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 are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

This document comprises an admission document relating to Staffline Recruitment Group plc for the purposes of the Alternative Investment Market of the London Stock Exchange plc. Whilst it is has been drawn up in accordance with the AIM Rules, this document does not comprise a prospectus for the purposes of the POS Regulations and accordingly has not been delivered for registration to the Registrar of Companies in the United Kingdom.

The Directors of the Company, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Ordinary Shares in issue and to be issued pursuant to the Placing and the Acquisition Agreement to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List of the United Kingdom Listing Authority. London Stock Exchange plc has not itself examined or approved the contents of this document. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 8 December 2004.

The whole text of this document should be read. **Your attention is drawn in particular to the section entitled "Risk Factors" in Part II of this document.**

STAFFLINE RECRUITMENT GROUP PLC

(Incorporated and registered in England and Wales with Registered No 5268636)

Placing of 9,191,813 Ordinary Shares of 10p each at a price of 80p per share

Admission of the whole of the ordinary share capital to trading on the Alternative Investment Market

Nominated Adviser and Broker

ORIEL SECURITIES LIMITED

All the New Ordinary Shares the subject of the Placing will rank, on Admission, *pari passu* in all respects with the existing issued Ordinary Shares including the right to receive all dividends or other distributions hereafter declared, paid or made.

Oriel Securities Limited, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser and broker in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. It's responsibilities as the Company's nominated adviser under the AIM rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance in any part of this document. Oriel Securities Limited is acting exclusively for Staffline Recruitment Group plc and no one else in connection with the Placing. Oriel Securities Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Oriel Securities Limited nor for providing advice in relation to the transactions and arrangements detailed in this document. Oriel Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

The Placing described in this document is only being made in the United Kingdom. In particular, this document does not constitute an offer to sell 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 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, subject to certain exceptions, may not be offered or sold in the United States 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 nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act).

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Derek Mapp *(Non Executive Chairman)* Andrew John Hogarth *(Managing Director)* Marshall Owen Evans *(Operations Director)* Andrew Walsh *(Finance Director)* Nicholas Francis Keegan *(Non Executive Director)* All of whose business address is Rodney House, Castle Gate Nottingham NG1 7AW
Company Secretary	Andrew Walsh
Registered and Head Office	Rodney House Castle Gate Nottingham NG1 7AW
Nominated Adviser and Broker	Oriel Securities Limited 4 Wood Street London EC2V 7JB
Reporting Accountants	Grant Thornton UK LLP Enterprise House 115 Edmund Street Birmingham B3 2HJ
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Solicitors to the Company	Wragge & Co LLP 55 Colmore Row Birmingham B3 2AS
Solicitors to the Placing	DLA LLP 3 Noble Street London EC2V 7EE
Public Relations	Smithfield Consultants Limited 78 Cowcross Street London EC1M 6HE
Principal Bankers	Bank of Scotland 15 Queen Street Nottingham NG1 7AW
Registrars	Computershare Investor Services plc Corporate Actions PO Box 859 The Pavilions Bridgwater Road Bristol BS99 1XZ

DEFINITIONS

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

"Acquisition"	the proposed acquisition of the entire issued ordinary and preference share capital of Staffline pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 1 December 2004 made between the Company and all the Vendors under which the Company has, conditional only upon Admission, agreed to acquire the entire issued ordinary and preference share capital of Staffline, a summary of which is set out in paragraph 8 of Part VII of this document
"Act"	the Companies Act 1985 (as amended)
"Admission"	admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules of the London Stock Exchange governing admission to and the operation of AIM
"Board" or "Directors"	the directors of the Company, whose names are set out on page 3 of this document
"Company"	Staffline Recruitment Group plc
"Consideration Shares"	10,004,630 new Ordinary Shares to be issued to certain of the Vendors on completion of the Acquisition Agreement immediately following Admission
"CREST"	the relevant system (as defined in the CREST Regulations), in respect of which CRESTCo Limited is the operator (as defined in the CREST Regulations), in accordance with which securities may be held in uncertified form
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended
"Existing Ordinary Shares"	the existing Ordinary Shares at the date of this document
"Existing VCT Shares"	the 162,800 "B" ordinary shares in Staffline held by funds managed by ISIS
"FSMA"	Financial Services and Markets Act 2000
"Group" or "Staffline Group"	the Company and Staffline and its subsidiaries immediately following completion of the Acquisition
"ISIS Shares"	the 1,628,000 new Ordinary Shares proposed to be issued on Admission to funds managed by ISIS pursuant to the Subscription Letters
"ISIS"	ISIS Equity Partners plc, the UK private equity arm of F&C Asset Management plc
"Loan Notes"	the loan notes issued by Staffline and held by funds managed by ISIS, further details of which are set out in paragraph 8 of Part VII of this document
"London Stock Exchange"	London Stock Exchange plc
"New Ordinary Shares"	the Consideration Shares, the ISIS Shares and the Placing Shares
"Official List"	the Official List of the UKLA
"Ordinary Shares"	Ordinary shares of 10p each in the capital of the Company

"Oriel Securities"	Oriel Securities Limited, the Company's nominated adviser and broker (as defined in the AIM Rules)
"Placing"	the conditional placing of the Placing Shares at the Placing Price by Oriel Securities on behalf of and as agent for the Company, pursuant to the terms and conditions of the Placing Agreement
"Placing Agreement"	the conditional agreement dated 1 December 2004 between the Company, the Directors and Oriel Securities relating to the Placing, details of which are set out in paragraph 7 of Part VII of this document
"Placing Price"	80p per Placing Share
"Placing Shares"	9,191,813 new Ordinary Shares to be issued in connection with the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995, as amended
"Preference Shares"	2,012,261 preference shares of £1 each in the capital of Staffline and held by funds managed by ISIS, to be acquired pursuant to the Acquisition Agreement
"Shareholders"	holders of Ordinary Shares
"Share Option Scheme"	Staffline Recruitment Group plc Share Option Plan, details of which are set out in paragraph 4 of Part VII of this document
"Shares"	the Ordinary Shares
"Staffline"	Staffline Recruitment Limited
"Subscription Letters"	the letters dated 1 December 2004 from funds managed by ISIS to the Company applying to subscribe for the ISIS shares at the Placing Price, conditional only on Admission
"UK"	United Kingdom of Great Britain and Northern Ireland
"UKLA" or "United Kingdom Listing Authority"	the Financial Services Authority, in its capacity as the competent authority for the purposes of Part IV of FSMA and in exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VII of FSMA
"uncertificated" or "in uncertificated form"	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which by virtue of the CREST Regulations, may be transferred by means of CREST
"US" or "United States"	United States of America, each state thereof, its territories and possessions and the District of Columbia and any other area subject to its jurisdiction
"Vendors"	any or all of the shareholders of Staffline immediately prior to the Acquisition

PLACING STATISTICS

Placing Price	80p
Number of Placing Shares to be issued	9,191,813
Number of Ordinary Shares in issue immediately following Admission	20,824,463
Percentage of the Company's enlarged issued ordinary share capital being placed	44.1 per cent.
Estimated net proceeds of the Placing[1]	£6.7 million
Market capitalisation immediately following Admission at the Placing Price	£16.7 million

Note:

(1) Net proceeds are stated after the deduction of estimated expenses of approximately £0.6 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	1 December 2004
Admission, completion of the Acquisition and commencement of dealings in the Ordinary Shares on AIM	8 December 2004
CREST accounts credited (where applicable) by	8 December 2004
Despatch of definitive share certificates (where applicable) by	10 December 2004

* Each of the times and dates above is subject to change

KEY INFORMATION

The following information is derived from and should be read in conjunction with the full text of this document. Sole reliance should not be placed on the information set out below. In particular, your attention is drawn to the section entitled "Risk Factors" in Part II of this document:

Introduction

Staffline Recruitment Group plc is a newly incorporated company which has been formed for the purpose of acquiring Staffline and to seek admission to trading on AIM. The Company has never traded or carried on any activities other than agreeing to acquire all of the shares in Staffline, conditional only on Admission. In addition the Company intends to raise approximately £6.7 million (net of expenses) by way of a Placing.

Background on Staffline

Staffline is a leading provider of recruitment and outsourced human resource services to industry. It specialises in supplying temporary and permanent blue-collar industrial workers, both via a traditional branch network of 21 branches, and through 33 on-site operations located in clients' premises. In addition Staffline has a division called Techsearch, which specialises in temporary and permanent placements in the engineering and fast moving consumer goods sectors.

Staffline provides workers to a range of industries including food production, manufacturing, warehouse and logistics and engineering. In recent years it has focused on non-cyclical and non-seasonal sectors such as food producers, which now represent more than half of Staffline's turnover. Staffline provides over 4,000 fully vetted temporary workers to nearly 400 clients each week, including Sainsbury's, Jacob's and Allied Bakeries.

Since 2002 Staffline has reported steady growth in sales and profit before exceptional items. The Directors believe that Staffline's highly scaleable operating model means that Staffline is well positioned to build on significant growth opportunities for its on-site operations. The marketplace for such a dedicated service is immature which provides Staffline with the opportunity to grow its business as the market opportunities continue to develop. Staffline Group will aim to become the leading provider of outsourced human resources and labour services in the blue-collar sectors in the UK.

Key Strengths

The Directors believe that the key strengths of Staffline are:

- its strong experienced management team, which has a proven track record of commercial success within industry as well as experience of multi-branch operations;
- its proven ability to deliver profitable growth;
- its strong operational cash flow;
- its successful on-site model which is capable of supporting strong growth;
- its track record of long term customer relationships;
- its reputation for high quality customer service; and
- its market sector focus, which reduces the cyclical nature of its business, compared to many of its competitors.

Strategy and Future Growth Opportunities

Following Admission the Group's principal objective is to achieve sustained growth in revenue, profit and cash flow through becoming the leading provider of outsourced human resource and labour services in blue-collar sectors in the UK. The Directors' strategy to achieve this principal objective includes the following key elements:

- Increasing the number of on-site relationships both for existing and new customers;
- Increasing the number of High Street branches with selective openings;

- Expand the type of employee supplied and the range of services offered to customers;
- Exploit the opportunities arising from the increasing legislation surrounding the employment of temporary workers; and
- Selective acquisitions of complementary businesses that are identified as improving the service to existing clients.

Current Trading and Prospects

Since 31 December 2003, Staffline has made progress in moving its business model forward and has seen the number of on-site customers increase from 18 at 31 December 2003 to 33 at the date of this document. The Directors believe that Staffline is well positioned to take advantage of the growth opportunities as demonstrated by this growth in on-site customers as well as Staffline's trading for the nine month period to 30 September 2004. Since 30 September 2004, Staffline's trading has been in line with the expectations of the directors of Staffline. As a consequence, the Directors are confident in the prospects of Staffline.

The Directors forecast that, in the absence of unforeseen circumstances the turnover, operating profit before exceptional items and amortisation of goodwill and loss before tax for the year ending 31 December 2004 will not be less that £48.0 million, £1.8 million or more than £(0.1) million respectively.

Reasons for the Placing and Use of Proceeds

The Company intends to use the net proceeds from the Placing to finance the Acquisition and to repay debt arising from the financing of the management buy out of Staffline's business. The Directors believe that the repayment of this debt will strengthen the balance sheet and improve the financial position of the Group. This will provide additional flexibility to the Staffline Group to support its future growth and development.

The Directors also believe that Admission, by providing liquidity and a market valuation for the Company's equity, in conjunction with the Share Option Scheme, will help the Group attract and retain high quality staff. Furthermore, a quotation on AIM will raise the status and market profile of the Company and will promote further awareness of the Group's business, which the Directors believe will help the Group in developing the business and attracting new customers.

Details of the Placing and Admission

The Placing comprises a placing of 9,191,813 Placing Shares at the Placing Price, which will raise approximately £6.7 million (net of expenses) for the Company. The Placing Shares will represent approximately 44.1 per cent. of the enlarged issued share capital on Admission and following issue of the Consideration Shares.

Oriel Securities has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission to use its reasonable endeavours to place the Placing Shares with institutional and other investors. The Placing Shares will be placed free of expenses and will rank *pari passu* in all respects with the existing Ordinary Shares including the right to all dividends and other distributions declared, paid or made after the date of issue.

The Directors, senior management and ISIS have each undertaken to the Company and Oriel Securities that, subject to certain limited exceptions, they will not dispose of any Ordinary Shares held by each of them following Admission and the completion of the Acquisition, at any time prior to the first anniversary of Admission.

PART I

Information on the Group

INTRODUCTION

Staffline Recruitment Group plc is a newly incorporated company which has been formed for the purpose of acquiring Staffline and to seek admission to trading on AIM. The Company has never traded or carried on any activities save that on 1 December 2004 the Company agreed to acquire all of the Shares in Staffline for an aggregate consideration of approximately £11.3 million comprising the issue of the Consideration Shares and £3.3 million cash, conditional only on Admission pursuant to the Acquisition Agreement and entered into the Placing Agreement and certain other agreements relating to the Placing and Admission, details of which are set out in paragraph 8 of Part VII of this document. The executive directors of the Company are the same as the executive directors of Staffline. The Company intends to raise approximately £6.7 million (net of expenses) by way of the Placing. Further details relating to the Placing are set out in the paragraph titled "Details of the Placing and Admission" below.

INFORMATION ON STAFFLINE

Background

Staffline is a leading provider of recruitment and outsourced human resource services to industry. It specialises in supplying temporary and permanent blue-collar industrial workers, both via a traditional branch network and through on-site operations located in clients' premises. In addition Staffline has a division called Techsearch, which specialises in temporary and permanent placements in the engineering and fast moving consumer goods sectors.

Staffline provides workers to a range of industries including food production, manufacturing, warehouse and logistics and engineering. In recent years it has focused on non-cyclical and non-seasonal sectors such as food producers, which now represent more than half of Staffline's turnover. Staffline's customers include Sainsbury's, Jacob's and Allied Bakeries.

Staffline operates 21 branches and 33 on-site locations throughout the UK and has a small head office based in Nottingham. It provides over 4,000 fully vetted temporary workers to nearly 400 clients each week and employs approximately 180 employees to manage its business. Staffline is currently owned 51 per cent. by the management team and 49 per cent. by funds managed by ISIS.

Since 2002 Staffline has reported steady growth in sales and profit before exceptional items. The Directors believe that Staffline's highly scaleable operating model means that Staffline is well positioned to build on significant growth opportunities for its on-site operations. Staffline Group will aim to become the leading provider of outsourced human resources and labour services in the blue-collar sectors in the UK. There are some smaller owner managed businesses operating in this sector but, the Directors believe that there are relatively few large corporate entities offering a similar dedicated service. This reflects the immaturity of this service within the marketplace and the Directors believe this will offer the Group the opportunity to grow its business as the market opportunities continue to develop.

History

Staffline was founded in the late 1980s and by 2000 had grown to nine branches and was generating turnover of approximately £28 million. A management buy out backed by ISIS took place in July 2000 and the founders left Staffline.

In August 2002 ISIS recruited the current management team of Andrew Hogarth and Marshall Evans because of their wide commercial and industry experience, their strong track record of delivering results and their considerable knowledge of multi-branch operations. Since their appointment Andrew and Marshall have refocused the strategy, placed firmer emphasis on strong systems and cash flow management and developed and expanded the management team. This has resulted in a period of turnover and profit growth. In addition Staffline has now developed a strong "can do" culture throughout the organisation.

Historically Staffline has operated through a network of high street branches but in 2002 Staffline entered into its first on-site operation with Jacob's. Since then the number of on-site operations has grown significantly and Staffline now operates at 33 on-site locations. The latest operation opened in October 2004 with Arla Foods UK plc.

The growth of Staffline is demonstrated by the increase in turnover and profit before exceptional items and amortisation of goodwill from £37.4 million and £1.1 million respectively in the year ended 31 December 2001 to the Directors' forecast of turnover and operating profit before exceptional items and amortisation of goodwill of no less than £48.0 million and £1.8 million for the year ending 31 December 2004, as set out below and in Part V of this document. This growth has been achieved principally through the development of the on-site operations.

Business Model

Operating Divisions

Staffline's operations are focused around three divisions: On-site, Industrial, and Techsearch. In the 9 months to 30 September 2004 the breakdown of turnover by division was 43, 49 and 8 per cent. respectively.

