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This document does not constitute a prospectus in the United Kingdom and has not been filed with the Financial Services Authority but comprises an AIM admission document drawn up in accordance with the AIM Rules. In accordance with the AIM Rules, application has been made for the Ordinary Shares of the Company already in issue and for the new Ordinary Shares of the Company to be issued pursuant to the Placing and pursuant to the Sale and Purchase Agreement to be admitted to trading on AIM. It is expected that such application to AIM will become effective and that dealings will commence on 28 March 2007.

This document, for the purposes of the Isle of Man Companies Act 1931, constitutes a prospectus and it is issued in connection with a private placement within the meaning of the Companies (Private Placements) (Prospectus Exemptions) Regulations 2000 and is exempt from the provisions of the said Act relating to the content of prospectuses and other technical rules relating to prospectuses. This document has not been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. The AIM Rules are less demanding than those of the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange Plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the London Stock Exchange plc nor the Financial Services Authority have examined or approved the contents of this document.**

STM Group Plc and the Directors, whose names appear on page 4, accept responsibility, both individually and collectively, for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of STM Group Plc and 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 this document makes no omission likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

**Your attention is also drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Ordinary Shares, set out in "Risk Factors" in Part II of this document. Notwithstanding this, prospective investors should read the whole text of this document and if given or made, such information or representations must not be relied on as having been so authorised.**

## STM Group Plc

(Incorporated in the Isle of Man with number 114064C)



### Acquisition of Fidecs Group Limited and Placing

### of 15,000,000 Ordinary Shares of 0.1p each at 50p per share and Admission to AIM

Nominated Adviser and Broker:

**Daniel Stewart & Company Plc**



#### Share capital immediately following Admission

Authorised			Issued and fully paid	
Amount	Number		Amount	Number
£50,000	50,000,000	Ordinary Shares of 0.1p each	£35,200	35,200,000

The Placing is conditional, *inter alia*, on Admission taking place on or before 28 March 2007 (or such later date as Daniel Stewart and the Company may agree, being not later than 25 April 2007).

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

The distribution of this document outside the UK and the Isle of Man may be restricted by law and therefore persons outside the UK or the Isle of Man into whose possession this document comes should inform themselves about and observe any restrictions as to the Ordinary Shares or the distribution of this document. The Ordinary Shares the subject of the Placing have not been, nor will they be, registered in the United States under the United States Securities Act of 1933, as amended, or under any applicable securities laws of Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan and they may not be offered or sold directly or indirectly within the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan or to, or for the account or benefit of, US persons or any national, citizen or resident of the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan. This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

Daniel Stewart, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser in connection with the Placing and the proposed admission of the issued and to be issued Ordinary Shares of the Company to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to 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 on any part of this document. Daniel Stewart is not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to their clients or for providing advice in relation to the contents of this document or the admission of the issued and to be issued Ordinary Shares of the Company to trading on AIM. No representation or warranty, express or implied, is made by Daniel Stewart as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Daniel Stewart will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Daniel Stewart, 36 Old Jewry, London EC2R 8DD and the registered office of the Company from the date of this document for a period of one month following Admission.

# CONTENTS

	<i>Page</i>
<b>EXPECTED TIMETABLE FOR ADMISSION</b>	3
<b>PLACING STATISTICS</b>	3
<b>DIRECTORS, SECRETARY AND ADVISERS</b>	4
<b>DEFINITIONS</b>	5
<b>PART I Information on the Group</b>	9
Introduction	9
Information on STM	10
<i>Background</i>	10
<i>Acquisition strategy</i>	10
<i>Integration</i>	11
The CTSP market	11
Information on Fidecs	12
<i>History of Fidecs</i>	12
<i>Fidecs operations and revenue model</i>	12
<i>Historic trading</i>	13
<i>Ownership</i>	14
Strengths of the Group	14
Competition	14
Directors and employees	14
Financial information	16
Current trading and prospects	16
Reasons for Admission and use of proceeds	17
The Acquisition Agreement	17
The Code	17
The Placing	18
Admission, settlement and dealings	18
Lock-in arrangements and orderly market arrangements	19
Long term incentive plan and employee benefit trust	19
Corporate governance	19
CREST	20
Dividend policy	20
Taxation	20
Further information	22
<b>PART II Risk factors</b>	23
<b>PART III Financial information on STM Group Plc</b>	26
<b>PART IV Financial information on Fidecs Group Limited</b>	29
<b>PART V Pro Forma Statement of Net Assets</b>	50
<b>PART VI Additional information</b>	52

## EXPECTED TIMETABLE FOR ADMISSION

Issue of this document	22 March 2007
Admission and dealings in the Ordinary Shares expected to commence on AIM	28 March 2007
Expected date for CREST accounts to be credited	28 March 2007
Despatch of definitive share certificates (where applicable)	By 4 April 2007

## PLACING STATISTICS

Placing Price	50p
Gross proceeds of the Placing	£7.5 million
Estimated net proceeds of the Placing receivable by the Company	£6.7 million
Cash consideration payable by the Company pursuant to the Acquisition	£6.3 million
Number of Consideration Shares being issued pursuant to the Acquisition	14,600,000
Number of new Ordinary Shares being issued pursuant to the Placing	15,000,000
Number of Ordinary Shares in issue immediately following Admission	35,200,000
Placing Shares as a percentage of the Enlarged Issued Share Capital	42.6%
Market capitalisation following the Placing at the Placing Price	£17.6 million

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Bernard Gallagher, ACMA, ( <i>Non-Executive Chairman</i> ) Timothy John Revill, FCA, TEP, ( <i>Chief Executive Officer</i> ) Alan Roy Kentish, ACA, ACII, AIRM, ( <i>Chief Financial Officer</i> ) Mark William Denton, ( <i>Non-Executive Director</i> ) Martin James Derbyshire, ( <i>Non-Executive Director</i> ) Matthew Graham Wood, ACA, ( <i>Non-Executive Director</i> ) all of:
<b>Registered Office</b>	PO Box 227 Clinch's House Lord Street Douglas Isle of Man IM99 1RZ
<b>Telephone number</b>	01624 626242
<b>Company Secretary</b>	Elizabeth Anne Plummer, FCA, TEP, CTA
<b>Administrator</b>	Fortis Intertrust (IoM) Limited Clinch's House Lord Street Douglas Isle of Man IM99 1RZ
<b>Nominated Adviser and Broker</b>	Daniel Stewart & Company Plc Becket House 36 Old Jewry London EC2R 8DD
<b>Consultant to the Company</b>	Combined Management Services Limited 11 Grosvenor Crescent London SW1X 7EE
<b>Solicitors to the Company as to English law</b>	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP
<b>Solicitors to the Company as to Isle of Man law</b>	Dickinson Cruickshank – Advocates & Notaries 33 Athol Street Douglas Isle of Man IM1 1LB
<b>Solicitors to the Placing</b>	Finers Stephens Innocent LLP 179 Great Portland Street London W1W 5LS
<b>Auditors and Reporting Accountants</b>	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN
<b>Registrars</b>	Fortis Intertrust (IoM) Limited Clinch's House Lord Street Douglas Isle of Man IM99 1RZ
<b>CREST Service Provider</b>	Computershare Investor Services (Channel Islands) Limited 31 Pier Road St. Helier Jersey JF4 8PW

## DEFINITIONS

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

“Acquisition”	the conditional acquisition by the Company of the entire issued share capital of Fidecs pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 22 March 2007 between the Company and the Vendors under which the Company has agreed to acquire the entire issued share capital of Fidecs, further details of which are set out in paragraph 15 of Part VI of this document
“Act”	Isle of Man Companies Act 1931
“Acts”	Isle of Man Companies Acts 1931 to 2004
“Admission”	admission of the entire issued and to be issued ordinary share capital of the Company (including the new Ordinary Shares to be issued under the Placing and pursuant to the Acquisition Agreement) to trading on AIM becoming effective pursuant to paragraph 6 of the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules and guidance notes for AIM quoted companies published by the London Stock Exchange from time to time governing admission to and the operation of AIM
“Articles”	the articles of association of the Company as further described in paragraph 6 of Part VI of this document
“Awards”	awards granted in respect of Ordinary Shares pursuant to the LTIP
“Board” or “Directors”	the board of directors of the Company for the time being, whose names appear on page 4 of this document and any Director means any one of them
“BVI”	British Virgin Islands
“Cagr”	compound annual growth rate
“certificated” or “in certificated form”	an Ordinary Share which is not in uncertificated form (that is not in CREST)
“City Code”	the Takeover Code
“Company”, “STM” or “STM Group”	STM Group Plc, a company incorporated in the Isle of Man with number 114064C
“Consideration Shares”	14,600,000 new Ordinary Shares to be allotted and issued to the Vendors pursuant to the terms of the Acquisition Agreement, at the Placing Price
“CREST”	the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title to shares in uncertificated form, operated by CRESTCo Limited (company number 0287838)
“CREST Regulations” or “Uncertificated Regulations”	the Uncertificated Securities Regulations 2001, as amended

“CTSP” or “CTSPs”	corporate and trustee service provider(s), being companies or groups of companies who provide such services as management and administration of trusts and companies, such as Fidecs
“Daniel Stewart”	Daniel Stewart & Company Plc, the Company’s nominated adviser and broker for the purposes of the AIM Rules, a member of the London Stock Exchange and regulated in the UK by the Financial Services Authority
“Daniel Stewart Option”	the conditional option agreement dated 22 March 2007 between the Company and Daniel Stewart pursuant to which Daniel Stewart has been granted an option to subscribe for up to 528,000 Ordinary Shares at the Placing Price per share, further details of which are set out in paragraph 15 of Part VI of this document
“Employee Benefit Trust”	the Group’s employee benefit trust which has been set up for the benefit of employees of the Group
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company immediately following Admission
“Executive Directors”	the executive directors of the Company whose names are set out in the paragraph headed “Directors and employees” in Part I of this document
“ESS” or “Equity Special Situations”	Equity Special Situations Limited, an AIM traded strategic investment company, registered in Guernsey with number 42129
“EU”	the European Union
“Fidecs” or “STM Fidecs”	Fidecs Group Limited, a company registered in Isle of Man with registered number 000650V
“Fidecs Group”	the group of companies to be acquired by STM of which Fidecs is the holding company
“FIM”	Fidecs Insurance Management Limited, a member of the Fidecs Group
“FSC”	the Financial Supervision Commission in the Isle of Man
“FSMA”	the Financial Services and Markets Act 2000, as amended
“GFSC”	the Gibraltar Financial Services Commission, as amended
“Group”	the Company and its subsidiaries following Admission
“Historical Financial Information”	Fidecs’ audited financial statements for the periods ended 31 December 2004, 31 December 2005 and 31 December 2006
“HNWI”	high net worth individuals
“ISIN”	International Securities Identification Number
“Lock-up Agreement”	the lock-up agreement dated 22 March 2007 between ESS, the Company and Daniel Stewart, further details of which are set out in paragraph 15 of Part VI of this document
“London Stock Exchange”	London Stock Exchange plc
“LTIP”	the Group’s long-term incentive plan which is to take effect from Admission, further details of which are set out in Part I of this document

“Memorandum of Association”	the memorandum of association of the Company
“New Loan Facility”	the loan facility dated 22 March 2007 whereby ESS is to make available to the Company a facility of £2.0 million, conditional on Admission, further details of which are set out in paragraph 15 of Part VI of this document
“Non-Executive Directors”	the non-executive directors of the Company whose names are set out in the paragraph headed “Directors and employees” in Part I of this document
“Nummos”	Nummos Profesional SL, Cadiz, Spain, a wholly owned subsidiary of Fidecs
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company
“Overseas Shareholders”	shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the UK and Isle of Man
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the conditional placing of the Placing Shares at the Placing Price by Daniel Stewart as agent on behalf of the Company, pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 22 March 2007 made between Daniel Stewart, the Directors, Hearth Investments Limited and Clifton Participations Inc and the Company relating to the Placing, details of which are set out in paragraph 15 of Part VI of this document
“Placing Price”	50 pence, being the price at which each new Ordinary Share is to be issued under the Placing
“Placing Shares”	the 15,000,000 new Ordinary Shares which are the subject of the Placing
“QCA Guidelines”	the guidelines for corporate governance issued by the Quoted Companies Alliance in July 2005
“Registrars”	Fortis Intertrust (IoM) Limited
“SDRT”	stamp duty reserve tax
“Share Dealing Code”	the share dealing code adopted by the Company to ensure compliance with rule 21 of the AIM Rules
“Shareholder”	a holder of Ordinary Shares
“Shareholders”	the holders of the Ordinary Shares
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Act”	Companies Acts 1985 and 1989 and the Companies Act 2006 (to the extent in force)
“UK Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA

“uncertificated” or “in certificated form” an Ordinary Share recorded in the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

“Vendors” Hearth Investments Limited, Quest Traders Limited, Clifton Participations Inc, Pathway Trading SA and Louise Kentish as Trustee of the Focus and Crowe Trusts, being the vendors pursuant to the Acquisition Agreement

“£” UK pounds sterling

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

# PART I

## INFORMATION ON THE GROUP

### INTRODUCTION

STM Group Plc has been formed as a strategic investment company specifically to build a leading financial services group operating in the international corporate and trustee service provider (CTSPs) sector. This is expected to be achieved through acquiring and consolidating high-quality existing CTSPs which offer complementary products and services and that operate from complementary jurisdictions to those provided by STM's first proposed acquisition, Fidecs.

