the Admission Document dated 10 October 2008 be and is hereby approved and that the directors of the Company (“**Directors**”), or a committee of the Directors, be and are hereby authorised to take all necessary steps to effect the Acquisition with all such non-material modifications, variations or amendments as they consider to be in the best interests of the Company.

### **By order of the Board**

Company Secretary

*Registered Office:*  
3 Tenterden Street  
London W1S 1TD

10 October 2008

### **Notes:**

1. At the date of this notice, the issued share capital of the Company was 13,877,371 Ordinary Shares of 2.5p each and the total number of voting rights was 13,877,371.
2. Only holders of Ordinary Shares are entitled to attend and vote at this meeting. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting.
3. A form of proxy is provided with this notice and instructions for use are shown on the form. To be effective, the completed form of proxy must be deposited with the Company’s registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent NR3 4TU not later than 48 hours before the time fixed for holding the meeting (or any adjournment of the meeting) together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a materially certified or office copy of such power of authority.
4. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a ‘vote’ in law and will not be counted in the calculation of the proportion of the votes ‘For’ and ‘Against’ a resolution.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 6.00 p.m. on 27 October 2008 shall be entitled to attend and vote at this extraordinary general meeting in respect of such number of shares registered in their name at that time. Changes to entries on the register of members after 6.00 p.m. on 27 October 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this general meeting to be held on 29 October 2008 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following.

7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with CRESTCo’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of the extraordinary general meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. A copy of the Acquisition Agreement referred to herein will be available for inspection at the offices of Daniel Stewart, Becket House, 36 Old Jewry, London EC2R 8DD and the registered office of the Company between Mondays and Fridays (excluding public holidays) during normal business hours until the close of the General Meeting.