On-site

The on-site is the fastest growing division within Staffline. Under the on-site model, Staffline employees are installed on customers' premises to manage their recruitment function and in some instances other human resource functions. By moving the point of service delivery from a branch to the customers' own premises Staffline has the opportunity to ensure that all of the clients' blue collar recruitment needs are serviced by Staffline. In addition opportunities to provide more temporary workers and/or fill a wider range of employee roles can be more actively identified and developed. The Staffline employee often becomes fully integrated into a client's operating and management system thereby increasing the propensity to develop long-term relationships with these customers. Staffline's business model is intended to build loyalty between Staffline and its customer, rather than at an individual employee level, thus ensuring the customer relationships remain with Staffline.

Staffline has developed a reputation for high levels of customer service and delivery of challenging performance targets. The terms with each customer vary but in some cases Staffline enters into agreements for a period of up to 2 years. Historically these agreements are not always formal written contracts although it is intended to seek such contracts for all new on-site relationships. The combination of these factors and the close integration of the Staffline employee in the customer's business operations means that Staffline's on-site business has a strong retention record. To date Staffline has never lost an on-site relationship. Staffline is content to be flexible with the style of operation, which can range from a pure outsourcing model, to a co-sourcing model requiring greater collaboration and understanding of its clients' needs.

The on-site business model has several advantages in that it requires low running costs compared to a branch. In the majority of cases Staffline only pays its own employee's salary costs to manage the on-site project and the client pays all other associated expenses. This avoids costs associated with running a branch such as rent, rates and utility expenses. As a result the net margins for on-sites are generally higher.

In addition minimal head office support is required which means that the Directors believe that the on-site model is highly scaleable and is capable of supporting considerable growth with limited further investment.

The on-site division has grown significantly since the first on-site was entered into in 2002 and it is expected that over the next 2 to 3 years it will become the biggest division of the Group. The portfolio of on-site relationships has been growing at an average rate of one new relationship a month and has developed as follows: 2002: 6, 2003: 18, 2004 to date: 33. However, it is worth noting that developing relationships with large customers, and in particular the time taken to finalise an on-site agreement, can take between 12-18 months before a commercial relationship commences.

Industrial

This division has a traditional branch infrastructure, with 17 branches located principally within the triangle of Leeds, Liverpool and Northampton. The branches are typically located on the High Street above retail premises and each branch has 15 to 30 clients. Historically the industrial division represented the core business of Staffline and in revenue terms is still the largest division. This balance is expected to alter as the on-site business continues to develop.

Through the branch network of its industrial division, Staffline supplies both temporary and permanent blue-collar workers to a wide variety of industries. It handles all the administration, paperwork and in some instances will provide transportation for workers where required. Whilst not a major growth driver for the Group, the Directors believe that the industrial division will remain an important component of its business not least because the branches regularly act as sources of referrals for potential on-site customers.

Techsearch

Techsearch is Staffline's smallest division, providing technical specialists, contract engineers and managers for permanent or temporary contracts in industry. The division currently operates from four branches.

Systems and training

In 2001 and 2002, Staffline invested £1.25 million in new real time IT systems. As a result each employee (either in the branch or on-site) has access to a bespoke information management system called Navision. This allows for the accurate recording of a range of information including contractor's details, which customers the temporary workers have worked for and the length of assignments. In addition Staffline operates tightly run financial systems focusing on centralised cash flow management.

Staffline has rigorous procedures for checking a temporary worker's identification both locally and then repeated centrally. From May 2004 the Government further tightened the rules surrounding eligibility to work in the UK. Staffline takes this eligibility process very seriously.

Staffline invests considerable resources in training and development for its own employees as well as operating comprehensive training programmes for temporary workers which it is placing in customers' organisations.

Customers

Staffline's customers are predominantly active in food production, manufacturing, warehousing and logistics and engineering sectors. Staffline focuses on food production principally because it is both less cyclical and seasonal in nature. Food production is now Staffline's biggest sector. In the 9 months to 30 September 2004 Staffline's turnover was generated as follows: Food production (56 per cent.), Logistics (22 per cent.), Manufacturing (17 per cent.) and Other (5 per cent.).

Staffline aims to attract customers on an individual site basis even if they are part of a national chain. This means there is little difference in the service offered to a sole unit customer or a unit that is part of a national chain. Staffline is focused on servicing each site or customer individually rather than winning large national contracts. This provides the opportunity to use a relationship at an existing site to get an introduction to other sites operated by the same customer, and allows it to negotiate each agreement individually taking account of local market conditions. The Directors believe that the provision of a locally managed, site-specific service is a key selling point that differentiates itself from some of its competitors.

Major customers include:

- Allied Bakeries, makers of brands such as Allinsons and Kingsmill bread and part of Associated British Foods plc, employ Staffline's on-site services at six of their sites in Cardiff, Liverpool, Stoke, West Bromwich, Orpington and Reading. Total usage of Staffline's temporary workers, who are employed as food production operatives, is over 300 every day. Agreement has recently been reached to extend on-site operations to cover the Allied Bakeries' sites in Glasgow, Stevenage and Walthamstow;

- Hozelock, which manufactures a wide range of garden equipment products and is based in Sutton Coldfield. Staffline entered into an on-site partnership in January 2003 and now manages over 300 temporary workers. Temporary workers managed by Staffline have performed as well as the customer's permanent employees in terms of productivity thereby making substantial cost savings for Hozelock. This has resulted in Hozelock recently agreeing to extend its contract for a further two years, further demonstrating its commitment to Staffline;
- Jacob's entered into an on-site agreement with Staffline in 2002. Staffline provides over 150 temporary workers on its biscuit production line in Leicester from May to December each year, and also acts as the outsourced human resource function at Jacob's for some of its manufacturing operations; and
- Sainsbury's operate a number of Regional Distribution Centres ("RDCs") in order to supply their supermarkets. Staffline entered into an on-site operation at one of the RDCs at Hams Hall in Birmingham in 2004 and now supplies over 200 temporary workers principally involved in 'pick and pack' type operations. Staffline also provides over 50 temporary workers to another RDC in Haywood (Lancashire).

No one customer currently represents more than 12 per cent. of Staffline's revenues or profits. In aggregate the top ten customers account for approximately 52 per cent. of sales. The top ten accounts are the only customers that individually contribute more than 2 per cent. of Staffline's sales. This indicates the diversity in Staffline's customer base albeit that the reliance on the high-volume on-site customers is increasing. Staffline is focused on developing long-term relationships with its customers and to date has experienced strong customer loyalty.

Industry Background and Competition

The recruitment industry covers a wide variety of activities in the UK and it is extremely difficult to estimate accurately the overall size of the market. Differentiations can be made between public and private sector, blue collar and white collar, temporary and permanent staff, as well as between different industry sectors. According to Hays the UK temporary staffing market is worth Euro 35 billion or 18 per cent. of the global staffing market. The recruitment industry is highly competitive and fragmented, with low barriers to entry. It is also often perceived as highly cyclical due to its activity levels correlating strongly with wider economic trends, although this is less so in the blue collar segment of the market.

Staffline operates both a traditional blue-collar recruitment business via its branches and an on-site outsourcing or co-sourcing model for the provision of its human resource services. Staffline encounters competition from a number of different sources which can include large multi-nationals such as Adecco, Manpower, Blue Arrow, and Carlisle Group; regional or niche sector specialists such as Frontline, Right 4 Staff, Encore or Pertemps, and single branch owner managed operations which may have a strong relationship with a particular local employer.

Staffline is not a traditional recruitment business. Its business model is designed to minimise the threat from competition by focusing on non cyclical and non seasonal industries, developing the on-site model to provide a key barrier to entry and ensuring that high levels of site specific, customer service creates differentiation.

Key Strengths

The Directors believe that the key strengths of Staffline are:

- its strong experienced management team, which has a proven track record of commercial success within industry as well as experience of multi-branch operations;
- its proven ability to deliver profitable growth;
- its strong operational cash flow;
- its successful on-site model which is capable of supporting strong growth;

- its track record of long term customer relationships;
- its reputation for high quality customer service; and
- its market sector focus, which reduces the cyclical nature of its business, compared to many of its competitors.

Financial Information

The following summary of financial information relating to Staffline has been extracted without material adjustment from, and should be read in conjunction with, the Accountants' Report set out in Part IV of this document. It summarises the consolidated financial record of Staffline for the three years ended 31 December 2003 and the 9 months ended 30 September 2004. Investors should read the whole of the Accountants' Report and should not just rely on the summary below.

	Year ended 31 December			*9 months ended 30 September*
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Turnover	37,403	38,194	39,872	35,034
Operating profit before exceptional operating items and amortisation of goodwill	1,052	1,248	1,576	1,248
Operating profit	345	99	616	522
Net interest payable	(1,396)	(1,236)	(1,177)	(775)
Loss before tax	(1,051)	(1,137)	(561)	(253)

Staffline has experienced steady growth in turnover between 2001 and 2003 and an increase in operating profit before exceptional items and amortisation of goodwill of 50 per cent. in the same period. This improved profitability reflects a reduction in head office costs following the appointment of the current management team and a rise in Staffline's operating margin as a result of the increase in the more profitable on-site business.

Further financial information on the Group is set out in Parts III and IV of this document.

Current Trading and Prospects

Since 31 December 2003, Staffline has made progress in moving its business model forward and has seen the number of on-site customers increase from 18 at 31 December 2003 to 33 at the date of this document.

The Directors believe that Staffline is well positioned to take advantage of the growth opportunities as demonstrated by the growing number of Staffline's on-site customers as well as Staffline's trading for the nine month period to 30 September 2004. Since 30 September 2004, Staffline's trading has been in line with the expectations of the directors of Staffline. As a consequence, the Directors are confident in the prospects of Staffline.

The Directors forecast that, in the absence of unforseen circumstances the turnover, operating profit before exceptional items and amortisation of goodwill and loss before tax for the year ending 31 December 2004 will not be less than £48.0 million, £1.8 million or more than £(0.1) million respectively. The basis and assumptions underlying the profit forecast are set out in Part V of this document from which the information has been extracted.

STRATEGY AND FUTURE GROWTH OPPORTUNITIES

Following Admission, the Group's principal objective is to achieve sustained growth in revenue, profit and cash flow through becoming the leading provider of outsourced human resource and labour services in blue-collar sectors in the UK. It is expected that the strong cash flow characteristics of Staffline will be able to fund the planned future growth opportunities.

The Directors' strategy to achieve this principal objective includes the following key elements:

Increasing the number of on-site relationships

Staffline has a significant pipeline of new on-site relationships with the rate of new openings currently ahead of anticipated levels. As well as extending the number of sites that Staffline operates for a specific customer the focus is on winning new customers. The on-site model generates higher net margins for Staffline and by increasing the proportion of on-site relationships relative to the other operating divisions, Staffline should be able to increase overall profitability.

Increasing the number of High Street branches

Staffline aims to increase the number of branches with selective openings such as in Manchester in early 2005. This will allow them to increase the number of customers it services and increase the volume of temporary staff under management. In addition the branch network often acts as a source of introductions for new on-site relationships. The Directors also believe that there is scope for improving the mix of business by selling more higher margin skilled personnel where identified within accounts.

Expand the service offering

The Directors believe that the opportunity exists to expand the range of services supplied to customers thereby increasing their reliance on the Group. This could include both expanding the type of temporary employee supplied to a customer from purely production to, for example, administration and commercial, as well as extending the scope of the on-site model to include other human resource functions. A recent example is where Staffline has taken over the operation of the customer's payroll function as part of its on-site relationship.

Opportunities from increasing legislation

The legislation surrounding the employment of temporary workers being implemented by both the European Union and the UK is increasingly complex in its nature. The Directors believe that this increases the administrative burden on many of its smaller competitors and provides the Group with the opportunity to improve its market share. In addition the complexity of the legislation and the risks involved by companies employing illegal workers means that companies are considering outsourcing management of temporary staff to specialists such as Staffline.

Selective acquisitions

The Directors intend to review opportunities to grow through selective strategic purchases of complementary businesses. Although this will be of lower priority to the Group, the Directors will review potential targets that are identified as improving the service to existing clients.

DIVIDEND POLICY

Following Admission the Directors intend to adopt a progressive dividend policy. However, the declaration and payment by the Company of any dividends on the Ordinary Shares and the amount will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

At present Staffline has insufficient reserves to allow payments of dividends by the Company. It is intended shortly after Admission for Staffline to apply to court to implement a reduction of capital to allow the Company to pay dividends in the future.

The first dividend following Admission is expected to be the interim dividend in respect of the year ending 31 December 2005. It is expected that this dividend will be declared in or about September 2005 and payable in or about November 2005.

DIRECTORS AND EMPLOYEES

Board of Directors

Derek Mapp (aged 54), Non-Executive Chairman

Derek has held a variety of executive and non-executive positions in both public and private companies. Following a number of management positions in the brewing industry, Derek founded Tom Cobleigh Limited, which floated on the London Stock Exchange in 1995 and was subsequently acquired by the Rank Group plc in 1996. In 1999 Derek formed Leapfrog Day Nurseries which when it was sold to Nord Anglia in June 2004, employed 1,500 people and generated an annual turnover in excess of £20 million.

Derek has been a non-executive director and a major shareholder of Imagesound plc since its inception, and continues to be a non-executive director of T&F Informa plc as well as a number of privately owned companies. Chairing the East Midlands Development Agency since 1998, Derek also holds a number of positions on Government working groups and agencies. Derek joined Staffline in October 2004.

Andrew John Hogarth (aged 48), Managing Director

Andrew has a wide range of experience in growing, managing, buying and selling businesses. After spending three years as an Adecco franchisee he trained as an accountant. He then joined Pipeline Constructors Group plc, where he led a management buyout of the company. At the time of the subsequent disposal of the company turnover had grown from approximately £17 million to approximately £75 million and the disposal generated a 25 per cent. compound return over six years for the private equity investors. Andrew joined Staffline initially as Finance Director in August 2002 and became Managing Director in February 2003.

Marshall Owen Evans (aged 51), Operations Director

Marshall has extensive experience in multi-branch operations. He spent six years as Operations Director of TIP Trailer Rental and then four years as part of a General Electric Capital acquisition team buying and integrating a number of vehicle rental and contract hire companies. He was subsequently appointed an Executive Director of the enlarged group. Marshall joined Staffline in August 2002.

Andrew Walsh (aged 34), Finance Director

Andrew is a CIMA qualified accountant who joined Staffline in January 2001 as a project accountant. He was promoted to Financial Controller in December 2001 and to Finance Director in October 2004.

Nicholas Francis Keegan (aged 49), Non executive Director

After qualifying as a Chartered Accountant with Price Waterhouse in 1982, Nicholas spent 10 years in corporate finance firstly with Hill Samuel & Co. Limited and then as a director of corporate finance at Barclays de Zoete Wedd Limited. Since 1992 Nicholas has held a variety of group finance director positions in both public and private companies, including Newman Tonks Group PLC, Frederick Cooper plc and latterly at Evenser Group Limited, a venture capital backed group.

Nicholas has been a non-executive director of Interserve Plc since July 2003 where he is a member of the audit, remuneration and nomination committees. He joined the Company in November 2004.

Further information on the Directors is set out in Part VII of this document.

Senior Management

The Directors are supported by the following management team:

Shaun Brittain (aged 40), On-Site Director

Before joining Staffline in August 2000 Shaun's previous career had been with ABC Contract Services, which was subsequently purchased by Corporate Services Group. In his eleven year career with the enlarged group he was promoted from his initial position as branch manager eventually becoming an operations director. He is now responsible for the fastest growing division of Staffline.

Andrew Coop (aged 39), Divisional Director

Andrew has 10 years experience in the recruitment industry, joining Staffline in July 2000 as a Regional Director. Previously he was employed in branch and then area management for ABC Contract Services and Blue Arrow. Andrew is responsible for branches to the west of the M1 corridor.

Craig Buckingham (aged 42), Divisional Director

Craig has had many years experience in manufacturing and logistics operations and has held a range of positions up to managing director level. He joined Staffline in February 2001 and is now responsible for branches to the east of the M1 corridor.

Luigi Puliga (aged 31), Techsearch Regional Director

Luigi has a wide range of experience within the professional recruitment industry. He joined Staffline in August 2003, and was promoted to his current role in October 2004. Prior to joining Staffline his experience included being European manager for both Lorien and Mkworldwide Search.

Steven Imber (aged 41), Regional Manager

Prior to joining Staffline, Steven had extensive experience in the textile industry both as a plant and general manager. He worked in the UK, Canada, India and Peru and has an excellent knowledge of production environments. With nearly 3 years' experience with Staffline he currently manages business in the West Midlands as well as being relationship manager with some of Staffline's largest clients.