The Directors have considerable expertise both of the CTSP sector, and of successfully integrating acquisitions, and believe that there is an opportunity to build a significant group in the CTSP sector, due to a combination of regulatory pressures, increasing compliance requirements, the market need for more sophisticated products and services, and the pending retirement of owner managers of many existing CTSPs.

The Company is seeking admission to AIM so that it can use quoted shares as a currency for acquisitions and also to incentivise the Group's employees, through an employee incentive scheme. Following almost twelve months of research into the CTSP sector, STM has identified a number of potential acquisitions in addition to Fidecs and is currently engaged in negotiations with, and due diligence investigations in relation to a number of these.

The traditional business of CTSPs is to administer and manage personal, family and commercial assets and income streams in tax efficient jurisdictions. The economic factors for CTSPs include demand for more sophisticated tax planning, particularly for high net worth individuals (HNWIs) and those approaching retirement age, and the increased movement and migration of individuals, as evidenced, for example, by the growth in the number of British expatriates living in Southern Spain.

The CTSP market is fragmented in nature, comprising a small number of very large international financial services groups and a large number of relatively small trust and company management businesses regulated by, and operating out of, single offshore jurisdictions. Many of these smaller businesses are owner-managed and whilst their owners often wish to continue to remain with their businesses, they also want to plan for their own retirement and succession. The Directors believe that these factors present an opportunity for consolidation.

STM's first acquisition, which is conditional upon Admission, is of Fidecs Group Limited (to be renamed STM Fidecs Limited with effect from Admission). Founded in 1989 by STM's chief executive, Tim Revill, Fidecs operates principally from Gibraltar and specialises in financial planning both for HNWIs moving to work, live or retire overseas or making cross-border investments, and for entrepreneurial, predominantly owner-managed, businesses, expanding into or re-locating to other, frequently lower, tax jurisdictions.

Employing some 78 people, Fidecs is one of the largest CTSPs in Gibraltar. It is regulated by the GFSC and provides traditional CTSP administration and management functions, but also has successfully originated and grown a number of other key divisions, including an insurance management division, specialising in providing set up and management services to newly formed insurance companies operating out of Gibraltar.

Fidecs' annual revenue increased by approximately 33 per cent. from 2004 to 2006 and profit after tax increased by approximately 140 per cent. over the same period. In the year ended 31 December 2006, Fidecs reported audited revenues of £5.0 million and a profit after tax of £1.7 million.

The Company is seeking to raise £7.5 million (before expenses) pursuant to the Placing. The consideration for the Acquisition is payment of the sum of £13.6 million, together with the assumption of approximately £1.4 million of existing borrowings within Fidecs. The consideration will be satisfied as to £6.3 million in cash, subject to a retention of £1.575 million, and the issue to the Vendors of the Consideration Shares (valued at £7.3 million at the Placing Price and credited as fully paid) in respect of the balance. Further details of the Acquisition Agreement are set out in paragraph 15 of Part VI of this document.

## INFORMATION ON STM

### *Background*

STM became a subsidiary of ESS in 2007, with a view to becoming a leading provider of international trust and company management services through a “buy and build” strategy. ESS is a strategic investment company whose shares are traded on AIM, which creates or acquires significant minority shareholdings in financial services businesses for long term capital growth. ESS has a track record in the financial services sector having created, and organised the AIM flotation of, Syndicate Asset Management plc (“SAM”) in 2005. Since then, SAM has made seven acquisitions in the fund management sector and now has total funds under management of £5.5 billion. ESS has supported SAM financially in each of its acquisitions since its IPO and is now a long term passive shareholder in SAM.

Following almost twelve months of extensive research into the CTSP sector, ESS incorporated and registered STM in the Isle of Man. Having arranged the seed capital finance for STM, ESS is also investing £2.2 million as part of the Placing, as well as providing the New Loan Facility to the Company. Following Admission, ESS will have a shareholding of approximately 20.0 per cent. in STM, which will be subject to the terms of the Lock-up Agreement.

### *Acquisition strategy*

STM’s strategy is to build an international group of CTSPs operating from a number of complementary tax efficient jurisdictions with each offering its clients high quality products and services. The Directors have outlined three initial principal criteria to be applied when assessing the suitability of an acquisition target, although these criteria are not intended to be exhaustive. The Directors will seek to acquire CTSPs which:

- bring to the Group a licence to conduct trust and company management business in a complementary jurisdiction to that of the existing Group; and/or
- provide the Group with complementary financial products or services which can be sold across the Group; and/or
- have portfolios of clients which can easily be integrated within an existing Group company, thus eliminating one set of fixed overheads (business process systems, compliance, finance and accounts, marketing etc). A high proportion of operating costs of CTSPs are fixed.

It is intended that potential acquisition targets will be subject to extensive due diligence, with a focus on quality of service and compliance and each will be required to adhere to Group-wide standards following acquisition. STM believes that its senior staff, following the acquisition of Fidecs, have the knowledge and experience necessary to undertake due diligence on target businesses. The Group will operate a separately identifiable acquisitions and integration division with effect from Admission.

STM’s first proposed acquisition, Fidecs, is licensed to operate in Gibraltar: STM itself is not regulated by the FSC as its main purpose will be to act as a holding company, although it is anticipated that its subsidiaries will be regulated by their local financial services regulators. As Gibraltar is part of the UK for EU purposes (unlike certain other jurisdictions, such as Jersey, Guernsey or Isle of Man), Gibraltar-based institutions benefit from the EU’s freedom of service provisions to market and sell products and services (including insurance and investment management services) throughout the EU. Gibraltar, along with other EU member states, has agreed to end its tax exempt company regime at the end of 2010 and it appears likely that the Government of Gibraltar will, with the consent of the EU Commission, introduce a competitive, low tax regime.

STM’s subsequent acquisitions are likely to include CTSPs operating in a different jurisdiction to Fidecs, and one that is able to continue to provide zero-tax entities to its clients. This could allow Fidecs to refer clients who require the setting up of a zero-tax entity to another member of the group, rather than to third party CTSPs (as at 31 December 2006, Fidecs administered approximately 300 entities incorporated outside Gibraltar). It is intended that Tim Revill, CEO of STM, will oversee the identification of, and be closely involved in the negotiations with, potential targets.

### *Integration*

STM's strategy will be to retain the existing branding of one dominant STM-branded operation in each jurisdiction (with the addition of the STM acronym to the local name), the first of which will be STM Fidecs in Gibraltar. The Directors expect that, over time, STM Fidecs will acquire other CTSPs operating in Gibraltar. Although clients of CTSPs are, by the nature of the business, loyal (the average lifecycle of one of Fidecs' trusts is approximately ten years), the Directors believe that securing the goodwill of the staff and creating minimum disturbance to the existing business relationships between the client and the CTSP will assist in ensuring that the staff and underlying client remain with Group.

Following Admission, STM will retain a separately identifiable integration team, who will be responsible for undertaking the integration of the acquired businesses and, accordingly, the Company expects to recruit a suitably experienced manager for this team before the end of 2007.

The Group will organise intra-group secondments and annual conferences to encourage business referrals and the sharing of technical knowledge, marketing and business process techniques.

### **THE CTSP MARKET**

The CTSP sector is very fragmented, with many providers being owner-managed businesses. The number of licensed company managers/fiduciaries in a selection of offshore centres is, according to the website of the relevant regulatory authority, as follows: BVI 99, Gibraltar 81, Guernsey 144, and Isle of Man 163. Whilst some of these entities are part of international groups, a number operate from a single office in their respective finance centres. As clients often need a range of services and products (e.g. access to a double tax treaty network), all of which are not available in one location, a CTSP must have access to a network of other jurisdictions and providers, whose professional standards and ethics can be relied on.

The offshore financial services market is currently undergoing a period of change, owing to increasing compliance and other fixed costs and the Directors anticipate that, with the advent of more aggressive anti-avoidance legislation, particularly in Europe and North America, some smaller CTSPs will not be able to offer their clients the new and innovative tax saving products that they require. The Directors consider that this, coupled with the pending retirement of a number of the owner managers of some of the smaller CTSPs should allow the Group to grow relatively quickly through carefully selected acquisitions.

The HNWI market, a key market for CTSPs, has continued to expand strongly due to buoyant stock markets, rising house prices and global economic growth. Leading surveys estimate that aggregate global high net worth wealth (high net worth individuals being defined as persons with free assets in excess of \$1.0 million) will grow to \$40.7 trillion by 2008, an increase of some 40 per cent. from 2004. Many affluent "baby-boomers" (those born in the late 1940s and 50s) can now be categorised as HNWIs, as they inherit from their parents, enjoy increasing asset values (particularly house values) or sell their business on retirement.

The Institute for Public Policy Research estimated that more than 198,000 British nationals moved abroad in the year to December 2006, mainly due to the strong pound and booming house prices, bringing the total number of Britains living abroad to more than 5.5 million. Many of these people wish to use offshore finance centres to provide a tax neutral safe-haven in which to leave their wealth or shelter their pension fund. This is particularly important for working expatriates, where employers (such as the oil companies) are asking staff to work in politically unstable areas.

Since Sarbanes-Oxley Act 2002 came into force in the US, there has been increasing regulatory pressure in the USA for the ownership of audit and accountancy services to be separated from the ownership of other advisory services offered by such firms. As a result, a number of the largest accountancy firms have now separated their trust and company management divisions from their core audit services, but the Directors believe that it is only now that some of the next tier of accountancy firms are making this separation. The Directors consider that this represents a good opportunity for the Company to acquire CTSPs with ongoing relationships with business introducers (even if not through common ownership).

## INFORMATION ON FIDECS

### *History of Fidecs*

Tim Revill, STM's Chief Executive, established Fidecs in 1989, to acquire Fidecs Consulting SA from Fidecs' then parent company by way of a management buy out. Following the management buy out, Fidecs began trading in Gibraltar in 1990 and grew steadily with the introduction of new business lines and in July 1996 became the Gibraltar member firm of BDO International. Since 1996, Fidecs' management has successfully acquired and integrated two companies and has broadened its product offering considerably.

Fidecs Group Limited which, on 13 March 2007, redomiciled from Luxembourg to Isle of Man has its head office in Gibraltar and it has a second office on the south coast of Spain in Sotogrande, Cadiz Province. Fidecs' client base has been almost exclusively based in the United Kingdom, but in order to address other European markets, Fidecs has started actively to recruit staff with broader European language skills.

Fidecs' primary business is trust and company management, a sector which has continued to grow in Gibraltar, a jurisdiction which has pioneered the supervision and regulation of professional trusteeship and company management service procedures. Fidecs' insurance management business, FIM, which was set up in 1997 by STM's Chief Financial Officer, Alan Kentish, is now only slightly smaller than its trust and company management business. FIM currently has 15 insurance companies to which it provides management and administrative services.

### *Fidecs' operations and revenue model*

Fidecs has grown both organically and through a number of carefully selected acquisitions, each financed from retained earnings. Fidecs' operations can be categorised into four principal divisions, with each division being made up of a number of 'sister' operating companies. The total turnover of each division in the year ended 31 December 2006 is shown in the table below, identified by each division's principal trading company:

	<i>2006 revenue</i>	<i>% of 2006 revenue</i>
	<i>(£'000)</i>	
Fidecs Management Limited ("FML")	2,395	48.2
Fidecs Insurance Management ("FIM")	1,705	34.3
Fidecs Advisory Limited ("FAL")	338	6.8
Nummos Profesional S.L. ("Nummos")	205	4.1
Other	327	6.6
	<hr/> 4,970 <hr/>	<hr/> 100.0 <hr/>

*Source:* Part IV of this document.

### FML

FML currently provides offshore trust and company management services to more than 375 offshore trusts and more than 550 companies. The services it provides include day to day administration and cash management, the provision of directors, company secretarial functions, accounts preparation work, the completion of annual returns. Assets administered by FML include cash, quoted shares and bonds, residential and development property and holdings in private companies.

FML has highly visible earnings streams as its charges are time based with a minimum annual fixed fee. During the year ended 31 December 2006, each trust paid an average standard annual fee to Fidecs of approximately £2,200 and each company an average of approximately £2,800. Furthermore, because CTSPs typically hold client monies, they are cash generative, with little incidence of bad debts.

As a member of the BDO network, approximately 40 per cent. of FML's business over the last three years has been referred by other members of the network. These referrals typically involve the establishment and ongoing provision of trust and company management services and the implementation of tax planning strategies. The majority of FML's client companies are based in the BVI (50 per cent.) and Gibraltar (45 per cent.). FML employed 22 staff as at 31 December 2006.

## FIM

FIM is Fidecs' insurance company management division. The Directors believe there to be approximately 50 insurance companies based in Gibraltar and regulated by the GFSC. Gibraltar is attractive to them for a number of reasons including speed of approval (compared with, for example, the UK), lower solvency requirements (thus enhancing return on capital) and Gibraltar's low corporation tax rates. Consequently, many of these companies prefer to outsource the establishment, regulatory approval process and ongoing management, compliance and infrastructure functions to Gibraltar based insurance management entities such as FIM which are familiar with the regulatory process, and have expertise and contacts to expedite the process. FIM provides insurance management services to 15 insurance companies in Gibraltar and undertakes insurance company applications on behalf of new Gibraltar insurance companies. FIM provides a complete management service from business plan, through licensing to underwriting support, financial reporting and the administration of reserves.

FIM charges its clients an annual fixed fee or a percentage based on the aggregate value of insurance premiums written. As at 31 December 2006, FIM employed 17 staff.

## FAL

FAL was established in March 2004 and offers cross border tax planning solutions to corporates and individuals. The business is project fee based. FAL completed 179 assignments in 2006 of which a negligible amount of business was referred by BDO.

## Nummos

Nummos, Fidecs' Spanish office, is located in Sotogrande, Cadiz Province and provides legal, accountancy and taxation services, primarily to British expatriates who have moved to Spain or own property on the Costa del Sol. In April 2006, Fidecs reacquired the 67 per cent. shareholding in Nummos which it had previously sold to BDO International's Spanish member firm, taking its interest to 100 per cent. Since then, Fidecs' management team has sought to re-establish Nummos as a Fidecs operated entity and they expect Nummos to return to profitability in 2007.

From Admission Fidecs will no longer be a full member, but an associate member of the BDO International network. BDO Global Coordination Office ("BDO Global") has confirmed to Fidecs that, since it is encouraging separation of audit and non-audit businesses for the purposes of auditor independence, it will not treat the sale of Fidecs to STM as a termination of the BDO Member Firm Agreement because BDO Global considers corporate and trustee services to be complementary to the traditional core services of the BDO network. It will encourage Fidecs staff to continue to attend BDO conferences and participate in technical seminars and so maintain contact with business referrers in other BDO Member firms.

## *Historic trading*

The following summary of financial information on Fidecs for the three years ended 31 December 2006 has been extracted without material adjustment from the consolidated financial information on Fidecs set out in Part IV of this document. Potential investors should read the whole of this document and not solely rely on the following summary information.

	<i>Year ended 31 December 2004 £'000</i>	<i>Year ended 31 December 2005 £'000</i>	<i>Year ended 31 December 2006 £'000</i>
Revenue	3,719	4,847	4,970
Operating Profit	617	1,662	1,620
Profit after Tax	690	1,710	1,661

Fidecs' performance in 2005 was significantly ahead of 2004, as a result of new business wins, price increases introduced by FML and some one-off higher than expected fees generated by FIM and FAL. Turnover increased in 2006 at a slower rate although growth over the two year period showed a healthy 16 per cent. Cagr. Profits fell slightly in 2006 following a period of investment in senior staff and systems in anticipation of future growth.

### *Ownership*

Fidecs is the holding company of the Fidecs Group and is registered and incorporated in Isle of Man. As at the date of this document, Fidecs is owned by four companies and two trusts. Tim Revill and Alan Kentish, together with Liz Plummer, who was a founding employee of Fidecs and who remains a full time employee of Fidecs, have potential beneficial interests in three of these companies, such companies being held within discretionary trusts, with the beneficiaries of the remaining shareholders not being involved with the business of Fidecs.

Following Admission, the Vendors will have an interest in 14,600,000 Ordinary Shares, representing approximately 41.5 per cent. of the Enlarged Issued Share Capital. All of these Ordinary Shares will be subject to the lock-up and orderly market arrangements under the terms of the Acquisition Agreement, further details of which are set out below in this Part I and in paragraph 15 of Part VI of this document.

### **STRENGTHS OF THE GROUP**

The Directors consider that the Group has the following key strengths:

- it has high earnings visibility, with long term, loyal clients;
- it is an established business with a strong track record of profitability and cash generation;
- it operates in a growing sector, which has a strong rationale for consolidation; and
- it has an experienced and highly-regarded management team with sector and consolidation expertise.

### **COMPETITION**

Over the past ten years, a small number of independent (i.e. non bank) CTSPs have successfully built multi-jurisdictional networks, through organic growth as well as acquisitions. International CTSPs fall into three categories:

- bank owned: CITCO Limited, Fortis, Investec Plc;
- independent: Equity Trust Limited, Trident Trust Company Limited, Sovereign Trust, Jordans International Limited and IFG Group Plc; and
- law firm owned: Maples & Calder, Appleby Hunter Bailhache, Ogier.

The law firms are comparatively new entrants to the international sector, replacing some accountancy firms, who are facing regulatory pressures to exit for reasons of independence.

The Directors believe that success is dependent on increasing and maintaining sources of client referrals. This relies on improving quality of service, which increasingly relies on the use of IT, without losing the personal touch. It is for this reason that smaller CTSPs, who are not adequately resourced, are losing ground.

### **DIRECTORS AND EMPLOYEES**

On Admission, the Board will comprise six directors, brief details of whom are summarised below, with further details in paragraph 11 of Part VI of this document.

#### **Bernard Gallagher ACMA, aged 54** (*Non-Executive Chairman*)

Bernard is currently finance director of Premier Research Group plc ('PRG'), and was its finance director on its admission to AIM in December 2004. PRG provides outsourced clinical testing services and has grown organically and by acquisition. Since it joined AIM, PRG has undertaken major acquisitions all of which have been successfully integrated, and its market capitalisation has grown from £16 million to more than £150 million. Bernard has considerable experience of making and then integrating acquisitions and has over 22 years of experience of financial management in a variety of businesses. He is an Associate of the Chartered Institute of Management Accountants.

**Timothy John Reville FCA TEP, aged 56** (*Chief Executive Officer*)

Tim is the founder of Fidecs. He qualified as a chartered accountant in 1975 with PKF in London and then moved to their Isle of Man office. In 1978, he established his own professional practice in the Isle of Man and subsequently merged it with another firm. In 1982, he moved to Gibraltar to open the Gibraltar and Spanish offices of his partnership, which he ran until 1989, when he participated in a management buy-out of the Spanish office and established Fidecs. Tim specialises in international financial and tax planning and until 2006 was a member of the BDO Tax Steering Committee and continues to be a member of the BDO Tax Knowledge Sharing Centre of Excellence. Part of Tim's role as CEO of STM will be to manage the acquisition process, including the identification of suitable targets. Tim is currently a director of Newcastle United Plc and Stan James (Gibraltar) Ltd.

**Alan Roy Kentish ACA ACII AIRM, aged 41** (*Chief Financial Officer*)

Alan qualified as a Chartered Accountant in 1989 with Ernst & Whinney, specialising in the financial services industry. In 1993 he moved to Ernst & Young, Gibraltar and shortly afterwards qualified as an Associate of the Chartered Insurance Institute. In 1997, Alan joined Fidecs and set up its insurance management division, FIM. Alan acts as managing and technical director of FIM, which has experienced considerable growth over the last three years and is recognised as the largest insurance manager in Gibraltar. In addition, Alan acts as the CEO of the Fidecs Group. Alan sits on the boards of a number of insurance companies, including Admiral Insurance Company (Gibraltar) Limited.

**Mark William Denton, aged 45** (*Non-Executive Director*)

Mark is the managing director of Fortis Intertrust (IOM) Ltd, a company where he has worked for over 18 years and in this time has been responsible for a number of key areas including client services, compliance, operations and human resources. Mark took over the role of managing director on 1 January 2007.

**Martin James Derbyshire, aged 39** (*Non-Executive Director*)

Martin is the director of Client Services in the Isle of Man Office of Fortis Intertrust (IOM) Limited which he joined in 1994, initially working as an accountant, providing book keeping, accounting and taxation services to the international client base of the trust and company administration teams. In 1998 he moved to a role as a direct client relationship manager, providing structuring, company administration, advisory, management and directorship services to entities established for corporate and private clients.

**Matthew Graham Wood ACA, aged 33** (*Non-Executive Director*)

Matt graduated with a First Class honours degree in Economics in 1996 from the University of Wales and qualified as a chartered accountant in 1999. He subsequently joined the corporate finance department of Beeson Gregory Limited (now Evolution Securities) in 2000 where he advised growing companies on transactions including IPOs, secondary fundraisings, mergers and acquisitions and corporate restructuring. Matt also advised corporate clients on the UK regulatory framework including the Listing Rules of the UKLA, the AIM Rules, the Code and general corporate governance matters. He left Evolution Securities in April 2006 to become a director of, and a consultant to, a number of private and public companies, including AIM quoted Equity Special Situations Limited and Avarae Global Coins plc.

*Senior Employees*

The Directors are supported by the following key employees all of whom are employed within Fidecs:

**Elizabeth Plummer FCA TEP CTA, aged 52**, (*STM Company Secretary and managing director of Fidecs' International Pensions Division*)

Liz is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of STEP (the Society of Trust and Estate Practitioners) and a member of the Chartered Institute of Taxation. She is managing director of Fidecs' newly established Pension Trustee and Administration Division and senior consultant to the Trust and Managed Companies Division. Liz has been with Fidecs since its inception, and opened the office in Gibraltar.

**Pete Yeoman, aged 42, (Fidecs Chief Operations Officer & Human Resources Director)**

Pete joined in 2003 having had a long and successful career with NatWest Bank Plc, the last 10 years of which were in offshore jurisdictions including three years in Gibraltar as their Chief Manager. He has a variety of finance sector related and training qualifications. In 1999 he became a graduate of the Chartered Institute of Personnel Development.

Julian Camble, *ACA*, aged 40, director of Central Services (Risk & Compliance Officer AMLO).

Antonio Canales, *abogado*, aged 32, director of Nummos Profesional, Spain.

Bettina Cary, *BA*, aged 37, director of Central Services (IT & Administration).

Iain Farr aged 35, director of Consumer Services Division (loan broking).

David Frier, *ATII*, aged 40, managing director of International Tax Planning, Expatriate Services & Business Consultancy Division.

Andrew Gardner, *TEP*, aged 40, director of Trust & Company Management Division.

Sebastien Moerman *LLM TEP*, aged 33, managing director of Trust & Company Management Division.

Harry Romph, *ACII*, aged 53, director of Insurance Management Division.

Colin Tattersall, *FCA*, aged 59, director of Insurance Management Division.

*Fidecs' Employees*

As at 31 December 2006, Fidecs had 72 employees, analysed as follows:

Trust and company administration and management	21
Insurance Management	15
Tax Advisory	5
Other client service providers (Gibraltar)	12
Spanish Office	6
Support staff (Risk management, compliance, IT, financial control etc.)	13
Total	<hr/> <hr/> 72

**FINANCIAL INFORMATION**

Financial information relating to the Group is contained in Parts III , IV and V of this document.

**CURRENT TRADING AND PROSPECTS**

The Group has made an encouraging start to 2007 and the Directors are confident of the Group meeting its forecasts. In particular, the Group:

- has invested significantly in staff and operations in anticipation of future growth;
- has set up 6 new trusts and 16 new companies in the three months to 31 January 2007;
- is currently in discussions with a number of new insurance parties;
- has developed an exciting new 'life wrapper' product expected to be launched later this year; and
- is expanding its Spanish office and new service offerings.

## **REASONS FOR ADMISSION AND USE OF PROCEEDS**

The Company is seeking Admission for the following reasons:

- to facilitate the raising of finance to acquire Fidecs and to enable it to offer quoted shares to the Vendors;
- to facilitate the raising of finance, both equity and debt, and to enable it to offer quoted shares to the sellers of CTSPs, which is important given its strategy of growth by acquisition;
- to raise the profile of the Company which should assist in attracting potential acquisition targets; and
- incentivisation of key employees through the ability to grant Awards over quoted shares.

The Company intends to use the proceeds of the Placing, together with drawing down in full the £2.0 million available under the terms of the New Loan Facility, to pay the cash element of the acquisition price for Fidecs, to repay Fidecs' existing borrowings and to pay the costs of the Placing and Admission.

## **THE ACQUISITION AGREEMENT**

Pursuant to the Acquisition Agreement, the Company has conditionally agreed, *inter alia* on Admission, to acquire the entire issued share capital of Fidecs. The consideration for the Acquisition is £13.6 million, together with the assumption of £1.4 million of existing borrowing within Fidecs. The consideration will be satisfied as to £6.3 million in cash, part of which is subject to a retention, and the issue to the Vendors of the Consideration Shares (valued at £7.3 million at the Placing Price and credited as fully paid).

The Vendors are:

- Hearth Investments Limited (in which Tim Revill has a potential beneficial interest) which will receive £2,440,800 in cash and 7,739,200 Consideration Shares;
- Quest Traders Limited (in which Liz Plummer has a potential beneficial interest) which will receive £792,000 in cash and 1,408,000 Consideration Shares;
- Clifton Participations Inc (in which Alan Kentish has a potential beneficial interest) which will receive £1,641,600 in cash and 2,918,400 Consideration Shares;
- Pathway Trading SA (in which a Third Party has a potential beneficial interest) which will receive £633,600 in cash and 1,126,400 Consideration Shares; and
- Louise A Kentish (Alan Kentish's wife) as Trustee of the Focus and Crowe Trusts which will receive £792,000 in cash and 1,408,000 Consideration Shares.

The Vendors will, immediately following Admission, own 14,600,000 Ordinary Shares, representing approximately 41.5 per cent. of the Enlarged Issued Share Capital. All of the Ordinary Shares to be held by the Vendors are subject to lock-in and orderly market arrangements as set out in the Acquisition Agreement and as summarised in detail later in Part I of this document and in paragraph 15 of Part VI of this document.

The cash element of the consideration payable for the Acquisition is being financed wholly out of the proceeds of the Placing.

As at the date of this document, Fidecs owed its shareholders £1.33 million which will be repaid on Admission from the New Loan Facility, further details of which are set out in Part III and in paragraph 15 of Part VI of this document.