Jason Woodcock (aged 33), Regional Manager

Jason's principal responsibility is for branches south of Birmingham. Prior to joining Staffline, he was employed in tourism, as regional manager for JMC Holidays, and with Hard Rock Café as sales and marketing, events manager.

Caroline Bedster (aged 35), Business Systems Manager

Caroline is FCCA qualified and joined Staffline in April 2001 having worked for Williaam Cox Plastics for 10 years. Caroline is responsible for all IT system development and support.

Candy Jackson (aged 28), Head Office Manager

Candy joined Staffline at the age of 17 as the office junior and has worked in almost every department of the Group. She is now responsible for the credit control, payroll, temporary worker transport and human resource functions.

CORPORATE GOVERNANCE

The Directors support high standards of corporate governance and recognise the value of the Principles of Good Governance and The Combined Code on Corporate Governance published in July 2003 ("the Combined Code").

Full compliance with the Combined Code is voluntary for AIM quoted companies. Following Admission the Company intends to comply with the Combined Code so far as is practicable and appropriate for a public company or its size and nature.

The Directors have established a remuneration committee and an audit committee with formally delegated duties and responsibilities. The remuneration committee, consisting of Derek Mapp as chairman and Nicholas Keegan, will determine the terms and conditions of service of (including the remuneration of and grant of options to) executive directors. The audit committee, consisting of Derek Mapp as chairman and Nicholas Keegan, has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Group's accounting and internal controls.

The Directors do not consider that, given the size of the Board, it is appropriate to have a nomination committee. However, this will be kept under regular review by the Board.

The Directors intend to comply with Rule 19 of the AIM Rules relating to Directors' and applicable employees' dealings in the Company's securities and to this end the Company has adopted an appropriate share dealing code.

PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

Pursuant to the terms of the Acquisition Agreement, the Company has agreed conditionally on Admission, to acquire the entire issued ordinary and preference share capital of Staffline from the Vendors.

Under the terms of the Acquisition Agreement, the Vendors have agreed to sell the entire issued ordinary and preference share capital in Staffline to the Company for an aggregate consideration of approximately £11.3 million comprising the issue of the Consideration Shares to certain of the Vendors, and approximately £3.3 million cash for the purchase of the Preference Shares and the Existing VCT Shares.

Completion of the Acquisition Agreement will occur immediately following the Placing and Admission. A summary of the principal terms of the Acquisition Agreement is set out in paragraph 8 of Part VII of this document.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placing will raise approximately £6.7 million (net of expenses) for the Company.

The Company intends to use the net proceeds from the Placing and the subscription for the ISIS Shares to finance the Acquisition and to repay debt arising from the financing of the management buy out of Staffline's business. The proceeds will be used as follows:

- acquisition of the Preference Shares of approximately £2.0 million, pursuant to the Acquisition Agreement;
- acquisition of the Existing VCT Shares of approximately £1.3 million, pursuant to the Acquisition Agreement; and
- repayment of the Loan Notes and associated interest payments, some of which were previously deferred and the remainder accrued, of approximately £4.7 million.

The Directors believe that the repayment of this debt will strengthen the balance sheet and improve the financial position of the Group. This will provide additional flexibility to the Staffline Group to support its future growth and development.

The Directors also believe that Admission, by providing liquidity and a market valuation for the Company's equity, in conjunction with the Share Option Scheme, will help the Group attract and retain high quality staff.

The Directors also believe that the Placing and Admission will raise the status and market profile of the Company and will promote further awareness of the Group's business, which the Directors believe will help the Group in developing the business and attracting new customers.

None of the Vendors are selling the Consideration Shares which they receive pursuant to the Acquisition as part of the Placing.

DETAILS OF THE PLACING AND ADMISSION

The Placing comprises a placing of 9,191,813 Placing Shares at the Placing Price, which will raise approximately £6.7 million (net of expenses) for the Company. The Placing Shares will represent approximately 44.1 per cent. of the enlarged issued share capital on Admission and following issue of the New Ordinary Shares.

Oriel Securities has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission to use its reasonable endeavours to place the Placing Shares with institutional and other investors. The Placing is conditional, *inter alia*, upon:

(a) the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and

(b) Admission becoming effective not later than 8 December 2004, or such later date as Oriel Securities and the Company may agree, being not later than 31 December 2004.

The Placing Shares will be placed free of expenses and will rank *pari passu* in all respects with the existing Ordinary Shares including the right to all dividends and other distributions declared, paid or made after the date of issue.

Following Admission and completion of the Acquisition, the Directors will hold 4,443,510 Ordinary Shares, representing approximately 21.3 per cent. of the enlarged issued share capital of the Company.

Funds managed by ISIS have agreed to participate in the Placing. They have agreed to subscribe for 1,681,688 Ordinary Shares at the Placing Price.

Funds managed by ISIS have further agreed, conditional only on Admission, to reinvest in the Company the proceeds that they receive from the sale of the Existing VCT Shares pursuant to the Acquisition. Under the terms of the Subscription Letters, these funds will subscribe for the ISIS Shares and following Admission, funds managed by ISIS will hold 7,381,688 Ordinary Shares in aggregate, representing approximately 35.4 per cent. of the enlarged issued share capital of the Company.

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and dealing in the Ordinary Shares is expected to commence on 8 December 2004. No temporary documents of title will be issued. All documents sent by or to a placee, or at his discretion, will be sent through the post at the placee's risk. Pending despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

Further details of the Placing Agreement are set out in paragraph 7 of Part VII of this document.

LOCK-INS AND ORDERLY MARKET ARRANGEMENTS

The Directors and senior management have undertaken to the Company and Oriel Securities that, subject to certain limited exceptions, they will not dispose of the Ordinary Shares held by each of them and their connected parties following Admission and the completion of the Acquisition, at any time prior to the first anniversary of Admission ("Lock-in Period") without the prior written consent of Oriel Securities.

Following Admission and the completion of the Acquisition funds managed by ISIS will hold 7,381,688 Ordinary Shares representing approximately 35.4 per cent. of the Company's enlarged issued ordinary share capital. ISIS and those funds managed by ISIS have undertaken to the Company and Oriel Securities that, subject to certain limited exceptions, they will not dispose of any Ordinary Shares, at any time prior to the first anniversary of Admission ("Lock-in Period") without the prior written consent of Oriel Securities.

Furthermore, the Directors and funds managed by ISIS have also undertaken subject to the same limited exceptions as are referred to in the proceeding paragraphs, to the Company and Oriel Securities not to dispose of their Ordinary Shares for a period of twelve months following the end of the Lock-in Period otherwise than through Oriel Securities (or the Company's stockbroker at the relevant time) provided that such stockbroker offers market terms for the carrying out of the disposal.

SHARE OPTION SCHEME

The Directors recognise the vital role of its employees in contributing to the overall success of the Group and the importance of attracting, incentivising and retaining its employees. Therefore the Directors believe that all employees should be given the opportunity to participate and take a financial interest in the success of the Group.

Accordingly, the Company has established the Share Option Scheme, further details of which are set out in paragraph 4 of Part VII of this document. The rules of the Share Option Schemes provide that the Company will not grant options over Ordinary Shares constituting more than 10 per cent. of the Company's issued share capital from time to time. On Admission, options over 499,205 Ordinary Shares, representing approximately 2.4 per cent. of the enlarged issued share capital of the Company on Admission and following the issue of the New Ordinary Shares, will be granted to employees under the terms of the Share Option Scheme.

TAXATION

Information regarding UK taxation in relation to the Placing and Admission is set out in paragraph 9 of Part VII of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

The Company has obtained provisional assurance from the Inland Revenue that, subject to the satisfactory issue of eligible Ordinary Shares and the Company meeting the relevant requirements, they should be able to authorise the Company to issue certificates to qualifying Shareholders for the purpose of the Enterprise Investment Scheme ("EIS").

The continuing availability of EIS relief will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company through the "relevant" period of three years from the date of the investor making his investment (under EIS) or the three years from the date that the Company begins to carry on its trade if later. There is no assurance given by the Directors that the Company will continue to satisfy these requirements.

The Company has applied for provisional approval from the Inland Revenue that the Ordinary Shares will be an eligible VCT investment for the purpose of the Income and Corporation Taxes Act 1988 Schedule 28B and has received provisional confirmation to this effect. The Company cannot guarantee or undertake to conduct its business following Admission so as to ensure that the Company will continue to meet the requirements of Schedule 28B of the Income and Corporation Taxes Act 1988.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Company's Articles of Association permit the holding of Ordinary Shares under CREST. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within CREST if any shareholder so wishes.

CREST is a voluntary system and holders of the Ordinary Shares who elect to receive and retain share certificates will be able to do so.

FURTHER INFORMATION

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

PART II

Risk Factors

An investment in Ordinary Shares is subject to a number of risks. Accordingly, prospective investors should carefully consider all of the information set out in this document and the risks attached to an investment in the Company, including the risks described below, prior to making any investment decision. The information below does not purport to be an exhaustive list or summary of the risks which the Group may encounter following the Acquisition and is not set out in any particular order of priority. Investors should consider carefully whether an investment in the Company is suitable for them in light of the information in this document and the financial resources available to them.

If any of the following risks actually occur, the Group's business, financial condition and/or results of future operations could be materially and adversely affected. In such circumstances, the market price of the Ordinary Shares could decline and an investor may lose all or part of his investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group.

Early stage of development of the on-site model

The on-site model is at a relatively early stage of development compared to the traditional High Street branch business. The first on-site relationship was entered into in 2002 and since then the number of on-site relationships has grown rapidly with Staffline now operating 33 on-sites. The future growth of the Group is highly dependent on the continued expansion of the on-site model and there is no guarantee that the model will develop in the way in which the Directors envisage. This could have an adverse impact on the Group's future financial performance.

Competition

The UK recruitment market is generally highly competitive with low barriers to entry. The Directors intend to continue to operate a business model that they believe minimises the threat from competition, which includes focusing on non cyclical and non seasonal industries, developing the on-site model and providing high levels of customer service. However there is no guarantee that the Group may not face increased significant competition, including from larger competitors who have much greater capital resources and who create or further develop rival on-site models. Increasing competition in the on-site business is likely to increase the pressure on the Group's margins and the Group may be forced to change the nature of its business as a result of competitive factors.

Pricing environment

Staffline negotiates and enters into agreements with its customers on an individual site basis even if the customer is part of a national chain. This allows it to take into account both nationally determined costs and local market conditions when pricing its service. There is no guarantee that the Group will be able to maintain its pricing and margins at the anticipated levels given the highly competitive nature of the market and the increased commoditisation of certain elements of the staffing sub-sector. Greater than expected pressure on gross margins may have an adverse impact on the Group's future profitability.

Reputational risk of ineligible temporary worker

The rules surrounding the eligibility to work in the UK are extremely complex and Staffline has rigorous procedures for checking a temporary worker's identification. If a temporary worker supplied to a customer by Staffline is found to be ineligible to work in the UK then this is likely to have an adverse affect on the Group's reputation with both existing and future customers. This could lead to a loss of future business and as a result adversely affect the Group's financial performance.

Current operating results as an indication of future results

The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, investors should not rely on comparisons with Staffline's results to date as an indication of future performance. Factors that may affect the

Group's operating results include increased competition, unanticipated costs and expenses, slower than expected growth in on-sites, and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Group's operating results will fall below the expectations of securities analysts or investors.

Management of growth

The ability of the Group to implement its growth strategy requires effective planning and management control systems. The Directors anticipate that further expansion will be required to respond to market opportunities and the potential growth in the on-site client base. The Group's growth plans will place additional demand on management, operational, financial and personnel resources. Therefore the Group's future growth and prospects will depend on its ability to manage this growth and to continue to ensure that appropriate operational, financial and management information and quality control systems are in place, whilst maintaining effective cost controls. Any failure to maintain operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial conditions and results of operations.

Lack of formal written contracts

A significant number of Staffline's commercial arrangements with its customers are not supported by formal written contracts. Although Staffline has a proven track record of establishing and developing long-standing relationships with its customers, there can be no guarantee that customers will not terminate their arrangements in the future, and although Staffline is not dependent to a material extent on any single major customer, the loss of a number of customers could have a significant impact on the Group's profits and its reputation.

Recruitment and retention of key employees

The Group's future success is highly dependent on the expertise and continued services of certain key executives and employees, including the executive directors. Recruiting, retaining and incentivising suitably qualified personnel will be important to the Group's success. Although Staffline enters into employment arrangements with each of its key employees to secure their services, takes its Investor in People status very seriously and has adopted the Share Option Scheme to incentivise personnel, the Group cannot guarantee the recruitment and retention of such key executives and employees. As a result, the loss of service of any of the Group's key personnel may adversely affect the Group's business, its results of operations and financial condition.

Regulation and Legislation

Staffline's business is governed by the increasingly complex area of employment law. Legislation and its interpretation by the courts has been focussed on giving employment rights to temporary and part-time workers. Compliance with such laws and future court rulings may increase costs and impact margins that the Group is able to achieve.

EIS/VCT

The Company has received provisional approval from the Inland Revenue confirming that its activities and the Ordinary Shares to be issued should qualify under the EIS and under the VCT legislation. Neither the Company nor the Company's advisers give any warranties or undertakings that EIS relief or VCT qualifying status will be available or that, if given, such relief or status will not be withdrawn by virtue of the Company's future actions. In any event the Company's strategy and the best interests of Shareholders as a whole cannot, over the long-term be influenced by whether or not capital gains tax, VCT or EIS reliefs are available to Shareholders and investors should not rely on the availability of those reliefs in deciding to invest in the Company.

Should the law regarding EIS or VCT change, then any reliefs or qualifying status previously obtained may be lost. If the Company ceases to carry on the business outlined in this document during the three year period from the last allotment of the Ordinary Shares, this would prejudice the qualifying status of the Company under the EIS and VCT scheme. This situation will be closely monitored with a view to preserving the Company's qualifying status but this cannot be guaranteed.

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

Securities traded on AIM

The Ordinary Shares will be traded on AIM rather than 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 shares in the Company may be influenced by a number of factors some of which may pertain to the Group and others of which are extraneous. The volume of share trading on AIM can be limited and this may restrict the ability of shareholders to dispose of their shareholding at any particular time.

PART III

Accountants' Report on the Company

Grant Thornton

Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

The Directors
Staffline Recruitment Group plc
Rodney House
Castle Gate
Nottingham
NG1 7AW

and

The Directors
Oriel Securities Limited
4 Wood Street
London
EC2V 7JB

1 December 2004

Dear Sirs

STAFFLINE RECURUITMENT GROUP PLC (THE COMPANY)

1. Introduction

1.1 We report on the financial information set out in paragraphs 2 to 5. This financial information has been prepared for inclusion in the Company's admission document dated 1 December 2004 (the Admission Document).

Basis of preparation

1.2 The financial information set out in paragraphs 2 to 5 below is based on the transactions of the Company from incorporation on 25 October 2004 to 31 October 2004. No adjustments were considered necessary.

Responsibility

1.3 The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

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

Basis of opinion

1.5 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

1.7 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 the Company at 31 October 2004.

Consent

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

2. Statutory information

2.1 Statutory information on the Company is as set out in paragraph 1 of Part VII of this Admission Document.

2.2 The Company has not completed its first accounting period. No statutory financial statements have been prepared or audited since incorporation.

2.3 As at 31 October 2004 the Company had not traded.

3. Accounting policies

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

4. Balance sheet at 31 October 2004

	Note	*At 31 October 2004* £
Cash at bank and in hand		2
Share capital	5.1	2

5. Notes to the financial information

5.1 *Share capital*

	£
Authorised	
593,265 Ordinary shares of 10p each	59,327
407,200 'A' Ordinary shares of 10p each	40,720
162,800 'B' Ordinary shares of 10p each	16,280
1,832,400 Preference shares of £1 each	1,832,400
	1,948,727
Called up, issued and fully paid	
2 ordinary share of £1 each	2

The Company was incorporated on 25 October 2004 with an authorised share capital of £1,948,727 as detailed above. Two ordinary shares were issued on incorporation at a nominal value of £1. On 11 November 2004 the preference shares, 'A' ordinary shares and 'B' ordinary shares were classified as Ordinary Shares. The £1 ordinary shares were sub-divided into Ordinary Shares and the authorised share capital was increased to £3,050,000 divided into 30,000,000 Ordinary Shares and 50,000 redeemable shares of £1 each.

Details of the rights of each class of share are set out in paragraph 3 of Part VII of this Admission Document.