## **THE CODE**

The City Code is issued and administered by the Takeover Panel. The Company is subject to the City Code and therefore its shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code when (i) a person acquires an interest (as defined in the City Code) in shares which (taken together with shares in which he and persons acting in concert with him are interested) carry

30 per cent. or more of the voting rights of a company subject to the City Code, or (ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of the company subject to the City Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the 12 months prior to the announcement of the offer, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable.

The Panel has determined that the Vendors and those Directors who may be potential beneficiaries of the Ordinary Shares to be held by the Vendor trusts (being the “**Concert Party**”) are acting in concert for the purposes of Rule 9 of the City Code. Following Admission, the Concert Party will hold approximately 41.5 per cent. of the issued ordinary share capital and voting rights of the Company.

Accordingly, if the Concert Party, for so long as the members for the Concert Party continue to be treated as acting in concert, were to acquire an interest in any other shares which increase the percentage of shares carrying voting rights held by them, they would normally be required by the Panel to make a general offer as set out above.

## **THE PLACING**

On Admission, the Company will have 35,200,000 Ordinary Shares in issue and a market capitalisation of £17.6 million at the Placing Price. The Placing comprises the issue of 15,000,000 new Ordinary Shares by the Company to raise £7.5 million, before expenses.

Pursuant to the Placing Agreement, Daniel Stewart has conditionally agreed to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price, on behalf of the Company, with institutional and other investors. The Placing has not been underwritten by Daniel Stewart. The Placing is conditional upon, *inter alia*, completion of the Acquisition and Admission becoming effective by not later than 8.00 a.m. on 28 March 2007 (or such date as Daniel Stewart may agree, being not later than 25 April 2007). Bernard Gallagher, the Chairman, has agreed to subscribe for 222,222 Placing Shares at the Placing Price. Further details of the Placing Agreement are set out in paragraph 15 of Part VI of this document.

The Ordinary Shares being subscribed pursuant to the Placing will represent 42.6 per cent. of the Enlarged Issued Share Capital and are or will be in registered form and, on Admission, will rank *pari passu* in all respects with the other Ordinary Shares and will rank in full for dividends and other distributions declared, paid or made following Admission in respect of the Ordinary Shares.

Daniel Stewart has been granted an option, conditional on Admission, which will give it the right to subscribe for up to 528,000 new Ordinary Shares at the Placing Price per share, representing 1.5 per cent. of the Enlarged Issued Share Capital. Further details regarding the terms of the Daniel Stewart Option are set out in paragraph 15 of Part VI of this document.

## **ADMISSION, SETTLEMENT AND DEALINGS**

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 28 March 2007.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his direction, will be sent through the post at the placee’s risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

## **LOCK-IN ARRANGEMENTS AND ORDERLY MARKET ARRANGEMENTS**

Upon Admission, the Directors, including trusts and companies in which certain of the Directors may be beneficially interested, will hold, in aggregate, 10,879,822 Ordinary Shares representing approximately 30.9 per cent. of the Enlarged Issued Share Capital. Each of these entities has undertaken with the Company and Daniel Stewart not to, and has agreed to use its respective reasonable endeavours to procure that no connected person shall, sell, charge, or grant any interests over any Ordinary Shares held by it (subject to certain exceptions) during the twelve months following Admission and, for a further twelve months, to consult Daniel Stewart (or the Company's then nominated adviser and broker) prior to any disposal and to make any disposal through Daniel Stewart (or the Company's then broker).

ESS will, following Admission, have an interest in approximately 20.0 per cent. of the Enlarged Issued Share Capital. ESS has undertaken to the Company and to Daniel Stewart not to sell, charge or grant any interests over any Ordinary Shares held by it (subject to certain exemptions) during the twelve months following Admission and, for a further twelve months to consult Daniel Stewart (or the Company's then nominated adviser and broker) prior to any disposal and to make any disposal through Daniel Stewart (or the Company's then broker). Further details of these lock-in and orderly market arrangements are set out in paragraph 15 of Part VI of this document.

The terms of the lock-in arrangements and orderly market provisions with the Directors are set out in the Placing Agreement and the lock-in arrangements and orderly market provisions with the Vendors are set out in the Acquisition Agreement, further details of which are set out in paragraph 15 of Part VI of this document.

## **LONG TERM INCENTIVE PLAN ("LTIP") AND EMPLOYEE BENEFIT TRUST**

The Directors believe that the Company's success is highly dependent on the quality and loyalty of its employees and Directors and consultants and other persons providing services to the Group and that to assist in the recruitment, retention and motivation of high quality personnel, the Company must have an effective remuneration strategy. The Directors consider that an important part of the Company's remuneration strategy is the ability to award equity incentives and, in particular, long term incentives.

The Directors therefore propose to establish the LTIP and the Employee Benefit Trust prior to Admission and to grant the first awards under the LTIP immediately before or on Admission.

The LTIP awards will be determined by the Remuneration Committee who will require the satisfaction of performance conditions and, subject to vesting, all Ordinary Shares awarded under the LTIP will be held by the trustees of the Employee Benefit Trust.

Further details of the LTIP and the Employee Benefit Trust together with details of the awards over Ordinary Shares granted prior to the date of this document are set out in paragraph 8 of Part VI of this document.

## **CORPORATE GOVERNANCE**

The Board, is responsible for establishing the strategic direction of the Company, monitoring the Group's trading performance and appraising and executing development and acquisition opportunities. The Company intends to hold regular Board meetings, to be held in the Isle of Man, at which financial and other reports, including reports on acquisition opportunities, will be considered and, where appropriate, voted on.

Details of the Directors' beneficial interests in Ordinary Shares and options, both immediately prior to and following Admission, are set out in paragraph 10 of Part VI of this document. The Directors intend to comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by any employees of the Company to whom Rule 21 applies. The Company has, in addition, adopted the Share Dealing Code for dealings in its Ordinary Shares by directors and senior employees.

The Directors recognise the importance of sound corporate governance. The Company intends, following Admission, to comply with the QCA Guidelines so far as is practicable and appropriate for a public company of its size and nature.

The Board has established an audit committee and a remuneration committee both with formally delegated duties and responsibilities. The audit committee comprises Bernard Gallagher, as the Chairman, and Matthew Wood, and the remuneration committee comprises Matthew Wood, as the Chairman, and Bernard Gallagher.

The terms of reference for the audit committee provide that it will receive and review reports from the Company's management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group.

The terms of reference for the remuneration committee provide that it will review the scale and structure of the executive directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive directors will be set by the Board. No director may participate in any meeting at which discussion or decision regarding his own remuneration takes place. The remuneration committee will also administer the LTIP awards and set any performance criteria thereunder.

The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a nomination committee.

## **CREST**

CREST is a UK electronic paperless share transfer and settlement system, which allows shares and other securities to be held in electronic rather than paper form. The Ordinary Shares may be traded using this system. The Company has applied for its shares to be admitted to CREST with effect from Admission.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Any Shareholder wishing to hold their stock through CREST can dematerialise from a certificated holding to a CREST holding by lodging their share certificate and a CREST transfer form with their stockbroker or other CREST member.

## **DIVIDEND POLICY**

In view of its strong cashflow, healthy dividends have in the past been declared by Fidecs. However, in view of its acquisition strategy, which is likely to require the Company to raise cash in the future, the Company does not intend to pay dividends for at least a year after Admission. The Company will review this policy and at the appropriate time it is intended that the Company will initiate a progressive dividend policy. Any future dividend payments and the amount of any such dividends will depend upon the Group's results, financial condition, cash requirements, future prospects, profits available for distribution and any other factors considered by the Directors to be relevant at the time.

## **TAXATION**

The following information is intended as a general guide and relates to the UK tax position of shareholders who are resident and ordinarily resident in the UK and to the Isle of Man tax position of both the Company and shareholders. The statements may not apply to certain classes of shareholders such as dealers in securities and other persons who hold the shares other than as investments. The statements are based on the current legislation and practice in the UK and the Isle of Man and do not purport to be comprehensive or to describe all potential relevant considerations.

**Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.**

### *UK Taxation – Shareholders*

- (a) Holders of Ordinary Shares who are resident in the UK, or are carrying on a trade in the UK for tax purposes to which the Ordinary Shares are attributable, will generally be liable to UK income tax, or corporation tax, as the case may be, in respect of the gross amount of any dividends received from the Company.

- (b) Any gain on a subsequent disposal of Ordinary Shares by persons resident or ordinarily resident in the UK for tax purposes may, depending on their circumstances, give rise to a charge to capital gains tax (for individuals and trustees) or corporation tax (companies). For shareholders who are individuals or trustees, taper relief, and for shareholders who are within the charge to UK corporation tax in respect of any gain on disposal of the Ordinary Shares, indexation allowance, may reduce the amount of the chargeable gain.
- (c) The attention of UK resident and domiciled shareholders is drawn to the provisions contained in Section 13 of the Taxation of Chargeable Gains Act 1992 under which in certain circumstances a proportion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than a 10 per cent. interest in the Company.
- (d) Individuals ordinarily resident in the UK should note the provisions of Sections 739 to 745 of the Income and Corporation Taxes Act 1988 (the “Taxes Act”), which contain provisions for preventing the avoidance of income tax through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and which may render them liable to taxation in respect of any undistributed income and profits of the Company.
- (e) A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Shares should note the provisions contained in Sections 747 – 756 of the Taxes Act.
- (f) No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the Ordinary Shares. No SDRT will arise on the transfer of Ordinary Shares so long as the Company remains incorporated and the Register of Members is kept outside the UK.
- (g) Investments in qualifying AIM trading companies (including investments in holding companies of a trading group – such as the Company) can attract 100 per cent. relief from inheritance tax (IHT) provided that the investment is held for at least two years before a chargeable transfer for IHT purposes. For this purpose, a trading company (or the holding company of a trading group) is one whose business consists wholly or mainly of trading activities. The residence or place of incorporation of the AIM company is not relevant for this relief to apply.

*Isle of Man Taxation – the Company and Shareholders*

- (a) The Isle of Man has introduced a zero per cent. rate of income tax for companies, with the exception of certain banking income and income from Isle of Man land and property, which is taxed at 10 per cent. There will be no withholding to be made by the Company on account of Isle of Man tax in respect of dividends paid by the Company. The Company will be required to pay an annual corporate charge in the Isle of Man. The current level of the corporate charge is £250 per annum.
- (b) The Isle of Man has also introduced, with effect from 6 April 2006, a Distributable Profits Charge regime (the “DPC”). The effect of the regime, where it applies, is to impose a charge (at 18 per cent.) on that proportion of the Company’s profits that are attributable to Isle of Man resident shareholders. However, as the Company’s shares will be admitted to trading on AIM, it will be outside the scope of the DPC.
- (c) Shareholders resident in the Isle of Man will, depending upon their particular circumstances, be liable to Isle of Man income tax on dividends received from the Company.
- (d) Shareholders resident outside the Isle of Man will have no liability to Isle of Man income tax on dividends received from the Company.
- (e) There are no capital or stamp taxes in the Isle of Man (save for capital duty as described below). No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue or transfer of, or any other dealing in, Ordinary Shares.
- (f) The Company is liable to capital duty in the Isle of Man. Capital duty is currently payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company

at the rate of £15 per £1,000 (or part thereof) of authorised share capital over £2,000 subject to a minimum of £125 and a maximum aggregate amount of £5,000 for each company.

- (g) In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required, in respect of which certain fees will be payable to the Isle of Man Government.
- (h) There are no inheritance taxes payable in the Isle of Man.

Information regarding Isle of Man and United Kingdom taxation is set out in paragraph 21 of Part VI of this document. Any person who is in doubt as to his personal tax position should contact his professional tax adviser before making any decision to subscribe for or purchase Ordinary Shares.

#### **FURTHER INFORMATION**

**Prospective investors should carefully consider the information in Parts II to VI of this document, which provide additional information regarding the Company and, in particular, Part II, which sets out certain risk factors relating to an investment in the Ordinary Shares.**

## **PART II**

### **RISK FACTORS**

Prospective investors should be aware that an investment in the Company involves a high degree of risk and may result in the loss of all or part of the investment. Investors are accordingly advised to consult an investment adviser authorised under FSMA who specialises in the acquisition of shares and other securities before making their decision to invest in the Company. In addition to the other information contained in this document, the following risk factors affecting the Company should be considered carefully in evaluating whether to make an investment in the Company.

STM is an entity which has been set up specifically to facilitate the acquisition of CTSPs that operate in international jurisdictions, and its investing strategy is therefore the acquisition of such businesses. STM's first acquisition is that of Fidecs and the risk factors associated with Fidecs are also set out below.

It should be noted that this list is not exhaustive, but is intended to comprise the principal risk factors which the Directors believe to be associated with the Company, and that other risk factors may apply. In particular, the Company's performance is likely to be affected by changes in the market and/or economic conditions and in legal, accounting, regulatory and tax requirements. If any of the matters referred to in the following risk factors actually occur, the Company's business and financial condition could be materially and adversely affected.

#### **Volatility in share price and liquidity**

The share prices of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors, some of which are general or market specific, others of which are sector specific and others of which are specific to the Company. It may be the case that the market price of the Ordinary Shares does not fully reflect the underlying value of the Company.

Admission to AIM does not guarantee that there will be a liquid market for Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in Ordinary Shares may be difficult to realise and the share price may be subject to greater fluctuations than might otherwise be the case.

#### **Further equity issues**

The Company is likely, as part of its business strategy, to seek to raise further equity capital in the future, especially if the vendors of the businesses to be acquired by the Company require cash as part of the consideration. There can be no certainty that debt or equity capital will be available to the Company on terms acceptable to the Board or at all. If the Company is unable to raise such additional finance the growth of the Company's business is likely to be constrained.

The Directors have been granted the authority to issue and allot new shares for cash and/or other consideration without the regard to statutory or other pre-emption rights over 7,040,000 Ordinary Shares representing 20.0 per cent. of the Enlarged Issued Share Capital. In addition, the LTIP scheme adopted by the Company will allow the Company to make Awards of Ordinary Shares to management and other key employees for up to 10 per cent. of the issued share capital of the Company from time to time. This will cause further dilution to existing holders of Ordinary Shares if any Ordinary Shares are issued under these arrangements.

#### **Competition**

The Group's competitors include integrated professional service providers and stand alone CTSPs, some of which will have substantially greater resources than that of the Group. There can be no assurances that competitors will not succeed in developing products and services that are more attractive to their target market and also more effective and economical than those developed by the Group, which could render those products or services uncompetitive.

## **Regulation and compliance and the impact of future legislation resulting in increased cost of compliance**

The Company may acquire businesses whose operations are subject to the laws and regulations of the UK, Guernsey, Jersey, Ireland, the Isle of Man and the EU including, *inter alia*, FSMA and its governance by the Financial Services Authority. Such government imposed laws, rules and regulations are subject to periodic review and change. Any alteration may adversely affect the Company's business. Furthermore, the nature of the Group's business is visible with regulators and elected officials. There can be no assurance that a government, agency or some other regulatory body will not try to exert authority or restrictions in the Group's business activities.

Failure in the Group's quality of service or advice, compliance or "Know Your Customer" procedures, could result in certain circumstances in the relevant company being liable to fines or ceasing to trade or lead to negligence claims by clients and/or accusations of money laundering by the authorities which could result in loss of financial services licences. Additionally, the cost of ensuring compliance with all applicable laws, rules and regulations may rise. Such an increasing financial burden may adversely affect the profitability of the Company in the future.

## **Exposure to political and economic risk in Gibraltar**

Uncertainty exists surrounding Gibraltar's relationship with Spain and Britain's willingness to defend the political and economic interests of the Gibraltarians (at the possible expense of their relationship with Spain).

## **EU's continuing campaign against no and low tax jurisdictions**

Gibraltar's tax exemption regime for companies is currently being phased out. Existing exempt companies will retain their status until 31 December 2010, save for those that obtained their status after 18 February 2005, which will only retain their status until 31 December 2007. The Government of Gibraltar is in the process of developing an acceptable alternative low or no tax regime to replace it. These proposals are currently the subject of court action in the European Court of Justice, due to commence on 14 March 2007 which could force Gibraltar to adopt the same tax regime as the UK. Alternatively, the Government of Gibraltar may not have developed an alternative before the current regime runs out.

There is a lack of double taxation treaties between Gibraltar and EU Member States, with the attendant risk of taxation of trading income in the source country. There are increasingly aggressive steps by high tax countries to defeat legitimate tax avoidance structures.

## **Influence of principal shareholders**

On Admission, the Vendors will own 14,600,000 Ordinary Shares, representing approximately 41.5 per cent. of the Enlarged Issued Share Capital and ESS will own 7,032,571 Ordinary Shares, representing approximately 20.0 per cent. of the Enlarged Issued Share Capital. These Shareholders, individually or acting with other persons, will be able to exercise influence over any matter requiring Shareholder approval.

## **Loss of key personnel**

The success of STM is dependent upon the experience of its directors and, initially at least, upon Fidecs' key members of staff and their relationships with their clients. The majority of the Group's individuals are key to the Group and steps will be taken to ensure that appropriate incentives and working environments are provided to employees. There is no guarantee that the Group will be able to recruit or retain the required staff in its business plan on acceptable terms given the competition for such staff within the market. The loss of service of any of the Group's personnel could impede the achievement of its objectives.

## **Loss of key introducers**

The Group places some reliance on several key business introducers. The Board will endeavour to ensure that key relationships are developed and maintained through effective service and communication and that relationships are developed with other intermediaries.

### **Litigation relating to assets under management**

A large part of the business of the Group consists of administering trusts, companies, pension schemes and other entities. As part of this work, the Group is responsible for managing substantial cash deposits, portfolios of quoted shares and bonds, loans, residential and development property and other assets for its clients. From time to time, assets under the management of the Group may be the subject of litigation arising from events prior to the involvement of the Group and it is possible that the Group may become drawn into the litigation if the assets are subject to freezing orders, disclosure orders or if claimants allege wrongdoing on the part of the Group. Details of an action are set out in paragraph 18.1 of Part VI of this document. This litigation may involve substantial management time and cost, although often costs can be recovered from the assets under management or the party seeking disclosure. There is also a risk that an action may succeed against the Group and the Group could become liable to pay damages in excess of the assets under management, although this risk may be covered by professional indemnity insurance.

## PART III

### FINANCIAL INFORMATION ON STM GROUP PLC

#### Section A: Accountants' report on STM Group PLC



**KPMG Audit LLC**

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

Telephone +44 (0) 1624 681010  
Fax +44 (0) 1624 681098  
Internet [www.kpmg.co.im](http://www.kpmg.co.im)

The Directors  
STM Group Plc  
PO BOX 227  
Clinch's House  
Lord Street  
Douglas  
Isle of Man  
IM99 1RZ

22 March 2007

Dear Sirs

**STM Group Plc (the "Company")**

We report on the financial information set out on page 28 of this document. This financial information has been prepared for inclusion in the AIM Admission Document dated 22 March 2007 of STM Group Plc on the basis of the accounting policies set out in paragraph 1. This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

**Responsibilities**

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

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

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

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and

whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 22 March 2007, a true and fair view of the state of affairs of STM Group Plc as at the dates stated and of its result for the periods then ended in accordance with the basis of preparation set out in paragraph 1 and in accordance with International Financial Reporting Standards as described in paragraph 1.

### **Declaration**

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

Yours faithfully

KPMG Audit LLC

# STM GROUP PLC

## Section B: Historical Financial Information

### 1. Accounting policy

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

### 2. Balance sheet as at 31 January 2007

	<i>Notes</i>	<i>2007</i> £
<b>Employment of Capital</b>		
Debtors – due from shareholders		300,000
<b>Net Assets</b>		<u>300,000</u>
<b>Capital Employed</b>		
Share Capital	3.2	5,600
Share Premium		<u>294,000</u>
<b>Total Capital Employed</b>		<u>5,000</u>

### 3. Notes:

3.1 The Company was incorporated on 28 July 2005. The Company has not traded since incorporation, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

3.2 Called up share capital

	<i>Number</i>	<i>£</i>
<i>Authorised</i>		
Ordinary Shares of £0.001	<u>50,000,000</u>	<u>50,000</u>
<i>Allotted and called up</i>		
Ordinary Shares of £0.001	<u>5,600,000</u>	<u>5,600</u>

## PART IV

### FINANCIAL INFORMATION ON FIDECS GROUP LIMITED

#### Section A: Accountants' report on Fidecs Group Limited



**KPMG Audit LLC**

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

Telephone +44 (0) 1624 681010  
Fax +44 (0) 1624 681098  
Internet [www.kpmg.co.im](http://www.kpmg.co.im)

The Directors  
STM Group Plc  
PO BOX 227  
Clinch's House  
Lord Street  
Douglas  
Isle of Man  
IM99 1RZ

22 March 2007

Dear Sirs

**Fidecs Group Limited (the 'Company')**

We report on the financial information set out on pages 31 to 49 of this document. This financial information has been prepared for inclusion in the AIM Admission Document dated 22 March 2007 of STM Group Plc on the basis of the accounting policies set out in note 3. This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

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

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and

whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 22 March 2007 of STM Group Plc, a true and fair view of the state of affairs of Fidecs Group Limited as at the dates stated and of its result for the periods then ended in accordance with the basis of preparation set out in paragraph 1 and in accordance with International Financial Reporting Standards as described in paragraph 1.

### **Declaration**

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

Yours faithfully

KPMG Audit LLC

## Section B: Historical Financial Information

### Proforma Consolidated Income Statement

for the years ended 31 December

	<i>Notes</i>	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Revenue		3,719	4,847	4,970
Administrative expenses		(3,102)	(3,185)	(3,350)
<b>Operating profit</b>		<u>617</u>	<u>1,662</u>	<u>1,620</u>
Financing expense		(27)	–	–
Share of profit of associate	14	–	48	37
Disposal of investment property		100	–	–
<b>Profit on ordinary activities before taxation</b>	4	<u>690</u>	<u>1,710</u>	<u>1,657</u>
<b>Taxation</b>	7	–	–	4
<b>Profit on ordinary activities after taxation</b>		<u><u>690</u></u>	<u><u>1,710</u></u>	<u><u>1,661</u></u>

The Directors consider the activities of the Group to be derived from continuing activities.

There were no gains or losses for any period other than those recognised in the income statement.

## Proforma Consolidated Balance Sheet

As at 31 December

	Notes	2004 £000	2005 £000	2006 £000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	479	471	427
Intangible assets	12	64	64	118
Investments	13	314	103	21
Investments in equity accounted associates	14	–	48	42
<b>Total non-current assets</b>		<u>857</u>	<u>686</u>	<u>608</u>
<b>Current assets</b>				
Accrued income		479	548	788
Debtors	16	1,856	2,177	2,298
Cash at bank and in hand	15	221	380	881
<b>Total current assets</b>		<u>2,556</u>	<u>3,105</u>	<u>3,967</u>
<b>Total assets</b>		<u>3,413</u>	<u>3,791</u>	<u>4,575</u>
<b>EQUITY</b>				
Called up share capital	18	148	148	148
Legal reserve	19	15	15	15
Retained earnings		976	1,636	1,347
<b>Total equity attributable to equity shareholders</b>		<u>1,139</u>	<u>1,799</u>	<u>1,510</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		1,400	1,013	864
Deferred income		358	372	362
Taxation		6	–	7
Shareholder loans		510	607	1,832
<b>Total current liabilities</b>	17	<u>2,274</u>	<u>1,992</u>	<u>3,065</u>
<b>Total liabilities and equity</b>		<u>3,413</u>	<u>3,791</u>	<u>4,575</u>

## Proforma Company Balance Sheet

As at 31 December

	Notes	2004 £000	2005 £000	2006 £000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments	13	511	337	317
<b>Total non-current assets</b>		<u>511</u>	<u>337</u>	<u>317</u>
<b>Current assets</b>				
Debtors	16	928	2,022	3,175
Cash at bank and in hand	15	67	32	46
<b>Total current assets</b>		<u>995</u>	<u>2,054</u>	<u>3,221</u>
<b>Total assets</b>		<u>1,506</u>	<u>2,391</u>	<u>3,538</u>
<b>EQUITY</b>				
Called up share capital	18	148	148	148
Legal reserve	19	15	15	15
Retained earnings		232	531	653
<b>Equity attributable to equity shareholders</b>		<u>395</u>	<u>694</u>	<u>816</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		601	1,090	890
Shareholder loans		510	607	1,832
<b>Total current liabilities</b>	17	<u>1,111</u>	<u>1,697</u>	<u>2,722</u>
<b>Total liabilities and equity</b>		<u>1,506</u>	<u>2,391</u>	<u>3,538</u>

## Proforma Consolidated Cash Flow Statement

for the years ended 31 December

	2004 £000	2005 £000	2006 £000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Profit for the period before tax	690	1,710	1,657
Adjustments for:			
Depreciation	57	83	88
(Reversal of) impairment losses on investments	100	(100)	–
(Increase)/decrease in debtors	28	(369)	(158)
Increase in accrued income and work in progress	(112)	(69)	(240)
Increase/(decrease) in creditors and deferred income	276	(378)	(62)
Gain on sale of investment property	(100)	–	–
Movement in intangible assets	–	–	54
<b>Net cash from operating activities</b>	<u>939</u>	<u>877</u>	<u>1,339</u>
<b>Investing activities</b>			
Acquisition of investments of property, plant and equipment	(117)	(75)	(22)
Acquisition of investments	(329)	–	(91)
Proceeds from sale of investment property	183	–	–
Proceeds of sale of investments	–	311	–
<b>Net cash used in investing activities</b>	<u>(263)</u>	<u>236</u>	<u>(113)</u>
Cash flows from financing activities			
Increase loans from shareholders	143	96	1,225
Dividends paid	(718)	(1,050)	(1,950)
<b>Net cash from used in financing activities</b>	<u>(575)</u>	<u>(954)</u>	<u>(725)</u>
<b>Increase in cash balances</b>	<u>101</u>	<u>159</u>	<u>501</u>
<b>Analysis of cash balances during the year</b>			
Balance at start of year	120	221	380
Increase in cash balances	101	159	501
Balance at end of year	<u>221</u>	<u>380</u>	<u>881</u>

**Proforma Consolidated Changes in Equity***for the three years ended 31 December 2006*

<b>Group</b>	<i>Share capital £000</i>	<i>Legal reserve £000</i>	<i>Profit &amp; loss reserve £000</i>	<i>Total £000</i>
At 1 January 2004	148	15	1,004	1,167
Profit for the year	–	–	690	690
Dividends	–	–	(718)	(718)
As at 31 December 2004	<u>148</u>	<u>15</u>	<u>976</u>	<u>1,139</u>
At 1 January 2005	148	15	976	1,139
Profit for the year	–	–	1,710	1,710
Dividends	–	–	(1,050)	(1,050)
As at 31 December 2005	<u>148</u>	<u>15</u>	<u>1,636</u>	<u>1,799</u>
At 1 January 2006	148	15	1,636	1,799
Profit for the year	–	–	1,661	1,661
Dividends	–	–	(1,950)	(1,950)
As at 31 December 2006	<u>148</u>	<u>15</u>	<u>1,347</u>	<u>1,510</u>
<b>Company</b>				
	<i>Share capital £000</i>	<i>Legal reserve £000</i>	<i>Profit &amp; loss reserve £000</i>	<i>Total £000</i>
As at 1 January 2004	148	15	231	394
Profit for the year	–	–	719	719
Dividends	–	–	(718)	(718)
As at 31 December 2004	<u>148</u>	<u>15</u>	<u>232</u>	<u>395</u>
As at 1 January 2005	148	15	232	395
Profit for the year	–	–	1,149	1,149
Dividends	–	–	(850)	(850)
As at 31 December 2005	<u>148</u>	<u>15</u>	<u>531</u>	<u>694</u>
As at 1 January 2006	148	15	531	694
Profit for the year	–	–	1,922	1,922
Dividends	–	–	(1,800)	(1,800)
As at 31 December 2006	<u>148</u>	<u>15</u>	<u>653</u>	<u>816</u>

## Notes to the Proforma Consolidated Financial Statements

for the period from 1 January 2004 to 31 December 2006

### 1 Reporting entity

Fidecs Group SA (the “Company”) is a company domiciled in Luxembourg. The address of the Company’s registered office is 11 Boulevard Royal, BP742, L-2017 Luxembourg. The Proforma Consolidated Financial Statements have been prepared on the basis set out below in note 2 “Basis of preparation”. The Group is primarily involved in the business of corporate and trust administration, insurance management and taxation advisory.