Yours faithfully

GRANT THORNTON UK LLP

PART IV

Accountants' Report on Staffline Recruitment Limited

Grant Thornton

The Directors
Staffline Recruitment Group plc
Rodney House
Castle Gate
Nottingham
NG1 7AW

and

The Directors
Oriel Securities Limited
4 Wood Street
London
EC2V 7JB

Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

1 December 2004

Dear Sirs

STAFFLINE RECRUITMENT LIMITED (STAFFLINE)

1. Introduction

1.1 We report on the financial information set out in paragraphs 2 to 7. This financial information has been prepared for inclusion in the Admission Document dated 1 December 2004 of Staffline Recruitment Group plc (the Company).

Basis of preparation

1.2 The financial information set out in paragraphs 2 to 7 below is based on the audited financial statements of Staffline for the three years ended 31 December 2003 and the nine months ended 30 September 2004 and has been prepared on the basis set out in paragraph 3.1 to which no such adjustments were considered necessary.

Responsibility

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

1.4 The directors of the Company are responsible for the contents of the Admission Document relating to the proposed flotation of the Company dated 1 December 2004 in which this report is included.

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

Basis of opinion

1.6 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that obtained by Blueprint Audit Limited in respect of the two years ended 31 December 2002 and KPMG LLP in respect of the year ended 31 December 2003 and the nine months ended 30 September 2004, who audited the financial statements and underlying financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

1.8 In our opinion the financial information gives, for the purposes of the Admission Document dated 1 December 2004, a true and fair view of the results and cash flows of Staffline for each of the three years ended 31 December 2003 and the nine months ended 30 September 2004 and the state of affairs of Staffline at the end of each of those periods.

Consent

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

2. Statutory Information

2.1 Staffline Recruitment Limited was incorporated on 18 May 2000 as Castlegate 148 Limited. On 8 August 2002 Staffline changed its name from Castlegate 148 Limited to Staff-Line Recruitment Limited. On 2 October 2002 Staffline changed its name from Staff-Line Recruitment Limited to Staffline Recruitment Limited.

3. Accounting policies

3.1 *Basis of accounting*

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost convention. Under section 229(2) of the Companies Act 1985 Staffline is exempt from the requirement to prepare group financial statements. This financial information presents information about the company as an individual undertaking and not about its group, as the subsidiaries are not material in aggregate and are dormant.

3.2 *Goodwill*

Purchased goodwill, which is the difference between the fair value of consideration paid and the net assets acquired, is capitalised at cost less any provision for impairment in value, carried on the balance sheet and charged to the profit and loss account over its expected useful life of 20 years.

3.3 *Turnover*

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of temporary and permanent employees to third party customers.

3.4 *Tangible fixed assets and depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual values, over their expected useful lives. During the nine months ended 30 September 2004 the directors reappraised the estimated useful life of certain assets, primarily office furnishings (see note 7.1). Additionally they have amended the estimated useful life of each category of assets and as of 1 January 2004 only capitalise assets with an individual value of over £10,000. The following annual rates are now used to calculate the depreciation charge:

Computer equipment	– 33 per cent. straight line
Fixtures, fittings and equipment	– 33 per cent. straight line

3.5 *Investments*

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

3.6 *Leasing and hire purchase commitments*

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental is charged to the profit and loss account on a straight-line basis.

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

3.7 *Pensions*

Staffline operates defined contribution schemes for its employees. They are money purchase schemes with pensions provided by independent pension suppliers. The pension costs charged in the financial statements represent the contribution payable by Staffline during the period.

3.8 *Deferred taxation*

Deferred taxation is provided in full on material timing differences at the rate of taxation which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

4. Profit and loss accounts

	Notes	Year ended 31 December 2001 £'000	2002 £'000	2003 £'000	9 months ended 30 September 2004 £'000
Turnover	7.1	37,403	38,194	39,872	35,034
Cost of sales		(28,077)	(29,450)	(31,124)	(27,489)
Gross profit		9,326	8,744	8,748	7,545
Administrative expenses		(8,981)	(8,645)	(8,132)	(7,023)
Operating profit before exceptional items and amortisation of goodwill		1,052	1,248	1,576	1,248
Exceptional costs	7.1	—	(465)	(293)	(219)
Amortisation		(707)	(684)	(667)	(507)
Operating profit	7.1	345	99	616	522
Interest receivable		132	36	—	—
Interest payable and similar charges	7.3	(1,528)	(1,272)	(1,177)	(775)
Loss on ordinary activities before taxation		(1,051)	(1,137)	(561)	(253)
Taxation	7.4	62	61	60	(110)
Loss after taxation		(989)	(1,076)	(501)	(363)
Finance costs in respect of non-equity shares		—	—	—	(151)
Loss for the financial year/period transferred from reserves	7.15	(989)	(1,076)	(501)	(514)

There are no recognised gains or losses other than the losses for the years/period.

5. Balance sheets

	Notes	As at 31 December 2001 £'000	2002 £'000	2003 £'000	As at 30 September 2004 £'000
Fixed assets					
Intangible assets	7.5	12,523	11,839	11,172	10,665
Tangible assets	7.6	1,585	1,296	938	381
Investments	7.7	9	9	9	9
		14,117	13,144	12,119	11,055
Current assets					
Debtors	7.8	8,170	5,846	5,839	7,620
Cash at bank and in hand		2,806	—	646	148
		10,976	5,846	6,485	7,768
Creditors: amounts falling due within one year	7.9	(9,859)	(8,498)	(9,210)	(10,445)
Net current assets/(liabilities)		1,117	(2,652)	(2,725)	(2,677)
Total assets less current liabilities		15,234	10,492	9,394	8,378
Creditors: amounts falling due after more than one year	7.10	(14,949)	(11,120)	(8,141)	(7,532)
Provisions for liabilities and charges	7.12	(134)	(297)	(51)	(7)
Net assets/(liabilities)		151	(925)	1,202	839
Capital and reserves					
Called up share capital	7.14	116	116	1,948	1,948
Share premium	7.16	889	889	889	889
Profit and loss account	7.15	(854)	(1,930)	(1,635)	(1,998)
Shareholders' funds/(deficit)	7.17	151	(925)	1,202	839

6. Cash flow statements

	Notes	*Year ended 31 December* 2001 £'000	2002 £'000	2003 £'000	*9 months ended 30 September* 2004 £'000
Net cash inflow from operating activities	7.18	445	2,752	1,766	1,630
Returns on investments and servicing of finance					
Interest received		127	36	—	—
Interest paid		(1,311)	(463)	(627)	(464)
Interest element of hire purchase and finance lease payments		—	(26)	(26)	(20)
Net cash outflow from returns on investments and servicing of finance		(1,184)	(453)	(653)	(484)
Taxation					
Corporation tax (paid)/received		(455)	132	—	—
Capital expenditure					
Purchase of tangible fixed assets		(364)	(160)	(63)	(50)
Sale of tangible fixed assets		12	9	—	—
Net cash outflow from capital expenditure		(352)	(151)	(63)	(50)
Equity dividends paid		(31)	—	—	—
Financing					
Cash inflow from new bank loans		200	5,750	—	—
Repayments of bank loans		—	—	(800)	(900)
Movement on other loans		2,496	(760)	664	(518)
Repayments on loan notes		(965)	(9,728)	—	—
Capital element of hire purchase and finance lease payments		(39)	(234)	(234)	(176)
Net cash inflow/(outflow) from financing		1,692	(4,972)	(370)	(1,594)
Increase/(decrease) in cash	7.19/7.20	115	(2,692)	680	(498)

7. Notes to the financial information

7.1 *Turnover and operating profit*

The total turnover of Staffline for the periods under review has been derived from its principal activity being the provision of temporary staff and recruitment consultancy. 99.85 per cent. of turnover in the period ended 30 September 2004 arose from activities within the United Kingdom (years ended 31 December 2003, 2002, and 2001: 100 per cent.).

The operating profit is stated after charging/(crediting):

	Year ended 31 December			*9 months ended 30 September*
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Auditors remuneration:				
– audit services	12	7	13	14
– non-audit services	—	2	3	2
Amortisation of goodwill	707	684	667	507
Depreciation – owned assets	111	86	63	89
Depreciation – assets held under hire purchase contracts and finance leases	23	327	316	236
(Profit)/loss on disposal of tangible fixed assets	(11)	(8)	42	62
Operating lease rentals	128	97	74	37
Movement in provision in respect of onerous leases	—	216	(186)	(23)
Exceptional items:				
– restructuring costs	—	465	293	—
– loss on disposal of fixed assets	—	—	—	219

During the nine months ended 30 September 2004, the Directors reviewed the estimated useful lives of fixtures and fittings and have accelerated the depreciation to write off the net book value over the reassessed estimated useful lives. The accelerated depreciation amounted to £35,000.

During the nine months ended 30 September 2004, the Directors have performed a detailed physical inventory of fixtures and fittings for assets which have been scrapped or are no longer in use. The loss on disposal of £219,000 arises as a result of this review. The restructuring costs in the years ended 31 December 2003 and 31 December 2002 relate predominantly to redundancy payments to former Directors.

7.2 *Staff costs and Directors' emoluments*

Staff costs

	Year ended 31 December			*9 months ended 30 September*
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Wages and salaries	4,943	4,153	4,104	3,748
Social security costs	456	396	420	371
Other pension costs	88	51	52	39
	5,487	4,600	4,576	4,158

The average numbers of employees during each year/period were as follows:

	Year ended 31 December			*9 months ended 30 September*
	2001	*2002*	*2003*	*2004*
	No.	*No.*	*No.*	*No.*
Sales and administration	204	183	155	175

Directors Emoluments

	Year ended 31 December 2001 £'000	Year ended 31 December 2002 £'000	Year ended 31 December 2003 £'000	9 months ended 30 September 2004 £'000
Directors' emoluments	322	509	255	167
Compensation for loss of office	30	233	79	—
Company contributions to personal pension plans	18	27	17	12
	370	769	351	179

Amounts in respect of the highest paid Director were as follows:

	Year ended 31 December 2001 £'000	Year ended 31 December 2002 £'000	Year ended 31 December 2003 £'000	9 months ended 30 September 2004 £'000
Director's emoluments	102	168	93	82
Company contributions to personal pension plans	7	3	9	7
	109	171	102	89

During the period ended 30 September 2004 Staffline contributed to the personal pension plans of two directors (year ended 31 December 2003: 3, years ended 31 December 2002: 3 and year ended 31 December 2001: 3).

7.3 *Interest payable and similar charges*

	Year ended 31 December 2001 £'000	Year ended 31 December 2002 £'000	Year ended 31 December 2003 £'000	9 months ended 30 September 2004 £'000
Amortisation of debt issue costs	83	91	91	68
Amounts payable on loan notes	1,074	578	434	223
Amounts payable on bank loans and overdrafts	335	567	594	440
Hire purchase interest payable	26	26	4	20
Other interest payable	10	10	54	24
	1,528	1,272	1,177	775

7.4 *Taxation*

(a) *Analysis of (credit)/charge in the year/period*

	Year ended 31 December 2001 £'000	Year ended 31 December 2002 £'000	Year ended 31 December 2003 £'000	9 months ended 30 September 2004 £'000
UK corporation tax at 30% (2003: 30%; 2002: 30%; 2001: 30%)	(124)	—	—	220
Adjustment in respect of prior years	(10)	(8)	—	—
Total current tax for the year/period	(134)	(8)	—	220
Total deferred tax for the year/period	72	(53)	(60)	(110)
Tax (credit)/charge on loss on ordinary activities	(62)	(61)	(60)	110

(b) *Factors affecting the tax (credit)/charge for each year/period*

The tax assessed for each year/period is different to the standard rate of corporation tax in the UK of 30 per cent. The differences are explained as follows:

	Year ended 31 December 2001 £'000	2002 £'000	2003 £'000	9 months ended 30 September 2004 £'000
Loss on ordinary activities before tax	(1,051)	(1,137)	(561)	(253)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(315)	(341)	(168)	(76)
Effects of:				
Goodwill amortisation not deductible for tax purposes	212	205	200	152
Other expenses not deductible for tax purposes	45	17	27	18
Short term timing differences	—	(2)	(5)	—
Depreciation in year/period in (deficit)/excess of capital allowances	(66)	35	49	135
Tax losses carried forward	—	86	—	—
Adjustment to tax charge in respect of prior periods	(10)	(8)	—	—
Marginal rate relief	—	—	—	(9)
Tax losses utilised in the year/period	—	—	(103)	—
Current tax (credit)/charge for the year/period	(134)	(8)	—	220

7.5 *Intangible fixed assets*

	Goodwill £'000
Cost	
At 1 January 2001, at 31 December 2001, 2002, 2003 and at 30 September 2004	13,511
Amortisation	
Brought forward at 1 January 2001	281
Charge for the year	707
At 31 December 2001	988
Charge for the year	684
At 31 December 2002	1,672
Charge for the year	667
At 31 December 2003	2,339
Charge for the period	507
At 30 September 2004	2,846
Net book value	
As at 31 December 2001	12,523
As at 31 December 2002	11,839
As at 31 December 2003	11,172
As at 30 September 2004	10,665

7.6 *Tangible fixed assets*

	Computer equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
Brought forward at			
1 January 2001	77	517	594
Additions	1,123	90	1,213
Disposals	—	(14)	(14)
At 31 December 2001	1,200	593	1,793
Additions	62	98	160
Disposals	—	(18)	(18)
At 31 December 2002	1,262	673	1,935
Additions	63	—	63
Disposals	—	(70)	(70)
At 31 December 2003	1,325	603	1,928
Additions	50	—	50
Disposals	(162)	(508)	(670)
At 30 September 2004	1,213	95	1,308
Depreciation			
Brought forward at			
1 January 2001	19	30	49
Charge for the year	42	92	134
Provision for impairment	29	9	38
Eliminated on disposals	—	(13)	(13)
At 31 December 2001	90	118	208
Charge for the year	261	152	413
Provision for impairment	35	—	35
Eliminated on disposals	—	(17)	(17)
At 31 December 2002	386	253	639
Charge for the year	296	83	379
Eliminated on disposals	—	(28)	(28)
At 31 December 2003	682	308	990
Charge for the period	250	76	326
Eliminated on disposals	(100)	(289)	(389)
At 30 September 2004	832	95	927
Net book value			
As at 31 December 2001	1,110	475	1,585
As at 31 December 2002	876	420	1,296
As at 31 December 2003	643	295	938
As at 30 September 2004	381	—	381

The Directors have reviewed the estimated useful life of certain fixtures and fittings, primarily office furnishings and partitions, and as a result additional depreciation of £35,000 has been charged in the nine month period ended 30 September 2004. Additionally the Directors have performed a physical inventory of fixtures and fittings for assets which are no longer in use or have been scrapped. As a result of this review they highlighted assets with a net book value of £219,000 for which Staffline no longer received any benefit, which are recorded above as disposals for which no proceeds have been received.

Included above are assets held under hire purchase contracts or finance leases as follows:

		As at 31 December		*As at 30 September*
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Net book value				
Computer equipment	1,100	912	597	360

There were no capital commitments at 30 September 2004, 31 December 2003, 31 December 2002 or 31 December 2001.

7.7 *Investments*

Staffline owns 100 per cent. of the ordinary share capital of Staff-Line SLR Limited and Techsearch Limited. Both subsidiary undertakings were dormant throughout the period. The net assets of Staff-Line SLR Limited at 30 September 2004 were £9,000 (31 December 2003, 2002 and 2001: £9,000) and the net assets of Techsearch Limited at 30 September 2004 were £10 (31 December 2003, 2002 and 2001: £10).

7.8 *Debtors*

		As at 31 December		*As at 30 September*
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Trade debtors	7,789	5,592	5,562	7,294
Prepayments and accrued income	257	254	277	237
Other debtors	124	—	—	—
Deferred tax asset	—	—	—	89
	8,170	5,846	5,839	7,620

7.9 *Creditors: amounts falling due within one year*

		As at 31 December		*As at 30 September*
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Bank loans	1,200	1,600	1,200	1,200
Bank overdraft	148	34	—	—
Other loan	3,486	2,726	3,390	2,872
Obligations under hire purchase contracts and finance leases	234	234	195	19
Trade creditors	853	678	784	1,669
Amounts owed to subsidiary undertaking	9	9	9	9
Corporation tax	—	—	282	502
Other creditors, including social security and other taxes	2,897	2,177	2,290	2,641
Accruals and deferred income	1,032	1,040	1,060	1,533
	9,859	8,498	9,210	10,445

The bank loans and overdraft are both secured by a fixed and floating charge over the assets of Staffline.

The other loan included above is secured on the trade debtors of Staffline and bears interest at commercial rates.

7.10 *Creditors: amounts falling due after more than one year*

	As at 31 December			As at 30 September
	2001	2002	2003	2004
	£'000	£'000	£'000	£'000
Loan notes	14,520	4,883	3,142	3,210
Bank loans (note 7.11)	—	5,350	4,950	4,050
Obligations under hire purchase contracts and finance leases	429	195	—	—
Accruals and deferred income	—	692	49	272
	14,949	11,120	8,141	7,532

7.11 *Borrowings*

Borrowings are repayable as follows:

	As at 31 December			As at 30 September
	2001	2002	2003	2004
	£'000	£'000	£'000	£'000
Within one year				
Bank loan	1,200	1,600	1,200	1,200
Other loan	3,486	2,726	3,390	2,872
Hire purchase contracts and finance leases	234	234	195	19
After one and within two years				
Bank loan	—	1,600	1,200	1,200
Loan notes	1,600	—	—	—
Hire purchase contracts and finance leases	234	195	—	—
After two and within five years				
Bank loan	—	3,750	3,750	2,850
Loan notes	13,258	5,130	3,298	3,298
Hire purchase contracts and finance leases	195	—	—	—
Debt issue costs on loan notes	(338)	(247)	(156)	(88)
	19,869	14,988	12,877	11,351

Debt issue costs are being amortised over the redemption period of the loan notes in accordance with FRS4 'Capital Instruments'.

During the year ended 31 December 2003 £1,832,400 of the loan notes were converted to preference shares. The loan notes accrue interest at 9 per cent. and the outstanding interest at 30 October 2003 of £1,077,300 was waived as part of the financial restructuring. Additionally, the payment of interest on the remaining notes for the period to 31 December 2003 has been deferred until any subsequent sale of the business.

7.12 *Provision for liabilities and charges*

	Onerous leases	Deferred taxation	Total
	£'000	£'000	£'000
At 1 January 2001	—	62	62
Movements in the year	—	72	72
At 31 December 2001	—	134	134
Movements in the year	216	(53)	163
At 31 December 2002	216	81	297
Movements in the year	(186)	(60)	(246)
At 31 December 2003	30	21	51
Movements in the period	(23)	(21)	(44)
At 30 September 2004	7	—	7

7.13 *Provision for deferred taxation*

The deferred tax liabilities/(assets) comprise the following:

	As at 31 December			*As at 30 September*
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Accelerated capital allowances	134	81	49	(89)
Other timing differences	—	—	(2)	—
Losses carried forward	—	—	(26)	—
	134	81	21	(89)

7.14 *Share capital*

	As at 31 December			*As at 30 September*
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Authorised, allotted, called up and fully paid				
Ordinary shares of 10p each	59	59	59	59
'A' Ordinary shares of 10p each	41	41	41	41
'B' Ordinary shares of 10p each	16	16	16	16
Preference shares of £1 each	—	—	1,832	1,832
	116	116	1,948	1,948

On 30 October 2003, Staffline entered into agreements with its shareholders to restructure its finances. The holders of the loan notes, represented by ISIS, agreed to the following:

- 1,832,400 of £1 preference shares were issued for a consideration of £1,832,400 satisfied by the conversion of loan notes of the same amount.
- Accrued interest of £1,077,300 was waived by the holders of the loan notes. In consideration of this waiver the shareholders have amended the split of proceeds on a subsequent sale of the business. Accordingly the waiver of the accrued interest is treated within the financial information as a capital contribution by the shareholders and taken directly to profit and loss reserves after deducting the related tax charge of £282,000. The Articles of Association set out in detail the different rights of each class of share.

Preference shares

The £1 cumulative redeemable preference shares have a coupon of 9 per cent. The holders of the preference shares have agreed that any dividend accruing in the period to 31 December 2004 will not be paid until the subsequent sale of the business.

The preference shares are redeemable at par per share subject to there being no arrears of dividend payment on the 'A' ordinary shares or the preference shares.

On a winding up the preference shares would rank first and be paid pro-rata with any capital and interest payments due to the holders of the loan notes.

At 30 September 2004 cumulative preference dividends not paid amounted to £151,000 (31 December 2003, 31 December 2002 and 31 December 2001: £nil).

'A' ordinary shares

In respect of all financial years ending after 31 December 2003 the 'A' ordinary shares are entitled to a cumulative dividend calculated as a proportion of net profits after deducting the preference dividend.

On a winding up the 'A' ordinary shares would rank behind the preference shares and would be entitled to £1 per share together with a sum equal to all unpaid arrears in relation to the cumulative dividend.

The 'A' ordinary shares rank *pari passu* with the 'B' ordinary shares and the ordinary shares except as summarised above.

7.15 *Profit and loss account*

	As at 31 December			As at 30 September
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Brought forward	135	(854)	(1,930)	(1,635)
Loss for year/period	(989)	(1,076)	(501)	(514)
Loan interest waiver and related tax charge (see 7.14)	—	—	796	—
Finance cost in respect of non-equity shares	—	—	—	151
Carried forward	(854)	(1,930)	(1,635)	(1,998)

In accordance with the provisions of FRS4, Staffline has appropriated through the profit and loss account finance costs in respect of the cumulative redeemable preference shares. However, as Staffline does not have sufficient distributable reserves to appropriate such costs, the costs have been credited back within profit and loss account reserves.

7.16 *Share premium account*

	As at 31 December			As at 30 September
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Brought forward and carried forward	889	889	889	889

7.17 *Reconciliation of movement in shareholders' funds/(deficit)*

	Year ended 31 December			9 months ended 30 September
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Loss for year/period	(989)	(1,076)	(501)	(514)
Issue of preference shares (see 7.14)	—	—	1,832	—
Loan interest waiver and related tax charge (see 7.14)	—	—	796	—
Finance cost in respect of non-equity shares	—	—	—	151
Net (decrease)/increase in shareholders' funds	(989)	(1,076)	2,127	(363)
Shareholders' funds/(deficit) brought forward	1,140	151	(925)	1,202
Shareholders' funds/(deficit) carried forward	151	(925)	1,202	839
Equity shareholders' funds/(deficit)	151	(925)	(630)	(1,144)
Non-equity shareholders' funds	—	—	1,832	1,983
	151	(925)	1,202	839

7.18 *Net cash inflow from operating activities*

	Year ended 31 December			9 months ended 30 September
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Operating profit	345	99	616	522
Depreciation charge	134	413	379	326
Provision for impairment	38	35	—	—
Movement on provision for onerous leases	—	216	(186)	(23)
Amortisation of goodwill	707	684	667	507
(Profit)/loss on disposal of fixed assets	(11)	(8)	42	281
(Increase)/decrease in debtors	(1,802)	2,200	7	(1,692)
Increase/(decrease) in creditors	1,034	(887)	241	1,709
Net cash inflow from operating activities	445	2,752	1,766	1,630

7.19 *Reconciliation of net cash flow to movement in net debt*

	Year ended 31 December			9 months ended 30 September
	2001	*2002*	*2003*	*2004*
	£'000	*£'000*	*£'000*	*£'000*
Increase/(decrease) in cash in the year/period	115	(2,692)	680	(498)
Cash inflow from inception of bank loan	(200)	(5,750)	—	—
Repayment of bank loan	—	—	800	900
Cash outflow from repayment of loan notes	965	9,728	—	—
Movement in other loans	(2,496)	760	(664)	518
Repayments of hire purchase contracts	39	234	234	176
Movement in net debt resulting from cash flows	(1,577)	2,280	1,050	1,096
Inception of finance leases	(702)	—	—	—
Conversion of loan notes to preference shares	—	—	1,832	—
Movement in net debt in the year/period	(2,279)	2,280	2,882	1,096
Net debt at start of the year/period	(15,270)	(17,549)	(15,269)	(12,387)
Net debt at the end of the year/period	(17,549)	(15,269)	(12,387)	(11,291)

7.20 *Analysis of movement in net debt*

2001

	At 1 January 2001	*Cash flow*	*Inception of finance leases*	*At 31 December 2001*
	£'000	*£'000*	*£'000*	*£'000*
Cash at bank and in hand	2,544	262	—	2,806
Overdraft	(1)	(147)	—	(148)
	2,543	115	—	2,658
Bank loans	(1,000)	(200)	—	(1,200)
Loan notes	(15,823)	965	—	(14,858)
Other loans	(990)	(2,496)	—	(3,486)
Obligations under hire purchase contracts and finance leases	—	39	(702)	(663)
	(15,270)	(1,577)	(702)	(17,549)

2002

	At 1 January 2002 £'000	Cash flow £'000	Inception of finance leases £'000	At 31 December 2002 £'000
Cash at bank and in hand	2,806	(2,806)	—	—
Overdraft	(148)	114	—	(34)
	2,658	(2,692)	—	(34)
Bank loans	(1,200)	(5,750)	—	(6,950)
Loan notes	(14,858)	9,728	—	(5,130)
Other loans	(3,486)	760	—	(2,726)
Obligations under hire purchase contracts and finance leases	(663)	234	—	(429)
	(17,549)	2,280	—	(15,269)

2003

	At 1 January 2003 £'000	Cash flow £'000	Non-cash flow items £'000	At 31 December 2003 £'000
Cash at bank and in hand	—	646	—	646
Overdraft	(34)	34	—	—
	(34)	680	—	646
Bank loans	(6,950)	800	—	(6,150)
Loan notes	(5,130)	—	1,832	(3,298)
Other loans	(2,726)	(664)	—	(3,390)
Obligations under hire purchase contracts and finance leases	(429)	234	—	(195)
	(15,269)	1,050	1,832	(12,387)

Nine months ended 30 September 2004

	At 1 January 2004 £'000	Cash flow £'000	Inception of finance leases £'000	At 30 September 2004 £'000
Cash at bank and in hand	646	(498)	—	148
Overdraft	—	—	—	—
	646	(498)	—	148
Bank loans	(6,150)	900	—	(5,250)
Loan notes	(3,298)	—	—	(3,298)
Other loans	(3,390)	518	—	(2,872)
Obligations under hire purchase contracts and finance leases	(195)	176	—	(19)
	(12,387)	1,096	—	(11,291)

The non-cash movement in the year ended 31 December 2003 relates to £1,832,400 of loan notes that were converted to preference shares during that year (note 7.14).

7.21 *Commitments*

Staffline had annual capital commitments under non-cancellable operating leases as follows:

	As at 31 December 2001 £'000		As at 31 December 2002 £'000		As at 31 December 2003 £'000		As at 30 September 2004 £'000	
	Land and buildings	*Other*	*Land and buildings*	*Other*	*Land and buildings*	*Other*	*Land and buildings*	*Other*
Expiry date:								
Within one year	13	13	9	14	60	39	20	17
Between one and five years	180	75	249	66	142	24	226	—
After five years	118	—	51	—	92	—	52	—
	311	88	309	80	294	63	298	17

7.22 *Contingent liabilities*

There were no contingent liabilities at 30 September 2004, 31 December 2003, 31 December 2002 or 31 December 2001.

7.23 *Pension scheme*

Contributions to employees' personal pension plans are charged to the profit and loss account in the period in which they become payable.

During the nine months ended 30 September 2004 contributions to employees' personal pension plans amounted to £39,453 (year ended 31 December 2003: £52,021, year ended 31 December 2002: £50,585 and year ended 31 December 2001: £87,748). At 30 September 2004 pension contributions of £5,328 (31 December 2003: £4,854, 31 December 2002: £21,131 and 31 December 2001: £32,829) were payable and were included in creditors.

7.24 *Related party disclosures*

Terence Watson, Chairman and non-executive director of Staffline from 31 January 2002 was the Chairman of Robinson Healthcare Limited. During the nine months ended 30 September 2004 sales to Robinson Healthcare Limited were £289,442 (year ended 31 December 2003: £681,221 and year ended 31 December 2002: £74,906) and the amount due from that company at 30 September 2004 was £36,615 (31 December 2003: £52,366 and 31 December 2002: £66,161).

Yours faithfully

GRANT THORNTON UK LLP

PART V

Profit Forecast for Staffline Recruitment Limited

Profit forecast for Staffline Recruitment Limited for the year ending 31 December 2004

Having made due and careful enquiry, the Directors forecast that, on the basis and assumptions set out below and in the absence of unforeseen circumstances, the turnover, and operating profit before exceptional item and amortisation of goodwill will be not less than, and the loss before tax for the year ending 31 December 2004 (the "Profit Forecast") will be not more than as follows:

	Year ending 31 December 2004 £'000
Turnover	48,000
Operating profit before exceptional items and amortisation of goodwill	1,827
Loss before tax	(136)

Basis of preparation

The Profit Forecast as set out above is based upon management projections prepared by Staffline Recruitment Limited. It takes account of the results shown in the audited interim accounts for the nine months to 30 September 2004, as set out in Part IV of this document, the results shown by the unaudited management accounts for the month ended 31 October 2004 and Directors' forecasts for the two months ending 31 December 2004.

The Profit Forecast has been prepared under the historical cost convention on a basis consistent with the accounting policies normally adopted by Staffline Recruitment Limited. In preparing the Profit Forecast, the Directors have made the following principal assumptions, which are outside their control:

(i) there will be no significant industrial, commercial, economic or political disputes or other interruptions to business adversely affecting Staffline Recruitment Limited, its operations or its customers;

(ii) there will be no material change in the rates of taxation in the UK;

(iii) there will be no significant change in economic conditions; and

(iv) there will be no material change in regulations or legislation in the UK affecting Staffline Recruitment Limited.

Grant Thornton

The Directors
Staffline Recruitment Group plc
Rodney House
Castle Gate
Nottingham
NG1 7AW

and

The Directors
Oriel Securities Limited
4 Wood Street
London
EC2V 7JB

Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

1 December 2004

Dear Sirs

Staffline Recruitment Limited

We have reviewed the accounting policies and calculations for the profit forecast of Staffline Recruitment Limited for the year ending 31 December 2004 (the "Profit Forecast") as set out in Part I and Part V of the Admission Document of Staffline Recruitment Group plc (the Company) dated 1 December 2004.

The Profit Forecast has been prepared under the historical cost convention and is based on the results as shown by the audited interim accounts for the nine months ended 30 September 2004, the unaudited management accounts for the month ended 31 October 2004 and the Directors' forecasts for the two months ending 31 December 2004.

Responsibilities

The Profit Forecast is the sole responsibility of the directors of the Company. It is our responsibility to form an opinion, as to whether the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the bases and assumptions made by the Directors of the Company.

Basis of opinion

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the bases and assumptions stated.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

Opinion

In our opinion the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the bases and the assumptions stated by the directors of the Company set out in the Admission Document and has been prepared on a basis consistent with the accounting policies of Staffline Recruitment Limited.

Yours faithfully

GRANT THORNTON UK LLP

Oriel
SECURITIES

The Directors
Staffline Recruitment Group plc
Rodney House
Castle Gate
Nottingham
NG1 7AW

1 December 2004

Dear Sirs

We refer to the AIM Admission Document issued in connection with the proposed admission to AIM and related fundraising, containing statements by the Directors of Staffline Recruitment Group plc (the "Company") that the Directors forecast that, on the basis and assumptions stated and in the absence of unforeseen circumstances, the turnover and operating profit before exceptional items and amortisation of goodwill will be not less than, and the loss before tax for the year ending 31 December 2004 (the "Profit Forecast") will be not more than £48.0 million, £1.8 million and £(0.1) million, respectively.

We have discussed the Profit Forecast, together with the basis and assumptions upon which it has been made, as set out in Part V of this document, with the Directors and Grant Thornton UK LLP. We have also considered the letter dated 1 December 2004 from Grant Thornton UK LLP addressed to yourselves and ourselves regarding the accounting policies and basis on which the Profit Forecast has been compiled.

Taking into account these discussions and having regard to the letter from Grant Thornton UK LLP, we are satisfied that the Profit Forecast, for which the Directors are solely responsible, has been made after due and careful enquiry by the Company.

Yours faithfully
for and on behalf of
Oriel Securities Limited

Andrew Edwards
Partner, Corporate Finance

PART VI

Pro-forma statement of net assets

The pro-forma statement of net assets of the Group is provided for illustrative purposes only to show the effect on the balance sheet of the Group had the Placing and Acquisition occurred on 30 September 2004. It has been compiled on the basis described below. Due to its nature, the pro-forma statement of net assets may not give a true picture of the financial position of the Group and is designed to give only an indication of the net assets of the Group.