### 2 Basis of preparation

#### (a) Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

#### (b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, as modified by the use of fair value for certain financial assets and liabilities.

#### (c) Functional and presentation currency

These proforma consolidated financial statements are presented in Pounds Sterling (£) which is the Company’s functional currency.

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the financial statements are set out in the following notes:

#### (e) Basis of preparation of proforma consolidation

The proforma consolidation has been prepared by the Directors on an “as-if” basis to include the financial performance, position and cash flows of the elements of Fidecs Group SA, to be included in the transaction and is not a statutory consolidation. The transaction is the acquisition of Fidecs Group SA together with certain of its investee entities by STM Group PLC, which will contemporaneously seek a listing for its ordinary shares on AIM.

The proforma consolidation includes the results of all of the subsidiaries that will form part of the transaction, reflecting the ownership percentage that Fidecs Group SA will have at this time. In particular the results include 100 per cent. of Fidecs Insurance Management Limited. However, where a corporate transaction, such as an acquisition or disposal, has occurred during the past three years this has been reflected.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these proforma consolidated financial statements.

(a) *Basis of consolidation*

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the proforma consolidated financial statements from the date that control commences until the date that control ceases, unless that change of control occurs as part of the current transaction, in which case the subsidiary is accounted for as if it had always been acquired or is completely excluded from the proforma consolidation.

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or control commences until the date that significant influence or control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the proforma consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) *Revenue*

Revenue is derived from the provision of services and is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date on an accruals basis.

(c) *Accrued income*

Accrued income represents billable time spent on the provision of services to clients which has not been invoiced at the reporting date. Accrued income is recorded at the staff charge-out rates in force at the reporting date, less any specific provisions against the value of accrual income where recovery will not be made in full.

(d) *Property, plant and equipment*

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing it into use.

(ii) Depreciation

Depreciation is recognised in the income statement on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment.

### 3 Significant accounting policies (continued)

The rates in use on a reducing balance basis are as follows:

Office equipment	25%
Motor vehicles	25%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### (e) *Intangible assets*

##### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates.

##### *Acquisitions prior to 1 January 2003*

As part of its transition to IFRS, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. Pre 1 January 2003, goodwill represents the amount recognised under Gibraltar Generally Accepted Accounting Principles.

##### *Acquisitions on or after 1 January 2003*

For acquisitions on or after 1 January 2003, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In the case of equity accounted investees, goodwill is included in the carrying value.

#### (f) *Central Service Allocation*

Since 1 January 2004 a central services company is responsible for the establishment and general costs of the group which allocates costs to companies by way of an established formula.

#### (g) *Investments and associates*

Investments are carried at fair value, subject to provisions for impairment where the current value of the investment is considered to be less than cost. Impairment losses are recognised in the profit and loss account. Investments are reviewed for impairment at each year end.

#### (h) *Operating leases*

Payments under operating leases are charged directly to the income statement on a straight line basis over the term of the lease.

#### (i) *Employee benefits*

The Group operates a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statements when they are due.

#### (j) *Finance income and expense*

Finance income comprises interest income on funds invested, dividend income and foreign currency gains. Interest income is recognised as it accrues using the effective interest rate method.

The Group also earns interest on pooled client monies, which under the client agreements is shared by the Group and its clients. This interest income is included in turnover.

Finance expense comprises interest in borrowings and foreign currency losses. Interest expense is charged to the income statement using the effective interest rate method.

### 3 Significant accounting policies (continued)

(k) *Income tax expense*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year using enacted tax rates, adjusted for previous period adjustments.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and for tax purposes. Deferred tax is not provided in respect of goodwill. Deferred tax is measured at the tax rates expected to be enacted when they reverse.

(l) *Foreign currency*

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at the reporting date. The resulting gain or loss is recognised in the income statement.

(m) *Cash and cash equivalents*

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

(n) *Impairment*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, as reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

### 3 Significant accounting policies (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carry amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (o) Segmented information

No analysis related to segmented information is disclosed, as the Directors of the Company are of the opinion that all of the Group's activities arise from trust, company and insurance management where the service is singular and all economic and geographic environments are subject to similar risks and rewards.

### 4 Profit on ordinary activities before taxation

This is stated after charging the following:

#### Group

	2004 £000	2005 £000	2006 £000
Depreciation on fixed assets	57	83	88
Auditor's remuneration	9	9	16
Operating lease payments	270	270	270

The profit before appropriations of the parent company for the year was £1,922,000 (2005: profit of £1,149,000) (2004: profit of £719,000).

### 5 Personnel expenses

The average number of employees (including executive directors) employed by the Group was 71 (2005: 61) (2004: 46).

### 6 Directors' remuneration

The emoluments of the directors, including divisional directors, were £1,043,000 (2005: £1,064,000) (2004: £920,000).

### 7 Tax on profit on ordinary activities

Where applicable, tax is based upon the profit on ordinary activities.

The main trading companies in the Fidecs group are incorporated in Gibraltar and currently have a tax exempt status in Gibraltar, which has been granted under the Companies (Taxation and Concessions) Ordinance. Under the terms of the Ordinance, providing the companies continue to satisfy the criteria for such status, including the payment of an annual government charge, they would not be subject to any Gibraltar taxes for a period of twenty five years.

	2004 £000	2005 £000	2006 £000
<b>Current Tax</b>			
Gibraltar income tax	—	—	4

## 7 Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of Gibraltar income tax at 0 per cent. (2005: 0%) (2004: 0%) to the profit before taxation is as follows:

	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before taxation	690	1,710	1,657
Tax on profit on ordinary activities at standard rate	–	–	–
Factors affecting charge:			
Other adjustments	–	–	4
	–	–	4

Following a challenge from the EU Commission in July 2001 as to the legality of the exempt tax status regime under EU State Aid Rules, the Government of Gibraltar has in January 2005 reached an agreement with the EU Commission which will permit existing tax exempt companies to retain their status until 31 December 2010 provided that neither ownership nor activities of the companies change.

Changes to the beneficial ownership will result in the immediate withdrawal of the tax exempt concession.

## 8 Dividend

A dividend of £17.14 (2005: £8.10) (2004: £6.83) per ordinary share of the parent company was recommended and paid by the Directors for the year.

## 9 Acquisition of subsidiaries

On 3 April 2006 the Group acquired the remaining 67 per cent. of the issued equity of BDO Audiberia Fidecs SA that it did not already own for £91,000 with the consideration to be paid from future profits. BDO Audiberia Fidecs SA provides financial advisory services to non-Spanish residents living in Southern Spain. Following acquisition it was renamed Nummos Profesional SA. The results are not material to the accounts to 31 December 2006.

Net assets at the date of acquisition amounted to £95,000 of which £19,000 was cash at bank. In the opinion of the directors, the value of the assets reflects the fair value of the assets at acquisition.

In April 2004, the Group subscribed for 25 per cent. of Venture Media Limited for £250.

## 10 Property, plant and equipment

### Group

	<i>Office equipment £000</i>	<i>Motor Vehicles £000</i>	<i>Total £000</i>
<b>Cost</b>			
As at 1 January 2004	549	1	550
Additions	102	15	117
As at 31 December 2004	651	16	667
Additions	75	–	75
As at 31 December 2005	726	16	742
Additions	22	–	22
Assets of subsidiary purchased	22	–	22
As at 31 December 2006	770	16	786
<b>Depreciation</b>			
As at 1 January 2004	131	–	131
Charge for the year	53	4	57
As at 31 December 2004	184	4	188
Charge for the year	79	4	83
As at 31 December 2005	263	8	271
Charge for the year	86	2	88
As at 31 December 2006	349	10	359
<b>Net book value</b>			
As at 31 December 2004	467	12	479
As at 31 December 2005	463	8	471
As at 31 December 2006	421	6	427

The parent Company holds no tangible fixed assets.

## 11 Investment property

The company disposed of its investment property in 2004 for proceeds of £183,000, realising a profit on sale of £100,000.

## 12 Intangible assets

	<i>Goodwill</i> £000
<b>Cost</b>	
As at 1 January 2004	64
Additions	—
As at 31 December 2004	64
Additions	—
As at 31 December 2005	64
Additions through business combination	54
As at 31 December 2006	118
<b>Amortisation and impairment losses</b>	
As at 31 December 2004, 2005, 2006	—
<b>Carrying amounts</b>	
As at 31 December 2004	64
As at 31 December 2005	64
As at 31 December 2006	118

## 13 Investments

The net book value of investments comprises:

### Group

	<i>Cost</i> £000	<i>Impairment</i> <i>Provision</i> £000	<i>Net Book</i> <i>Value</i> £000
<i>Investments</i>			
Balance at 1 January 2004	85	—	85
Additions	329	(100)	229
Disposals	—	—	—
Balance at 31 December 2004	414	(100)	314
Additions	—	—	—
Disposals	(311)	100	(211)
Balance at 31 December 2005	103	—	103
Disposals	(82)	—	(82)
Balance at 31 December 2006	21	—	21

### 13 Investments (continued)

#### Company

	<i>Cost</i>	<i>Impairment</i>	<i>Net Book</i>
	<i>£'000</i>	<i>Provision</i>	<i>Value</i>
		<i>£'000</i>	<i>£'000</i>
<i>Investments</i>			
Balance at 1 January 2004	293	–	293
Additions	318	(100)	218
Disposals	–	–	–
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2004	611	(100)	511
Additions	37	–	37
Disposals	(311)	100	(211)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2005	337	–	337
Additions	5	–	5
Disposals	(25)	–	(25)
	<hr/>	<hr/>	<hr/>
Balance at December 2006	317	–	317

During 2004, the Group accepted shares in a client company in lieu of a debt owed to the group amounting to £311,000. An impairment provision was recognised against this investment as at 31 December 2004 amounting to £100,000 to reflect the fall in the market value of these shares. During 2005 this investment was distributed to the shareholders as a dividend in specie of £311,000 and the corresponding impairment reversed.

Details of the Group and Company's investments at 31 December 2006 are as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Percentage of shares held by</i>	
			<i>Group</i>	<i>Company</i>
Fidecs Trust Company Limited	Gibraltar	Professional Trustee	100%	100%
Fidecs Management Limited	Gibraltar	Trust and Company admin.	100%	100%
Fidecs Management (Gibraltar) Limited	Gibraltar	Trust and Company Management	100%	100%
Fidecs (Gibraltar) Limited	Gibraltar	Dormant	100%	100%
Fidecs Advisory Limited	Gibraltar	Advisory services	100%	100%
Fidecs Insurance Management Limited	Gibraltar	Insurance Management	100% (*)	100% (*)
Fidecs Consultants Limited	Gibraltar	Dormant	–	100%
Fidecs Pension Trustees Limited	Gibraltar	Trustee Services	–	100%
Fidecs Central Services Limited	Gibraltar	Central admin.	–	100%
Fidecs Property Management Limited	Gibraltar	Dormant	–	100%
Fidecs Consulting Limited	UK	Holding Company	–	100%
Fidecs Management (IOM) Limited	IOM	Dormant	–	100%
BDO Fidecs Chartered Accountants Limited	Gibraltar	Accountancy Practice	–	100% (**)
Fidecs Services Limited	Gibraltar	Dormant	–	100%
Fidecs Marine Services Limited	Gibraltar	Dormant	–	100%
Fidecs Pension Administration Ltd	Gibraltar	Pension Administration	–	100%
Fidecs Consumer Services Ltd	Jersey	Provision of services to consumer finance division	–	100%
Venture Media Limited	Gibraltar	Advertising agency	25%	25%
Fidecs Personal Financial Planning Limited	Gibraltar	Financial planning	100%	100% (**)
Boscombe Overseas Limited	BVI	Marketing	100%	100%
Nummos Professional SL	Spain	Advisory	100%	100%
Newcastle United Plc	UK	Football club	<1%	<1%

(\*) – At 31 December 2005 Fidecs Insurance Management was owned 75 per cent. by Group and 25 per cent. by one of the Group Directors. As part of the sale of Fidecs 100 per cent. will be transferred to the purchaser.