	Staffline Recruitment Group plc as at 31 October 2004 £'000	*Staffline as at 30 September 2004 £'000*	*Placing and Subscription net proceeds (Note 2) £'000*	*Use of proceeds (Note 3) £'000*	*Unaudited Pro forma Group £'000*
Fixed assets					
Intangible assets	—	10,665	—	—	10,665
Tangible assets	—	381	—	—	381
Investments	—	9	—	—	9
	—	11,055	—	—	11,055
Current assets					
Debtors	—	7,620	—	—	7,620
Cash at bank and in hand	—	148	8,013	(8,013)	148
	—	7,768	8,013	(8,013)	7,768
Creditors: amounts falling due within one year	—	(10,445)	—	—	(10,445)
Net current assets/(liabilities)	—	(2,677)	8,013	(8,013)	(2,677)
Total assets less current liabilities	—	8,378	8,013	(8,013)	8,378
Creditors: amounts falling due after one year	—	(7,532)	—	3,622	(3,910)
Provisions for liabilities and charges	—	(7)	—	—	(7)
Net assets/(liabilities)	—	839	8,013	(4,391)	4,461

Notes

1. The financial information relating to Staffline has been extracted, without adjustment, from the audited balance sheet of Staffline as at 30 September 2004, which is included in Part IV of this document.

   The financial information relating to the Company has been extracted without adjustment, from the audited balance sheet of the Company as at 31 October 2004, which is included in Part III of this document.
2. The adjustment reflects the gross proceeds of the Placing of approximately £7.3 million, less estimated expenses of approximately £0.6 million. It also reflects the subscription by funds managed by ISIS of approximately £1.3 million.
3. The adjustment reflects the proposed acquisition of Preference Shares of approximately £2.0 million and of Existing VCT Shares of approximately £1.3 million and the proposed repayment of loan notes and related interest of approximately £4.7 million.
4. The pro-forma financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act.
5. No adjustment has been made to take account of trading, capital or other movements subsequent to the latest balance sheets and profit and loss accounts included in the Accountants' Reports on the Company and Staffline set out in Parts III and IV respectively of this document.

Grant Thornton

The Directors
Staffline Recruitment Group plc
Rodney House
Castle Gate
Nottingham
NG1 7AW

and

The Directors
Oriel Securities Limited
4 Wood Street
London
EC2V 7JB

Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

1 December 2004

Dear Sirs

Pro forma financial information

We report on the pro forma financial information set out above, which has been prepared, for illustrative purposes only, to provide information about how the Acquisition, Placing and Admission might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of Staffline Recruitment Group plc (the Company) to prepare the pro forma financial information.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of the Company; and
- the adjustments are appropriate for the purposes of the pro forma financial information as disclosed.

Yours faithfully

GRANT THORNTON UK LLP

PART VII

Additional Information

1. The Company

1.1 The Company was incorporated and registered in England and Wales under the Act on 25 October 2004 as a public limited company with the registered number 5268636. The Company was incorporated with the name Staffline Recruitment Group plc. The Company was issued with a certificate to commence business and borrow pursuant to section 117 of the Act on 1 December 2004.

1.2 The Company is a public limited company and, accordingly, the liability of its members is limited.

1.3 The principal legislation under which the Company operates is the Companies Act 1985 and the regulations made thereunder.

1.4 The Company's registered office is at Rodney House, Castle Gate, Nottingham NG1 7AW.

1.5 The business of the Company and its principal activity is to act as a holding company. The Group's activities and operations will be operated by Staffline on completion of the Acquisition, which will be a wholly owned subsidiary of the Company.

1.6 On Completion of the Acquisition the Company will have the following subsidiary undertakings within the meaning of section 736 of the Act:

Name of Company	*Place of Incorporation and registered number*	*Principal Activity*	*Interest held (%)*
Staffline Recruitment Limited	England and Wales 3996086	Provision of temporary staff and recruitment consultancy	100
Techsearch Limited	England and Wales 3494598	Non-trading dormant company	100
Staff-line Trustees Limited	England and Wales 4346051	Non-trading dormant company	100
Staff-line SLR Limited	England and Wales 2436612	Non-trading dormant company	100

2. Share Capital

2.1 The following table shows the authorised and issued share capital of the Company as at the date of this document and immediately following Admission:

	At present		*Immediately following Admission*	
	No. of Shares	*Nominal Value/£*	*No. of Shares*	*Nominal Value/£*
Ordinary Shares:				
Authorised	30,000,000	3,000,000	30,000,000	3,000,000
Issued and fully paid	20	2	20,824,463	2,082,446
Redeemable Shares:				
Authorised	50,000	50,000	50,000	50,000
Issued	50,000	50,000	—	—

Note the redeemable shares are paid up to 25 pence each.

2.2 The Ordinary Shares shall have the rights and be subject to the restrictions referred to in paragraph 3 of this Part VII.

2.3 The redeemable shares have been issued on the basis that they have no rights save to be redeemed at an amount equal to the nominal value paid up at the time of redemption on Admission or 31 December 2004 which ever is earlier, and to participate in a winding up of the Company up to their nominal value *pari passu* with the Ordinary Shares. These redeemable shares will be redeemed on Admission.

2.4 The Ordinary Shares to be issued under the Placing, the Subscription Letters and the Acquisition will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of this document.

2.5 The Board has resolved to grant the following options pursuant to the Share Option Scheme to subscribe for Ordinary Shares conditional on Admission:

Date of grant	*No. of Ordinary Shares*	*Exercise price per Ordinary Share*	*Exercise period*
1 December 2004	499,205	80p	1 December 2006 – 1 December 2011

2.6 Save as set out above, at Admission, the Company will not have any Ordinary Shares in issue or under option save for shares to be subscribed pursuant to the Placing and the Subscription Letters and to be issued on completion of the Acquisition. In addition, the Company will not have in issue any securities not representing share capital or any outstanding convertible securities.

2.7 Save as disclosed in this Part VII:

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

2.7.2 no share or loan capital of the Company or any of its subsidiary undertakings is under option or is agreed conditionally or unconditionally to be put under option;

2.7.3 no commission, discount, brokerage or any other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company; and

2.7.4 no fee and no founder, management or deferred shares have been issued by the Company.

3. Memorandum and Articles of Association

3.1 *Memorandum of Association*

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association, which is available for inspection at the address specified in paragraph 14 below.

3.2 *The Articles of Association*

The Articles of Association of the Company (the "**Articles**") adopted on 11 November 2004 contain, *inter alia*, provisions to the following effect:

3.2.1 *Voting rights*

Subject to any restrictions imposed by or pursuant to the Articles, on a show of hands every member personally present (or, being a corporation, present by a duly appointed representative) shall have one vote only, and in case of a poll, every member present in person or by proxy shall have one vote for every share held by him.

No holder of a share shall, unless the Directors otherwise determine, be entitled (save as proxy for another member) to be present or vote at a general meeting either personally or by proxy if:

(a) any call or such other sum as is presently payable by him to the Company in respect of that share remains unpaid; or

(b) he or any other person who appears to be interested in that share has been duly served, pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares, with a notice requiring the provision to the Company of information regarding that share, and is in default in complying with such notice.

Holders of redeemable shares have no right to receive notice of, attend or vote at a general meeting of the Company.

3.2.2 *Dividends*

The Company may by ordinary resolution declare dividends out of the profits of the Company available for distribution but no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay interim dividends of such amounts and on such dates as they think fit.

(a) Subject to any rights or privileges for the time being attached to any shares having preferential or special rights in regard to dividend, the profits of the Company which it shall from time to time be determined to distribute by way of dividend shall be applied in payment of dividends upon the shares in proportion to the amounts paid up thereon respectively. If any share is issued upon terms providing that it shall rank for dividend as from or after a particular date, or be entitled to dividends declared after a particular date, such share shall rank for or be entitled to dividends accordingly. Dividends may be paid in any currency.

(b) The Directors may retain any dividend payable on or in respect of a share on which the Company has a lien or (except in the circumstances specified in the Articles) if (a) a notice has been duly served in respect of that share pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares, (b) the share or shares which are the subject of that notice represent in aggregate at least 0.25 per cent. of that class of share and (c) the notice has not been complied with within the period stipulated in the notice (which must not be less than 14 days).

(c) Any dividend remaining unclaimed after a period of 12 years from the date such dividend becomes due for payment shall be forfeited and shall revert to the Company.

The holders of redeemable shares shall not be entitled to receive a dividend.

3.2.3 *Distribution of assets on a winding-up*

Subject to any special rights for the time being attached to any class of shares, on a return of assets on liquidation or otherwise the surplus assets remaining after payment of the Company's liabilities shall be distributed in proportion to the amounts paid up or deemed to be paid up on the shares of the Company then in issue. The redeemable shares shall rank *pari passu* with the ordinary shares on a winding up to the value of their nominal value.

3.2.4 *Changes in capital*

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any shares in the capital of the Company for the time being may be allotted with such special rights, privileges or restrictions as the Company may by ordinary resolution (before the allotment of such shares) from time to time determine.

The Company may from time to time by ordinary resolution increase its capital by the creation of new shares.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or

(b) cancel any shares which at the date of the passing of the relevant resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled; or

(c) by sub-division of its existing shares, or any of them, divide its capital, or any part thereof, into shares of a smaller amount.

The Company may from time to time by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

The Company may from time to time purchase its own shares (including any redeemable shares) but no contract for such a purchase shall be entered into unless the purchase has previously been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of securities issued by the Company which are listed and convertible into shares which are of the same class as those proposed to be purchased.

3.2.5 *Variation of class rights and class meetings*

Whenever the share capital is divided into different classes of shares, all or any of the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be modified, varied, extended, abrogated or surrendered either in such manner (if any) as may be provided by such rights or (in the absence of any such provision) with the written consent of the holders of at least three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To every separate general meeting of the holders of a particular class of shares the provisions of the Articles relating to general meetings shall *(mutatis mutandis)* apply except that:

(a) no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of a share of that class;

(b) the necessary quorum shall be two persons at least present in person and holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question;

(c) if any such separate general meeting shall be adjourned by reason of there being no quorum present and at the adjourned meeting a quorum as defined above shall not be present within five minutes after the time appointed for such adjourned meeting, one holder of shares of the class in question present in person or by proxy shall be a quorum;

(d) any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and

(e) on a poll every holder of shares of the class in question who is present in person or by proxy shall have one vote for every share of that class held by him.

3.2.6 *Transferability*

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors or by any other method which is authorised by statute and approved or adopted by the Directors. Any such instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect thereof.

The Directors may in their absolute discretion, and without assigning any reason therefor refuse to register any transfer of a share:

(a) on which the Company has a lien;

(b) (except in the circumstances specified in the Articles) if (i) a notice has been duly served in respect of that share pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares, (ii) the share or shares which are the subject of that notice represent in aggregate at least 0.25 per cent of that class of share and (iii) the notice has not been complied with within the period stipulated in the notice (which must not be less than 14 days);

(c) which is in favour of more than four persons jointly.

The Directors may also decline to recognise a transfer of shares unless it is in respect of only one class of share and is deposited at the place where the register of members of the Company is kept for the time being (or at such other place as the Directors may from time to time determine) accompanied (save in the case of a transfer by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange, unless and to the extent that certificates must by law have been issued in respect of the shares in question) by the relevant share certificate(s) and in any case such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

3.2.7 *Directors*

Unless and until otherwise determined by the Company by ordinary resolution, the number of directors (other than any alternate directors) shall be not more than eight or less than two.

Save as provided in the Articles, a director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he has any interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company), and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

(a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company; or

(b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or

(c) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; or

(d) any other company in which he or any person connected with him is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company) of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances); or

(e) an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or

(f) the purchase and/or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.

Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the Directors may from time to time determine provided that such fees do not in the aggregate exceed the sum of £150,000 per annum (exclusive of value added tax if applicable) or such other figure as the Company may by ordinary resolution from time to time determine.

Any director who devotes special attention to the business of the Company, or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a director, may be paid such additional remuneration as the Directors or any committee authorised by the Directors may determine.

A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine, and no director or intending director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other such office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or any person connected with him is in any way interested (whether directly or indirectly) be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established, but his interest shall be disclosed by him in accordance with the Act.

The remuneration and other terms and conditions of appointment of a director appointed to any executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

Subject to the provisions of the Articles the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its holding company (if any) or any subsidiary of the Company or its holding company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (which expression in the relevant Articles means and includes the Company and all its subsidiaries for the time being) and for the time being owing to persons outside the Group shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the Adjusted Capital and Reserves as defined in the Articles. The certificate of the Auditors for the time being as to the amount of the Adjusted Capital and Reserves at any time shall be conclusive and binding upon all concerned.

Each director shall retire from office pursuant to section 293 of the Act at the conclusion or adjournment of the annual general meeting commencing next after he attains the age of seventy years and, subject to the provisions of section 293(5) of the Act, shall be eligible for re-appointment.

4. Share Option Scheme

4.1 *Introduction*

The Staffline Recruitment Group PLC Share Option Plan (the "Plan") was adopted by Board resolution (conditional upon Admission) on 12 November 2004.

Under the Plan rules, the Company will be able to grant options to employees of the Company and its subsidiaries to subscribe for Ordinary Shares.

4.2 *Eligibility to participate*

Employees (including directors employed under a contract of employment) who are employed by the Company or any of its subsidiaries are eligible to receive options under the Plan.

Employees who devote substantially the whole of their working time to the business of the Company and its subsidiaries ("full time employees") will be able to receive "EMI options", which attract a favourable tax treatment.

Employees who do not meet this working time requirement ("part time employees") will also be eligible to receive options on similar terms, but those options will not receive a favourable tax treatment.

The Company's Remuneration Committee (the "Committee") will administer the Plan.

4.3 *Types of options*

The Plan will be operated in one of two ways.

First, the Committee may, at its discretion, select employees to receive options. These are referred to as "discretionary options". Alternatively, the Committee may determine to offer options to substantially the whole (at least 90 per cent.) of the workforce on similar terms. These are referred to as "all-employee options".

Discretionary options and all-employee options will be granted on identical terms except for the following two differences:

(a) Discretionary options will be subject to performance conditions. All-employee options will not; and

(b) Directors of the Company (other than Andrew Walsh) may not participate in all-employee options, but they may receive discretionary options.

If the Company wishes to grant all-employee options, it must offer participation to at least 90 per cent. of the workforce on similar terms. The number of shares placed under option may vary by reference to one or more objective factors (chosen by the Committee) such as employee's remuneration, length of service, or number of hours worked.

4.4 *Grants of Options*

Options may be granted within 42 days after:

(a) Admission;

(b) the announcement of the Company's interim or final results;

(c) the issue by the Company of any prospectus, listing particulars or similar documents; or

(d) any announcement of modifications to the legislation governing share option schemes.

Options may also be granted outside of these periods in circumstances considered sufficiently exceptional by the Committee.

No option will be granted to an employee who is within six months of his normal or contractual date of retirement.

An option is personal to the employee to whom it is granted and is not transferable (save that it may be exercised by an option holder's personal representatives following death).

Option certificates must be issued within 28 days of the date of grant. An option holder receiving an EMI option must also sign an agreement accepting the grant of that option. If he does not do so within thirty days, he will be deemed to have renounced the EMI option.

4.5 *Exercise Price*

Options must be granted at a price which is the higher of:

(a) The closing mid-market price of an Ordinary Share on the dealing day immediately preceding the date of grant; and

(b) The nominal value of an Ordinary Share.

4.6 *Performance Conditions*

If the Committee grants a discretionary option, it must also specify objective performance criteria that must be achieved before that option may be exercised. It is intended that performance conditions will conform to institutional shareholder guidelines and best practice provisions in force from time to time.

Once a discretionary option has been granted, the performance conditions applicable to that option may be amended by the Committee if, by reason of events which have occurred since the conditions were specified, the Committee considers that amendments are required to produce a fairer or more appropriate measure of performance.

All-employee options will not be subject to performance conditions.

4.7 *Timing of the exercise of Options*

All options will become exercisable two years after they are granted.

Options may be exercised earlier, in the following circumstances:

(a) *Change of control or Winding Up*

Options may be exercised in the six months following:

(i) a change of control as a result of a general offer or as a result of a compromise or arrangement sanctioned under Section 425 of the Companies Act 1985;

(ii) a voluntary members winding up of the Company;

(iii) the sanction of a scheme of amalgamation or reconstruction under Section 425 of the Companies Act 1985.

If any person becomes bound or entitled to exercise rights of compulsory acquisition of shares under Sections 428 to 430 of the Companies Act 1985 options will be exercisable in the period during which that person remains so bound or entitled.

(b) *Termination of employment*

If an employee terminates his employment he may exercise all options held by him within six months of termination, provided he is a "good leaver". An option holder is a good leaver if either the Committee designates him as such, or his employment terminates for one of the following reasons:

(i) Redundancy;

(ii) Retirement at the usual age, or (with the Committee's consent) early retirement;

(iii) Injury, disability or permanent incapacity;

(iv) Death; or

(v) The group company or business for which he works is transferred outside of the Group.

Options which become exercisable as a result of termination of employment before the second anniversary of the date of grant may not be exercised in full, but may only be exercised *pro rata* to the period of time that has elapsed since the option was granted.

Options exercised early in these circumstances will not be subject to performance conditions.

If control of the Company changes hands as a result of a share for share exchange, or options become exercisable due to any of the events described in paragraph 4.7 (a), a holder of an EMI option may by agreement release his EMI option in exchange for an option in respect of shares in another company. The new option must be equivalent to the option released.

4.8 *Lapse of options*

Options lapse on the earliest of the following dates or events:

(a) On the seventh anniversary of the date of grant;

(b) On termination of employment of the option holder, if the option holder is not a "good leaver";

(c) Six months after termination of employment of the option holder, if the option holder is a "good leaver";

(d) At the end of the periods in which options may be exercised on a change of control or winding up (see paragraph 4.7(a));

(e) If the option holder ceases to have legal or beneficial ownership of the option;

(f) In the case of a discretionary option, if the performance conditions applicable to that option are not met.

4.9 *Individual Limits*

In any three-year period no employee may receive EMI options and Revenue approved CSOP options over shares with an aggregate market value (as at date of grant) in excess of £100,000.

In any calendar year, no employee may receive options under the Plan over shares with an aggregate exercise price in excess of one year's base salary.

4.10 *Plan Limits*

The aggregate market value (as at date of grant) of shares subject to outstanding EMI options cannot exceed £3 million.

In any ten-year period, the number of shares over which options may be granted under the Plan, or any other share scheme, may not exceed 10 per cent. of the issued share capital. Options which have been cancelled or surrendered, or which have lapsed, shall be disregarded when calculating this limit.

4.11 *Adjustments*

In the event of any capitalisation or rights issue or open offer or any sub-division reduction consolidation or other variation of the capital of the Company adjustments (certified by the auditors to be in their opinion fair and reasonable) may be made to the number or nominal amount of shares which may be acquired on the exercise of options and/or the exercise prices of such shares.

4.12 *Exercise of Options*

The Company will keep available sufficient authorised but unissued shares to permit the exercise of all unexercised options.

Shares allotted under the Plan will rank *pari passu* in all respects with the shares for the time being in issue, save for any right attaching to such shares by reference to a record date prior to the date of allotment.

Option holders must account for all income tax and national insurance (both employees' and employer's) arising on exercise of options.

4.13 *Amendments*

The Committee may amend the Plan or any option at any time save that no amendment may be made (otherwise than as mentioned in paragraphs 4.6 and 4.11 above):

(a) to the advantage of executives or option holders to the provisions of the Plan relating to:

(i) the persons to whom options may be granted;

(ii) the limitations on the number or amount of shares subject to the Plan;

(iii) the maximum entitlement for any one executive or option holder;

(iv) the basis for determining the entitlement of an executive or option holder to, and the terms of, shares and for the adjustment thereof in the event of a capitalisation issue, rights issue, open offer, subdivision or consolidation of shares or reduction of capital or any other variation of capital,

without the prior approval of the Company's shareholders in general meeting (except for minor amendments to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plan or for the Company or members of its group); or

(b) which would materially affect an option holder as regards an option granted prior to the amendment being made, unless the option holder has consented.

4.14 *Termination*

Either the Company or the Board may terminate the Plan at any time (but without prejudice to subsisting options). No option may be granted after the tenth anniversary of the adoption of the Plan.

5. Directors' and other interests

5.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and their immediate families and the persons connected with them (within the meaning of Section 346 of the Act) in the issued share capital of the Company which (i) have been notified by each director to the Company pursuant to Section 324 and/or 328 of the Act; or (ii) are required to be disclosed in the Register of Directors' interests as maintained pursuant to Section 325 of the Act; or (iii) so far as the Directors are aware having made due and proper enquiry of such persons as are connected (within the meaning of Section 346 of the Act) with each Director, are interests of a connected person of a Director which would, if the connected person were a director of the Company, be required to be disclosed under paragraphs (i) or (ii) above, (a) as at the date of this document and (b) as expected to be immediately following Admission:

Shareholder	*Prior to Admission* Number of Ordinary Shares	*Prior to Admission* Percentage of the issued Ordinary Share capital	*Immediately following Admission* Number of Ordinary Shares	*Immediately following Admission* Percentage of the issued Ordinary Share Capital
Derek Mapp	—	—	62,500	0.3
Andrew John Hogarth	10	50	2,850,010	13.7
Marshall Owen Evans	10	50	1,454,080	7.0
Andrew Walsh	—	—	58,170	0.3
Nicholas Francis Keegan	—	—	18,750	0.1

1. Andrew John Hogarth owns 50,000 redeemable shares paid up to 25 pence each which will be redeemed on Admission.

5.1.1 The Board has resolved to grant the following options pursuant to the Share Option Scheme conditional on Admission:

Name of Director	*Date of grant*	*Number of Ordinary Shares*	*Exercise price per Ordinary Share*	*Exercise period*
Andrew Walsh	1 December 2004	12,250	80p	1 December 2006 – 1 December 2011

5.1.2 Funds managed by ISIS have granted options over 218,619 Ordinary Shares held by them to Andrew Hogarth in pursuant of his obligation under the Staffline Executive Bonus Scheme, as summarised in this Part VII, paragraph 6.6.

5.2 Save as disclosed in this Part VII, none of the Directors (or any person connected with the Directors within the meaning of Section 346 of the Act) has or will immediately following Admission have any interest whether beneficial or otherwise in the issued share capital of the Company or any of its subsidiaries.

5.3 In addition to their directorships in the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years immediately prior to the date of this document (other than subsidiaries of Staffline identified at paragraph 1.6 above):

Director	*Current directorships*	*Past directorships*
Andrew John Hogarth	Culpeper Care Limited	Utility Network Solutions Limited E. O'Donnell (Bradford) Limited Birchmire Limited P.L. Construction Limited Morgan Utilities Group PLC Pipeline Constructors (Northern) Limited Mangor Plant Hire Limited Morgan Utilities Limited
Marshall Owen Evans	None	CTR Pension Trustees Limited T.I.P Pension Trustees Limited GE Capital TLS Ltd T.I.P. Europe Limited
Andrew Walsh	None	None
Derek Mapp	Mapp Developments Limited Pembridge Hotels Limited Imagesound Retail Music and Media Limited T&F Informa Plc	Bionagro Farm Services Limited Coxmoor Developments Limited The Cross House Hotel Limited Cleverskill Limited Mapp Deer Farms Limited

Director	*Current directorships*	*Past directorships*
Derek Mapp *(continued)*	Imagesound PLC Mapp Consulting Taylor & Francis PLC	Sound Hire Limited Mapp Farms Limited Muzak (UK) Limited Churchill China PLC Taylor & Francis Group Limited Leapfrog Properties Limited Leapfrog Day Nurseries (Trading) Limited Leapfrog Day Nurseries Limited
Nicholas Francis Keegan	Interserve Plc	NT Access Limited Cooper (1700) Limited Frederick Cooper Limited Lockart Limited Parsoncliff Limited T. Marshlain & Company Limited Happich Profiles Limited Cooper (MF) Limited Hendersons Limited CPP Timber & Manufacturing Limited Cooper Coated Oil Limited J. & Y. (Plastics) Limited Stevensons of Shipley Limited Cooper Hill End Limited JMV Machinery Limited Frederick Cooper Specialist Engineering A.B.T. Hardware Limited Cooper Architectural Hardware Limited Cooper (1900) Limited Cooper (2300) Limited Cooper (2301) Limited Cooper (1200) Limited Walfab Limited W.E.T. Engineering Company Limited Groupco Limited Cooper (1800) Limited Cooper (1000) Limited Cooper (1100) Limited Cooper (100) Limited Cooper (700) Limited Frederick Cooper Electrical Products Limited Cooper (900) Limited Cooper (200) Limited Cooper (2000) Limited Blangowrie International Limited Northgate Controls Limited Cooper (1300) Limited

Director	*Current directorships*	*Past directorships*
Nicholas Francis Keegan *(continued)*		Cooper (1500) Limited Cooper (1400) Limited New Defiant Products Limited Pioneer Box Limited Comwall Engineering Limited Cooper (300) Limited Cooper (400) Limited Cooper (500) Limited Cooper (800) Limited Electronics Interconnection Limited Frederick Cooper Materials Handling Limited Cooper International Limited George Anslow Limited Cooper Products Limited Cooper Technologic Limited Cooper (1600) Limited N.D.L. Hardware Limited Championship Structures Limited Arena Seating Limited Arena Event Services (Holdings) Limited Arena Events Limited Sellers Hospitality Limited Arena Structures Limited Arenascene Limited Arena Event Services Limited Evenser Group Limited

5.4 Mr Keegan was a non-executive director of Trailock Limited which went into administrative receivership on 9 July 1999. It had a deficit with respect to creditors of £1,261,000.

5.5 Save as disclosed above none of the Directors has as at the date of this document:

5.5.1 any unspent convictions in relation to any indictable offences; or

5.5.2 had any bankruptcy order made against him or been a party to a deed or entered into any voluntary arrangements; or

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

5.5.4 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;

5.5.5 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;

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

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

5.6 As at 30 November 2004 (being the latest practicable date prior to the publication of this document) the Directors are not aware of any holdings which represent an interest, directly or indirectly, in three per cent or more of the Company's issued share capital held by persons other than a Director.

5.7 Immediately after Admission the Directors are aware of the following holdings which will represent an interest, directly or indirectly, in three per cent or more of the Company's issued share capital held by persons other than a Director:

Name of Shareholders	*Number of Ordinary Shares following Admission*	*Percentage of Issued Share Capital following Admission*
ISIS Equity Partners 2000 LP	5,273,374	25.3
Deutsche Asset Management Limited	1,625,000	7.8
Invesco Asset Management Limited	1,125,000	5.4
Baronsmead VCT PLC	1,054,157	5.1
Baronsmead VCT II PLC	1,054,157	5.1
HSBC Asset Management (Europe) Limited	937,500	4.5
GAM Funds Management Limited	625,000	3.0

5.8 As at 30 November 2004 (being the latest practicable date prior to the publication of this document) and save as disclosed in this paragraph 5, the Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, at the date of this document and immediately after Admission, (i) will be interested in three per cent. or more of the capital of the Company; or (ii) exercises or could exercise control over the Company.

5.9 Save as disclosed in this paragraph and save for the Acquisition Agreement, no Director has or has had 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 Group and which was effected by any member of the Group during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

5.10 Save as otherwise disclosed in this document, no Director has, or has had any interest, whether direct or indirect, in any assets which have been acquired by, or disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, or leased to, any member of the Group.

5.11 There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director or granted by any Director to any member of the Group.

5.12 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

6. Directors' Service Agreements and Letters of Appointment

6.1 Andrew Hogarth entered into a service agreement with Staffline dated 23 July 2002 as amended on 1 December 2004. The agreement may be terminated by either party giving to the other 12 months' written notice or Staffline may terminate the employment by making a payment in lieu of notice. The appointment will terminate in any event at the end of the month in which Andrew Hogarth has his sixty-fifth birthday. In addition Andrew Hogarth's contract contains a "garden leave" clause. Andrew Hogarth's basic salary is £75,000 per annum. Andrew Hogarth is also entitled to receive a discretionary bonus from time to time. Andrew Hogarth is eligible to participate in Staffline's pension scheme to which Staffline make contributions of ten per cent. of his salary. He also has the benefit of private health insurance and critical illness cover. He is also entitled to life assurance cover equal to two times his base salary and a car allowance of £9,000 per year. For the first 10 years of his employment with Staffline Andrew Hogarth is entitled to 25 days paid holiday in each calendar year in addition to statutory holidays. In the eleventh and subsequent years of Andrew Hogarth's employment his basic holiday entitlement will increase to 28 days.

6.2 Marshall Evans entered into a service agreement with Staffline dated 18 July 2002 as amended on 1 December 2004. The agreement may be terminated by either party giving to the other 12 months' written notice or Staffline may terminate the employment by making a payment in lieu of notice. The appointment will terminate in any event at the end of the month in which Marshall Evans has his sixty-fifth birthday. In addition Marshall Evans's contract contains a "garden leave" clause. Marshall Evans's current basic salary is £90,000 per annum. Marshall Evans is also entitled to receive a discretionary bonus from time to time. Marshall Evans is eligible to participate in Staffline's pension scheme to which Staffline make contributions of ten per cent. of his salary. He also has the benefit of private health insurance and critical illness cover. He is also entitled to life assurance cover equal to two times his base salary and a car allowance of £9,000 per year. For the first 10 years of his employment with Staffline Marshall Evans is entitled to 25 days paid holiday in each calendar year in addition to statutory holidays. In the eleventh and subsequent years of Marshall Evans's employment his basic holiday entitlement will increase to 28 days.

6.3 Andrew Walsh was appointed as Finance Director with effect from 1 October 2004. He entered into a service agreement with Staffline dated 12 November 2004 whereby the agreement may be terminated by either party giving to the other 6 months' written notice or Staffline may terminate the employment by making a payment in lieu of notice. The appointment will terminate in any event at the end of the month in which Andrew Walsh has his sixty-fifth birthday. In addition Andrew Walsh's contract contains a "garden leave" clause. Andrew Walsh's basic salary is £50,000 per annum. Andrew Walsh is also entitled to receive a discretionary bonus from time to time. Andrew Walsh is eligible to participate in Staffline's pension scheme to which Staffline make contributions of ten per cent. of his salary. He also has the benefit of private health insurance and critical illness cover. For the first 10 years of his employment with Staffline Andrew Walsh is entitled to 25 days paid holiday in each calendar year in addition to statutory holidays. In the eleventh and subsequent years of Andrew Walsh's employment his basic holiday entitlement will increase to 28 days.

6.4 Derek Mapp is engaged as a non-executive director of the Company pursuant to the terms of a letter of appointment dated 6 October 2004 as amended on 1 December 2004. The appointment may be terminated by either party giving to the other 6 months' written notice, such notice not to expire until after the first anniversary of appointment. The appointment will terminate immediately if: he is not reappointed as a director at the Annual General Meeting of the Company; he is removed by a resolution passed at a general meeting of the Company; he vacates office pursuant to any provision of the articles of association of the Company; he is convicted of any criminal offence (excluding minor road traffic offences); he breaches the terms of his appointment; or he is guilty of gross misconduct. Derek Mapp receives a fee of £50,000 per annum. The Company will also reimburse Derek for all expenses reasonably incurred in the proper performance of his duties.

6.5 Nicholas Francis Keegan is engaged as a non-executive director of the Company pursuant to the terms of a letter of appointment dated 12 November 2004. The appointment may be terminated by either party giving to the other 6 months' written notice, such notice not to expire until after the first anniversary of appointment. The appointment will terminate immediately if: he is not reappointed as a director at the Annual General Meeting of the Company; he is removed by a resolution passed at a general meeting of the Company; he vacates office pursuant to any provision of the articles of association of the Company; he is convicted of any criminal offence (excluding minor road traffic offences); he breaches the terms of his appointment; or he is guilty of gross misconduct. Nicholas Keegan receives a fee of £30,000 per annum. The Company will also reimburse Nicholas for all expenses reasonably incurred in the proper performance of his duties.

6.6 *The Staffline Executive Bonus Scheme created on 30 October 2003 by Staffline and ISIS*

This scheme applies to those directors of Staffline who remain employed by the business at the time of a Realisation (a realisation is defined as a sale or a disposal of Staffline or a listing). In turn, a listing is defined as the admission of any of Staffline's shares to the Official List of the London Stock Exchange and such admission becoming effective or the granting of an application by Staffline for permission to deal in any of Staffline's shares on any other public securities market and such permission becoming effective.

On Staffline making any payment of principal or interest under certain conditions pursuant to certain of the Loan Notes, the holders of such Loan Notes have agreed to pay a sum equal to 13 per cent. of the principal and the first £347,016 in interest received by them and a sum equal to 21 per cent. of the next £1,000,347 received by them into a bonus pool. The pool is then be divided into 100 points and allocated amongst the participating directors according to the number of points awarded.

The maximum total gross amount receivable by the directors (including benefits in kind) will not exceed £588,539.