(\*\*) – BDO Fidecs Chartered Accountants Limited and Fidecs Personal Financial Planning Limited is beneficially 25 per cent. owned by Group, though this will not form part of the sale transaction.

## 14 Equity accounted investees

The Group's share of profit in its equity accounted investees for the year was £37,000 (2005: £48,000).

Summary financial information for equity accounted investees, adjusted for the percentage held by the Group:

	<i>Ownership</i>	<i>Total assets £'000</i>	<i>Total liabilities £'000</i>	<i>Revenue £'000</i>	<i>Profit/ (loss) £'000</i>
<b>2004</b>					
Nummos Profesional SA (formerly BDO Audiberia Fidecs SA) (unaudited: y/e 31 August 2004)	33%	<u>184</u>	<u>148</u>	<u>124</u>	<u>5</u>
<b>2005</b>					
Venture Media Limited (unaudited: 15 months to 31 December 2005)	25%	252	204	76	48
Nummos Profesional SA (formerly BDO Audiberia Fidecs SA) (unaudited: y/e 31 August 2005)	33%	<u>115</u>	<u>79</u>	<u>69</u>	<u>1</u>
		<u>367</u>	<u>283</u>	<u>145</u>	<u>49</u>
<b>2006</b>					
Venture Media Limited (unaudited: y/e 31 December 2006)	25%	<u>334</u>	<u>292</u>	<u>89</u>	<u>37</u>

On 3 April 2006 the Group purchased the remaining 67 per cent. of Nummos Profesional SA and consolidated its results from this date.

## 15 Cash and cash equivalents

Cash at bank earns interest at floating rates based on prevailing rates and the balance. The fair value of cash and cash equivalents in the Group is £881,000 (2005: £380,000) (2004: £221,000) and in the company is £46,000 (2005: £32,000) (2004: £67,000).

## 16 Debtors

### Group

	<i>2004 £000</i>	<i>2005 £000</i>	<i>2006 £000</i>
Trade debtors	1,411	1,560	1,368
Disbursements recoverable	–	115	181
Sundry debtors and prepayments	445	502	749
	<u>1,856</u>	<u>2,177</u>	<u>2,298</u>

## 16 Debtors (continued)

### Company

	2004	2005	2006
	£000	£000	£000
Sundry debtors and prepayments	51	73	83
Owed by related undertakings	877	1,949	3,092
	<u>928</u>	<u>2,022</u>	<u>3,175</u>

Amounts owed to related undertakings are unsecured, interest free and repayable on demand.

Trade debtors are non-interest bearing and are generally on 30-90 day terms.

As at 31 December 2006, trade debtors with a nominal value of £255,518 (2005: £280,180) (2004: £249,444) were impaired and fully provided for. Movements in the provision for impairment of debtors were as follows:

	2004	2005	2006
	£000	£000	£000
At 1 January	177	249	280
Charged for the year	88	40	13
Amounts written off	(16)	(9)	(37)
At 31 December	<u>249</u>	<u>280</u>	<u>256</u>

Fair value of trade and other debtors are the same as the amounts listed above, there is no significant concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

## 17 Creditors: amounts falling due within one year

### Group

	2004	2005	2006
	£000	£000	£000
Shareholders' loans	510	607	1,832
Deferred income	358	372	362
Trade creditors	158	191	89
Corporation tax	6	–	7
Other creditors and accruals	1,242	822	775
	<u>2,274</u>	<u>1,992</u>	<u>3,065</u>

### Company

	2004	2005	2006
	£000	£000	£000
Shareholders' loans	510	607	1,832
Other creditors and accruals	433	173	65
Due to related undertakings	168	917	825
	<u>1,111</u>	<u>1,697</u>	<u>2,722</u>

Amounts due to related undertakings are unsecured, interest free and repayable on demand.

The shareholders' loans are unsecured, interest free repayable on completion of the Fidecs transaction.

## 18 Called up share capital

	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Authorised:			
105,000 Ordinary shares of Euro 2	148	148	148
Called up, issued and fully paid			
105,000 Ordinary shares of Euro 2	148	148	148

## 19 Legal Reserve

In accordance with Luxembourg company law, the parent company is required to appropriate a minimum of 5 per cent. of its net profit until a reserve equal to 10 per cent. of the issued share capital is established. The legal reserve is not available for distribution to shareholders, except on dissolution of the company.

## 20 Operating lease commitments

The Group has entered into a lease in relation to the premises it occupies at Montagu Pavilion, Queensway, Gibraltar for a term of 20 years.

The non-cancellable minimum lease payments payable over the remaining term of the lease are as follows:

	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Group</b>			
Property, expiring:			
Within one year	271	271	271
Between one and two years	271	271	271
Between two to five years	768	711	654
Over five years	2,780	2,540	2,306
	<u>4,090</u>	<u>3,793</u>	<u>3,502</u>

The lease is with Fiander Properties Limited, a party related to the shareholders (see note 22).

The Company has no lease commitments.

## 21 Contingent liabilities and guarantees

There were no contingent liabilities at the period end.

The Company has guaranteed the obligations of two Trusts, shareholders in the Company, to repay a loan to the Royal Bank of Scotland (Gibraltar) Limited. This will be discharged as part of the Fidecs transaction.

The Company has guaranteed the obligations of Fidecs Management Limited to repay monies due to Royal Bank of Scotland International Limited capped at £50,000.

Fidecs Central Services Limited has entered into a debenture and an indenture of mortgage to guarantee the obligations of Fiander Properties Limited (related party, see note 22) to Barclays Bank Plc. This will be discharged as part of the Fidecs transaction.

## 22 Related party transactions

One of the Group's properties, Montagu Pavilion, is rented to the Group from Fiander Property Limited, a company which is beneficially owned by three Directors of the Group. The transactions with Fiander and balances outstanding are as follows:

	2004 £000	2005 £000	2006 £000
Rent paid	208	208	208
Due from/(to) Fiander	0	0	0
	2004 £000	2005 £000	2006 £000
Hearth Investments Limited	54	11	675
Quest Traders Limited	60	42	202
Clifton Participations Inc	355	537	709
Pathway Trading SA	23	7	134
Focus and Crowe Trust	18	10	112
	510	607	1,832

Fidecs Management Limited engages the spouse of one of the Directors and potential trust beneficiary as a consultant. An arms length commission is paid to the spouse for business referred to the Group. In the year the Group paid commissions of £Nil (2005: £2,000) (2004: £4,000). This arrangement will terminate with effect from Admission.

The Group provides tax advice to Argon Ventures LLC ("Argon"). One of the Directors and potential trust beneficiary of the Group has a 20 per cent. holding in Argon. In the year ended 31 December 2006 Argon paid fees of £4,000 (2005: £6,000) (2004: £Nil).

The Group provides IT services and charges rental to Gold Services Limited. Gold Services Limited is 50 per cent. owned by the spouse of a Director and potential trust beneficiary of the Group. The spouse also introduces trust work to the Company and acts as trustee to Focus and Crowe Trust which is a Shareholder of the Group. In the year ended 31 December 2006 the Group charged Gold Services Limited £641 (2005: £1,213) (2004: £5,300).

The Group provide professional services at an arms length to Star Light Limited. One of the Directors and potential trust beneficiary of the Group has a 40 per cent. holding in Star Light Limited. In the year ended 31 December 2006 the Group charged Star Light £2,267 (2005: £2,659) (2004: £3,173).

The Group provide insurance management services at an arms length to Carraig Insurance Company Limited. Three of the Directors of the Group have a 4.63 per cent. holding in aggregate in Carraig Insurance Company Limited. In the year ended 31 December 2006 the Group charged Carraig £102,917, (2005: £101,257) (2004: £82,614).

The Group provide insurance management services at arms length to Markerstudy Holdings Limited ("Markerstudy"). Three of the Directors of the Company each have a 0.66 per cent. holding in Markerstudy. In the year ended 31 December 2006 the Group charged Markerstudy £514,560, (2005: £691,605) (2004: £632,333).

The Group provide professional services at an arms length to 3 subsidiaries of the Borealis Group. Three of the Directors of the Company each hold less than 1 per cent. within Roche Bay Limited, CoolChips Limited and PowerChips plc. In the year ended 31 December 2006 the Fidecs charged the Borealis Group £37,175, (2005: £56,005) (2004: £79,244).

During 2006, the shareholders of the Company received a dividend *in specie* of £311,000, representing the part settlement of a debt owed by the Borealis Group by the issue of Chorus Motor Shares.

BDO Fidecs Chartered Accountants Limited, a company with common directors, offers accounting services to the Group. Three of the Group Directors each have a 25 per cent. stake in BDO Fidecs Chartered Accountants Limited.

## 23 Pension contributions

In March 2006, the company began a defined contribution pension scheme for its employees and Directors. Payments to the pension scheme amounted to £15,728. The outstanding payments at the balance sheet date were £Nil.

## 24 Ultimate controlling party

The ultimate controlling party is considered to be the Directors of Fidecs Group SA.

## 25 Analysis of turnover

	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fidecs Management Limited	1,532	2,179	2,395
Fidecs Insurance Management	1,754	2,006	1,705
Fidecs Advisory Limited	329	461	338
Nummos Profesional S.L.	–	–	205
Other	104	201	327
	<u>3,719</u>	<u>4,847</u>	<u>4,970</u>

## PART V

### PRO FORMA STATEMENT OF NET ASSETS

#### Unaudited pro forma statement of net assets of STM Group Plc

The following unaudited pro forma statement of net assets of STM Group Plc as at 31 January 2007, based upon the balance sheet of STM Group Plc as at 31 December 2006 as set out in Part III of this document and the consolidated balance sheet of Fidecs Group Limited as at 31 December 2006 as set out in Part IV of this document, has been prepared to illustrate the effect of the Placing, the Acquisition and the adoption of the New Loan Facility as if the Placing, the Acquisition and the adoption of the New Loan Facility had taken place on 31 January 2007. The unaudited pro-forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position of STM Group Plc.

The unaudited statement of net assets set out below has been prepared in accordance with the accounting policies adopted by STM Group Plc.

#### PRO FORMA STATEMENT OF NET ASSETS

	<i>Net assets of the Company (note 1) 31/01/07 £'000</i>	<i>Net assets of Fidecs (note 2) 31/12/06 £'000</i>	<i>Adjustments Other Adjustments (note 3) 31/12/06 £'000</i>	<i>Pro forma Net assets of the Enlarged Group £'000</i>
<b>Non-current assets</b>				
Tangible assets	–	427		427
Intangible assets	–	118	12,090 <sup>(a)</sup>	12,208
Investments	–	63	–	63
	–	608	12,090	12,698
<b>Current assets</b>				
Accrued income	–	788	–	788
Trade and other receivables	300	2,298	–	2,598
Cash	–	881	568 <sup>(b)</sup>	1,449
	300	3,967	568	4,835
<b>Creditors: amounts falling due within one year</b>				
Trade creditors and other creditors	–	(871)	–	(871)
Deferred income	–	(362)	–	(362)
Borrowings due within one year	–	(1,832)	888 <sup>(c)</sup>	(944)
	–	(3,065)	888	(2,177)
<b>Net current assets</b>	300	902	1,456	2,658
<b>Total assets less current liabilities</b>	300	1,510	13,546	15,356
<b>Creditors: amounts due after more than one year</b>				
	–	–	(1,056) <sup>(d)</sup>	(1,056)
<b>Net Assets</b>	300	1,510	12,490	14,300

#### Note 1:

The net assets of STM Group Plc as at 31 January 2007 have been extracted, without material adjustment, from the balance sheet of STM Group Plc set out in Part III of this document.

**Note 2:**

The net assets of Fidecs Group Limited as at 31 December 2006 have been extracted, without material adjustment, from the consolidated balance sheet of Fidecs Group Limited as set out in Part IV of this document.

**Note 3:**

Adjustments have been made to reflect the goodwill created on the Acquisition, the effect of the Placing, the repayment of the existing loans and the adoption of the New Loan Facility:

	£
Acquisition cost of Fidecs	13,600,000
Less: Book value of net assets acquired	(1,510,000)
	<hr/>
Goodwill created on Acquisition	12,090,000 <sup>(a)</sup>
	<hr/>
Gross proceeds of the Placing	7,500,000
Adoption of the New Loan Facility (see Part VI, paragraph 15.8)	2,000,000
Less: Estimated costs of Admission and the Placing	800,000
Repayment of the existing loans	(1,832,000)
Cash consideration to Vendors	(6,300,000)
	<hr/>
Adjustment to cash at bank and in hand	568,000 <sup>(b)</sup>
	<hr/>
Adjustment to borrowings due within one year	
Repayment of existing loans	1,832,000
New Loan Facility due within one year	(944,000)
	<hr/>
	888,000 <sup>(c)</sup>
	<hr/>
Split of repayments of New Loan Facility	
due within one year	944,000
due after one year	1,056,000 <sup>(d)</sup>
	<hr/>
	2,000,000
	<hr/>

**Note 4:**

No adjustment has been made to reflect the trading or transactions of the Group subsequent to 31 January 2007.