7. Arrangements relating to the Placing

Under an agreement (the **"Placing Agreement"**) dated 1 December 2004 and made between the Company (1), the Directors (2) and Oriel (3), Oriel has agreed (conditionally, *inter alia*, on Admission taking place not later than 31 December 2004) as agent for the Company to use its reasonable endeavours to procure subscribers for 9,191,813 Placing Shares at the Placing Price.

Under the Placing Agreement and subject to its becoming unconditional the Company has agreed to pay a commission of 3.5 per cent. of the aggregate value at the Placing Price of the Placing Shares together with any applicable VAT and a corporate finance fee not exceeding £150,000. Oriel has agreed to use the proceeds of the fee and the commissions to subscribe on completion for 435,125 Ordinary Shares at the Placing Price.

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains representations and warranties given by the Company and the Directors to Oriel as to the accuracy of the information contained in this document and other matters relating to the Group and its business. In addition, the Company has given an indemnity to Oriel in respect of any liabilities resulting from the carrying out by Oriel of its obligations or services under or in connection with the Placing Agreement. Oriel is entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission including a failure by the Directors or the Company to comply with any of their obligations under the Placing Agreement and a breach by them of the Placing Agreement or the AIM Rules or otherwise relating to the Placing.

8. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material to the Group or have been entered into by a member of the Group and contain a provision under which a member of the Group has an obligation or entitlement which is material to the Group as at the date of this document:

8.1 An investment agreement made between Castlegate 148 Limited ("Staffline") (1), Philip McDonald, Ian Havers, Andrew Coop, Shaun Brittain and Greg Latham (the "Managers") (2), FIS Private Equity LP 2000, Baronsmead VCT plc and Baronsmead VCT 2 plc (the "Subscribers") (3) and Friends Ivory & Sime Private Equity plc ("FIS") (4) dated 22 July 2000 pursuant to which:

(a) the Subscribers agreed to subscribe for 162,800 'B' ordinary shares and 407,200 'A' ordinary shares in Staffline at a total subscription price of £1 per share and £5,130,000 of unsecured loan stock; and

(b) the Managers agreed to subscribe in cash for 118,653 ordinary shares each in Staffline at an aggregate subscription price of £100,000 per 118,653 ordinary shares.

The Managers and Staffline gave certain warranties to the Subscribers and FIS in respect of Staffline (subject to limitations on their liability) and also gave restrictive covenants to the Subscribers and FIS. The Managers agreed that Staffline will not do certain things without the prior consent of FIS and the Subscribers (as defined in that agreement). The Managers also agreed to procure the supply to FIS and the Subscribers of specified financial information. FIS has a right under the agreement to appoint and remove a director of Staffline called an 'A' Director. FIS also has the right to require Staffline to appoint up to two directors of Staffline who are satisfactory to FIS.

8.2 An instrument constituting £2,565,000 fixed rate 9 per cent. secured A Loan Notes created by Staffline and dated 30 October 2003. The loan notes have been issued to FIS Nominees Limited, Baronsmead VCT plc and Baronsmead VCT II plc. Unless previously repaid, the notes will be repaid on 1 January 2010 together with interest accrued up to and including the date of repayment. Interest accrues at an interest rate of 9 per cent. per annum. The entire principal amount outstanding under the notes together with all interest, any arrears of interest and any default interest accrued down to the date of a Realisation is payable upon a Realisation (a realisation is defined as a sale or a disposal or a listing.) In turn, a listing is defined as the admission of any of Staffline's shares to the Official List of the London Stock Exchange and such admission becoming effective or the granting of an application by Staffline for permission to deal in any of Staffline's shares on any other public securities market and such permission becoming effective. The loan note instrument provides for the order of priority in which the loan notes should be repaid on a Realisation if there are insufficient funds to pay all monies due under the loan note instrument. The secured loan notes are repayable upon certain events of default. The loan notes are secured by a debenture over the assets of Staffline. The loan notes are transferable.

8.3 An instrument constituting £732,600 fixed rate 9 per cent. unsecured B Loan Notes created by Staffline on 30 October 2003. The loan notes have been issued to Baronsmead VCT plc and Baronsmead VCT II plc. Unless previously repaid the notes are to be repaid on 1 January 2010. Interest accrues at an interest rate of 9 per cent. per annum. The entire principal amount outstanding under the notes, together with all interest, any arrears of interest and default interest accrued down to the date of a realisation is payable on the occurrence of a Realisation (as defined in paragraph 8.2 above). The loan note instrument provides for the order of priority in which the loan notes should be repaid on a Realisation if there are insufficient funds to pay all monies due under the loan note instrument. The unsecured loan notes are repayable upon certain events of default. The loan notes are unsecured. The loan notes are transferable.

8.4 An inter creditor agreement made between the Bank of Scotland (1) ISIS Equity Partners Plc (2) Baronsmead VCT I Plc (3) Baronsmead VCT II Plc (4) ISIS II 2000 LP (through its nominee FIS Nominees Limited) (5) Staffline SLR Limited (6) and Staffline (7) and dated 22 July 2000 as amended by an amendment agreement between Bank of Scotland (1) ISIS Equity Partners Plc (2) Baronsmead VCT Plc (3) Baronsmead VCT II Plc (4) FIS Nominees Limited (5) Staffline SLR Limited (6) and Staffline (7) dated 30 October 2003. The agreement acknowledges that the Bank of Scotland has made certain term loan and working capital facilities (the "Facilities") available to Staffline and Staff Line SLR Limited and that ISIS II LP 2000 (through its nominee FIS Nominee Limited), Baronsmead VCT I Plc, Baronsmead VCT II Plc and ISIS Equity Partners plc (the "Subordinated Creditors") have also made certain facilities available to Staffline and Staff Line SLR Limited pursuant to a subscription agreement dated 22 July 2000. This amended agreement regulates the rights (including priority of security and enforcement of security) in respect of the Facilities and the investment agreement referred to in paragraph 8.1 above.

8.5 An option agreement dated 1 December 2004 between the Company (1) and Oriel (2) by which the Company grants Oriel an option to subscribe for 208,245 Ordinary Shares at a price of 155p per Ordinary Share. The option can be exercised in part or in whole at any time by Oriel after the first anniversary of Admission up to the fifth anniversary of the date of Admission. If the option is not exercised within this period, it will lapse. The Company gives Oriel various warranties and undertakings primarily in relation to ensuring that the Company has sufficient authorised but unissued share capital to issue the Ordinary Shares upon exercise of the option by Oriel.

8.6 A nominated adviser and broker agreement dated 1 December 2004 between the Company (1), Oriel (2) and the Directors (3) by which Oriel was appointed as nominated adviser and nominated broker to the Company for the purposes of the AIM Rules and in relation to the issue of this document and Admission. This agreement is terminable on three months' written notice given by either party. The agreement provides *inter alia*, that the Company and the Directors give various warranties, undertakings and covenants (and the Company gives an indemnity) to Oriel in respect of compliance with the AIM Rules.

8.7 An Orderly Market Agreement between the Company (1), Oriel (2), the Directors (3) and ISIS and funds managed by ISIS (4) dated 1 December 2004 whereby the Directors and ISIS have undertaken, subject to certain limited exceptions, not to dispose of any of the Ordinary Shares which they will hold immediately following Admission and completion of the Acquisition for a period of 12 months following Admission without the prior written consent of Oriel.

Further orderly marketing arrangements apply after the expiry of the lock up period referred to above pursuant to which, the Directors and ISIS are obliged to sell Ordinary Shares through Oriel whilst Oriel (i) remains the Company's broker and (ii) offers market terms for the carrying out of any such sale.

8.8 An Orderly Market Agreement between the Company (1), Oriel (2), and senior management (3) dated 1 December 2004 whereby the senior management have undertaken, subject to certain limited exceptions not to dispose of any of the Ordinary Shares which they will hold immediately following Admission and completion of the Acquisition for a period of 12 months following Admission without the prior written consent of Oriel.

8.9 An acquisition agreement dated 1 December between (1) the Company and (2) all the Vendors by which the Company shall acquire the entire issued ordinary and preference share capital of Staffline. The Acquisition Agreement is conditional only on Admission.

The consideration for the purchase is £3.3 million in cash and the allotment and issue of the Consideration Shares to certain of the Vendors.

8.10 A term loan facility agreement between the Company and the Bank of Scotland for a maximum of £5,250,000 dated 1 December The term is for 5 years from 31 December 2004 and is subject to quarterly repayments of £250,000. Interest is payable at Bank of Scotland's base rate plus 2 per cent. This facility is subject to financial covenants given to the Bank of Scotland. This facility is secured by debentures over assets of the Company and Staffline.

9. UK Taxation

The following comments are intended only as a general guide for investors who are resident for tax purposes in the UK and are beneficial owners of Ordinary Shares in respect of their position under UK tax law and Inland Revenue practice current at the date of this document. These comments may not apply to certain classes of investors such as dealers in securities. If investors are in any doubt as to their tax position, they should consult their own professional adviser immediately.

9.1 *Stamp duty and stamp duty reserve tax*

A shareholder should not be subject to stamp duty or stamp duty reserve tax in respect of the issue to him of new Ordinary Shares under the Placing unless the shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depository receipts.

Subsequent dealings in Ordinary Shares will be subject to stamp duty or stamp duty reserve tax in the normal way.

9.2 *UK Taxation on dividends*

(i) Under current United Kingdom tax legislation the Company is not required to withhold tax from dividend payments it makes.

(ii) An individual Shareholder who is a resident for tax purposes in the UK is entitled to a tax credit in respect of any dividend received equal to one ninth of the amount of cash dividend received.

(iii) Such individual Shareholder's liability to UK tax is calculated on the sum of the dividend and the tax credit which, with certain other investment income, will be regarded as the top part of the individual's income and which will be subject to UK income tax at the rates of tax described below. The tax credit therefore equals 10 per cent. of the sum of the dividend and the tax credit. The tax credit will be available to offset the shareholder's liability (if any) to income tax on the sum of the dividend and tax credit.

An individual Shareholder liable to income tax at the basic rate or at a rate which is lower than the basic rate will be liable to tax on dividend income received at the rate of 10 per cent. This means that the tax credit will satisfy the income tax liability of such shareholders.

An individual Shareholder will be liable to tax on dividend income received at the rate of 32.5 per cent. on the gross dividend to the extent that the gross dividend, when treated as the top slice of that shareholder's income, falls above the threshold for higher rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

With limited exceptions (relating to shares held in Individual Savings Accounts or Personal Equity Plans, where the tax credit relates to a dividend payment prior to 5 April 2004) where the tax credit exceeds the tax liability of UK resident individual shareholders, they cannot claim repayment of the tax credit from the Inland Revenue.

(iv) Subject to certain exceptions for traders in securities and overseas insurance companies, a corporate Shareholder resident for tax purposes in the UK will not normally be liable to corporation tax on any dividend received. These Shareholders will not be able to claim repayment of tax credits attaching to dividends.

(v) Shareholders not resident in the UK for tax purposes may be subject to tax on dividend income under any law to which they are subject outside the UK. Non-resident Shareholders should consult their own tax advisers concerning the possible application of such provisions as well as the procedure for claiming payment and what relief or credit may be claimed for such credit which will depend upon the existence and the terms of any applicable double tax treaty between the United Kingdom and the country in which the Shareholder is resident. However, changes to the amount of tax credit associated with dividends paid by the Company on or after 6 April 1999 have affected (and will often eliminate) the amount of any repayment claim which can be made.

9.3 *Capital gains tax*

To the extent that an individual or corporate holder who acquires Ordinary Shares in the Placing subsequently disposes of those Ordinary Shares, liability to UK tax on chargeable gains may arise depending upon the circumstances of the transaction and the particular shareholder's tax status.

10. Working Capital

The Directors are of the opinion, having made due and careful enquiry and having regard to the proceeds of the Placing and available banking facilities, that the working capital available to the Group will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

11. Significant Change

11.1 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 31 October 2004, being the end of the last financial period for which audited financial information of the Company have been prepared.

11.2 Save as disclosed in this document, there has been no significant change in the financial or trading position of Staffline since 30 September 2004, being the end of the last financial period for which audited financial statements of Staffline have been prepared.

12. Litigation

There are no legal or arbitration proceedings in which the Group is involved (including any such proceedings which are pending or threatened of which the Group is aware) which may have or currently have a significant effect on the financial position of the Group.

13. General

13.1 No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful.

13.2 Oriel Securities has been appointed nominated adviser to the Company and is regulated in the UK by the Financial Services Authority. Its registered office is at 4 Wood Street, London, EC2V 7JB. Oriel Securities has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and letter and references to its name and letter in the form and context in which they appear.

13.3 Grant Thornton UK LLP have given and have not withdrawn their written consent to the issue of this document with the inclusion of their reports and letters and the references to such reports and letters and to their name in the form and context in which they appear.

13.4 The financial information set out in the Accountants' Reports in Parts III and IV and otherwise in this document does not constitute statutory accounts within the meaning of Section 240 of the Act. Statutory accounts of Staffline have been delivered to the registrar of companies for the periods ending 31 December 2001, 2002 and 2003. Auditors' reports in respect of each of the statutory accounts have been made under section 235 of the Act and each such report was an unqualified report and did not contain any statement under section 237(2) or (3) of the Act. The auditors of the Company are KPMG LLP. No statutory accounts of the Company have been delivered to the Registrar of the companies.

13.5 The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees and expenses are estimated to amount to approximately £0.6 million (excluding VAT) and are payable by the Company. No expenses of the Placing are being specifically charged to purchasers or subscribers under the Placing.

13.6 The total proceeds expected to be raised by the Placing amount to approximately £7.3 million, and the net proceeds of the Placing (following the deduction of the expense of Admission and the Placing) amount to approximately £6.7 million.

13.7 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealing on any investment exchange nor has any application for such admission been made nor any are there intended to be any other arrangements for there to be dealings in the Ordinary Shares on any such exchange.

13.8 The Placing Price of 80p per Ordinary Share represents a premium of 70p per share over the nominal value of an Ordinary Share. The Placing Price is payable in full on application.

13.9 The Ordinary Shares in issue at the date of this document are, and the further Ordinary Shares to be in issue following Admission will be, in registered form, and will be capable of being held in both certified and uncertified form.

13.10 The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

13.11 It is expected that share certificates will be despatched to those persons requesting delivery of their Ordinary Shares in certificated form, at the risk of the persons entitled to them, by 10 December 2004. Where placees request that Ordinary Shares be delivered to them in uncertificated form, it is expected that such Ordinary Shares will be credited to their CREST accounts by 8 December 2004. No temporary documents of title will be issued.

13.12 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

13.12.1 received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or

13.12.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

(a) fees totalling £10,000 or more; or

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

13.13 Save as disclosed in this document, there are no patents, other intellectual property rights, licenses or particular contracts which are of fundamental importance to the Company's business.

13.14 Save as disclosed in this document, there are no exceptional factors which have influenced the Group's activities.

13.15 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

13.16 There are no significant investments by the Group under active consideration.

13.17 The accounting reference date of the Company is 31 December.

13.18 There have been no interruptions in the Group's business which may have or have had in the last 12 months a significant effect on the Group's financial position.

13.19 In the Directors' opinion, there is no minimum amount which must be raised pursuant to the Placing for the purposes of paragraph 21 of schedule 1 to the POS Regulations. There are no amounts to be provided otherwise than from the proceeds of the Placing in respect of the matters specified in 21(a)(i) to (iv) of schedule 1 to the POS Regulations.

14. Documents available for inspection

14.1 Copies of this document will be available free of charge at the offices of Oriel Securities, 4 Wood Street, London EC2V 7JB and at the registered offices of the Company during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date hereof until one month after Admission.

14.2 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Wragge & Co LLP, 55 Colmore Row, Birmingham B3 2AS for a period of one month from the date of Admission:

14.2.1 the Memorandum and Articles of Association of the Company referred to in paragraph 3 above;

14.2.2 the material contracts referred to in paragraph 8 above;

14.2.3 the service agreements and the non-executive Directors' letters of appointment referred to in paragraph 6 above;

14.2.4 the letters of consent referred to in paragraphs 13.2 and 13.3 above;

14.2.5 the Accountants' Reports set out in Parts III and IV of this document;

14.2.6 Grant Thornton UK LLP's letter on the profit forecast in Part V of this document and the Pro-forma statement of net assets in Part VI of this document;

14.2.7 Oriel Securities letter on the profit forecast in Part V of this document;

14.2.8 the rules of the Share Option Scheme referred to in paragraph 4 above; and

14.2.9 this document.

Dated 1 December 2004