## PART VI

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company is domiciled in the Isle of Man and was incorporated and registered in the Isle of Man on 28 July 2005 as a private limited company with the name Saunders Limited and registered number 114064C. On 31 October 2006 the Company's name was changed to STM Limited. On 16 March 2007 the Company was reclassified as a public limited company and its name was changed to "STM Group Plc". The liability of its members is limited.
- 1.2 The Company trades under the name STM Group plc.
- 1.3 The Company is governed by and its securities were created under the Acts.
- 1.4 The Company's registered office and principal place of business is located at PO Box 227, Clinch's House, Lord Street, Douglas, IM99 1RZ. The telephone number of the Company's registered address and principal place of business is 01624 626242.
- 1.5 The Company has no administrative, management or supervisory bodies other than the Board of Directors, the remuneration committee and the audit committee; all of whose members are Directors.
- 1.6 The Company's auditors during the period covered by the Historical Financial Information were KPMG Audit LLC, who are a member of the Isle of Man Society of Chartered Accountants, a constituent body of the Institute of Chartered Accountants in England and Wales.

#### 2. Securities being offered/admitted

- 2.1 The Ordinary Shares are ordinary shares of 0.1 pence each in the capital of the Company and whose ISIN is IM 00BI S9 KY98 and which are to be issued in British Pounds Sterling.
- 2.2 The Ordinary Shares may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred, otherwise than by a written instrument in accordance with the CREST Regulations. The Company's registrars, Computershare, are responsible for keeping the Company's register of members.
- 2.3 The dividend and voting rights attaching to the Ordinary Shares are set out in paragraphs 6.7 and 6.11 of this Part VI.
- 2.4 There are no statutory pre-emption rights applicable to the Ordinary Shares under the laws of the Isle of Man. However, included in the Company's articles of association are pre-emption right provisions similar to those found in section 89 of the UK Act. The pre-emption rights on any issue of shares by the Company under the Articles are described in paragraph 6.2 of this Part VI.
- 2.5 The Ordinary Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital; further details of which are set out in paragraph 6.11 below.
- 2.6 Each Ordinary Share is entitled on a *pari passu* basis with all other issued Ordinary Shares to share in any surplus on a liquidation of the Company.
- 2.7 The Ordinary Shares have no redemption or conversion provisions.
- 2.8 The Directors have the power to allot the whole of the authorised but unissued capital of the Company, subject only to the pre-emption rights set out in regulation 3.4 of the Articles.
- 2.9 On 16 March 2007 the Directors were authorised pursuant to a written resolution to allot free from pre-emption rights (without the need for further sanction):
  - (a) the Placing Shares;
  - (b) the Consideration Shares;

- (c) Ordinary Shares pursuant to the LTIP; and
  - (d) other than pursuant to paragraphs (a) to (c) above, Ordinary Shares with a maximum aggregate nominal value of £7,040.00, representing 20.0 per cent. of the Enlarged Issued Share Capital.
- 2.10 The Directors are authorised to make market purchases (or finance the making of purchases in the market), of ordinary shares for the purposes of the Long Term Incentive Plan described in more detail at paragraph 8 below.
- In addition to the authority specified in this paragraph 2.10 above, the Directors are authorised to make market purchases (or finance the making of purchases in the market) of up to 10 per cent. of the issued share capital.
- 2.11 It is anticipated that the Placing Shares will be issued on 28 March 2007, the date of Admission.
- 2.12 The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, is in favour of not more than four joint transferees and is in respect of only one class of shares.
- 2.13 In the event that an offeror acquires at least nine-tenths in value of the issued share capital of the Company to which the offer relates the offeror may in accordance with the procedure set out in sections 154 of the Act require the holders of any shares he has not acquired to sell them subject to the terms of the offer, subject to the right of dissenting shareholders to apply to the courts of the Isle of Man for an order to the contrary.
- 2.14 No person has made a public takeover bid for the Company's issued share capital in the financial period to 31 December 2006 or in the current financial period.
- 2.15 There is no requirement under the Acts for shareholders to notify the Company of their shareholding. However, a shareholder is required by the Articles to notify the Company when he acquires a material interest in shares in the capital of the Company equal to or in excess of 3 per cent. of the nominal value of that share capital and so long as this interest amounts to 3 per cent. or more of the issued share capital, he is obliged to notify the Company of any change to that interest. The notification restrictions are set out in more detail at paragraph 6.18 below.

### 3. Share Capital of the Company

- 3.1 The authorised and issued share capital of the Company as at 31 January 2007 was as follows:

<i>Authorised share capital</i>			<i>Issued and fully paid up share capital</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
50,000	50,000,000	Ordinary Shares	5,600	5,600,000

- 3.2 The authorised and issued share capital of the Company following Admission will be as follows:

<i>Authorised share capital</i>			<i>Issued and fully paid up share capital</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
50,000	50,000,000	Ordinary Shares	35,200	35,200,000

- 3.3 The Company was incorporated with an authorised share capital of £2,000 divided into 2,000 ordinary shares of £1 each, of which two shares were issued nil paid to Reenstone Limited and Rakestone Limited who were the subscribers to the Memorandum of Association of the Company.
- 3.4 During the period from its incorporation to 31 December 2006, the Company has allotted and issued two Ordinary Shares for cash being the subscriber shares.
- 3.5 At an extraordinary meeting of shareholders held on 12 January 2007, resolutions were passed to subdivide the 2,000 ordinary shares of £1 each into 2,000,000 new Ordinary Shares of 0.1 pence each in the capital of the Company and the authorised share capital of the Company was increased to £50,000 by the creation of 48,000,000 new Ordinary Shares.

- 3.6 The par value of each Ordinary Share is 0.1 pence.
- 3.7 Pursuant to subscriptions received on 21 December 2006 and 23 January 2007, 3,999,998 Ordinary Shares were allotted on 29 January 2007 to various founder investors at 2.5 pence per share and one subscriber share was transferred to Franthorne Limited and the other subscriber share was transferred to Alderwood Management Limited at the same price per share.
- 3.8 Pursuant to subscriptions received on 5 January 2007 and 24 January 2007, 1,600,000 Ordinary Shares were allotted on 30 January 2007 to various founder investors at a subscription price of 12.5p per share. The purpose of the allotments under this paragraph 3.8 and in paragraph 3.7 were to provide the Company with funds to pay professional adviser costs in the event that Admission did not occur.
- 3.9 The Placing will result in the allotment and issue of 15,000,000 Ordinary Shares, and together with the issue of Consideration Shares will dilute the existing holders of Ordinary Shares by 84.1 per cent.
- 3.11 The Company has no issued Ordinary Shares that are not fully paid up.
- 3.12 Save as disclosed in paragraphs 3 and 11 of this Part VI:
- (a) no share or loan capital of the Company has been issued or is proposed to be issued;
  - (b) there are currently no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
  - (c) there are no shares in the Company not representing capital;
  - (d) there are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company;
  - (e) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital;
  - (f) no person has any preferential or subscription rights for any share capital of the Company; and
  - (g) no share or loan capital of the Company or any member of the Group is under option or agreed conditionally or unconditionally to be put under option.
- 3.13 The Directors were authorised to allot and issue the Placing Shares pursuant to:-
- (a) authority contained in the Company's articles that allows the Directors to allot equity securities with an aggregate nominal value of up to the authorised unissued share capital and also through a special resolution passed on 16 March 2007; and
  - (b) a special resolution passed on 16 March 2007 to allot the Placing Shares for cash non-pre-emptively.

#### **4. The Group**

Other than as discussed in Part I of this document under the heading "The Code", to the best of the knowledge of the Directors, there are no persons who on Admission directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company.

The Company is not aware of any arrangements which may at a subsequent date result in a change in control of the Company.

The Company from Admission will be the holding company of an Isle of Man registered company, Fidecs Group Limited (to be renamed STM Fidecs Limited following Admission), a wholly and directly owned subsidiary. Details of its significant subsidiaries are set out in the table below:

<i>Name</i>	<i>Percentage Ownership</i>	<i>Country of incorporation (and residence, if different)</i>
Nummos Profesional SL	100	Spain
Fidecs Advisory Limited	100	Gibraltar
Fidecs Central Services Limited	100	Gibraltar
Fidecs Consultants Limited	100	Gibraltar
Fidecs Consulting Limited	100	England and Wales
Fidecs Consumer Services Limited	100	Jersey
Fidecs Customer Services Limited	100	Isle of Man
Fidecs (Gibraltar) Limited	100	Gibraltar
Fidecs Insurance Management Limited	100	Gibraltar
Fidecs Marine Services Limited	100	Gibraltar
Fidecs Management Limited	100	Gibraltar
Fidecs Management (Gibraltar) Limited	100	Gibraltar
Fidecs Management (IOM) Limited	100	Isle of Man
Fidecs Nominees Limited	100	Gibraltar
Fidecs Pension Administration Limited	100	Gibraltar
Fidecs Pension Trustees Limited	100	Gibraltar
Fidecs Property Management Limited	100	Gibraltar
Fidecs Trust Company Limited	100	Gibraltar
BDO Fidecs Services Limited	100	Gibraltar
Finex Finance Limited	100	UK
STMGEI Limited	100	British Virgin Islands
Spanish Corporate Management Services S.L.	100	Spain
STM Nummos Life S.L.	100	Spain
Venture Media (Gibraltar) Limited	25	Gibraltar

## **5. Memorandum of Association**

Under the Memorandum of Association of the Company (the “**Memorandum**”), the objects of the Company are unrestricted and the Company has, by and subject to the Acts, the same rights powers and privileges as an individual, unless restricted by special resolution.

## **6. Articles of Association**

The Articles contain the following provisions:

### *6.1 Directors’ authority to allot shares*

The Acts do not contain any provisions equivalent to section 80 of the UK Act requiring the Directors to obtain the approval of existing shareholders before issuing relevant securities. Under the Articles, however, broadly similar restrictions apply, subject to the following exceptions. The Directors have been authorised to offer, allot (with or without conferring a right of renunciation), issue, grant options over or otherwise deal with or dispose of Ordinary Shares with the value of authorised unissued share capital of the Company to such persons, at such times and generally on such terms as the directors may decide. This authority will expire at the conclusion of the next Annual General Meeting of the Company. In addition, the Articles authorise the directors to grant options over Ordinary Shares to be held under any employees’ share scheme (including any Long Term Incentive Plan) and to allot Ordinary Shares which would, apart from a renunciation or assignment of the right to their allotment, be held under any employees’ share scheme.

## 6.2 *Rights of pre-emption on issue of shares*

The Acts do not impose obligations upon the Directors to issue equity securities *pro rata* to existing shareholders as is the case under section 89 of the UK Act. The Articles impose broadly similar restrictions as follows:

- (a) unless otherwise approved by special resolution, the Company shall not allot equity securities on any terms unless:
  - (i) the Directors have made an offer to each person who holds equity securities of the same class to allot to him on the same or more favourable terms such proportion of those equity securities that is as nearly as practicable (fractions being disregarded) equal to the proportion that the relevant person's existing holding of equity securities of the same class bears to all the issued shares of that class; and
  - (ii) the period during which an offer referred to in sub-paragraph (i) of this article may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer made; and
- (b) these pre-emption rights do not apply to any allotment referred to in paragraph 6.1 or to any allotment made otherwise than in cash or which would, apart from a renunciation or assignment of the right to their allotment, be held under an employees' share scheme.

## 6.3 *Alteration of share capital*

The Company may from time to time by ordinary resolution:

- (a) increase the share capital by new shares of such amount as the resolution prescribes;
- (b) consolidate and divide all or any of its shares into shares of a larger amount than its existing shares;
- (c) subject to the provisions of the Acts, sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum (subject nevertheless to the Acts) and the resolution may determine that, as between the holders of the shares resulting from the sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred qualified rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; and
- (d) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

## 6.4 *Reduction of share capital*

Subject to the provisions of the Acts (which include a requirement for any resolution for a reduction of share capital to be sanctioned by the Isle of Man Court), the Company may also by special resolution reduce its authorised or issued share capital, any capital redemption reserve, and any share premium account in any way.

## 6.5 *Purchase by the Company of its own shares*

Subject to the provisions of the Acts, the Company may purchase its own shares. As the Company is a public company, the Acts do not permit the Company to make a payment in respect of such a purchase otherwise than out of its distributable profits.

## 6.6 *Class rights*

- (a) The special rights attached to any class of shares may, subject to any applicable law, be altered or cancelled, either with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a

separate general meeting of the holders of shares of that class.

- (b) The provisions of the Articles applicable to general meetings apply *mutatis mutandis* to class meetings but the necessary quorum is two persons holding or representing by proxy not less than one third of the issued shares of that class except where there is only one holder of the relevant class of shares in which case the quorum shall be that holder.

#### 6.7 *Votes of members*

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who is present in person has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder. No member is entitled to vote at a general meeting either personally or by proxy in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid or if he or any person appearing to be interested in shares held by him has been duly served with a notice under the Articles (as described in paragraph 6.18 below) and is in default for the prescribed period in supplying the Company the information required thereby.

#### 6.8 *Ranking of Ordinary Shares*

The Ordinary Shares rank *pari passu* as a class in terms of preference, restriction and all other rights.

#### 6.9 *General meetings*

- (a) Each year the Company shall hold a general meeting as its annual general meeting (in addition to any other meetings in that year) and not more than fifteen months shall elapse between the date of one annual general meeting and that of the next. Annual general meetings shall be held at such time and place as may be determined by the Directors.
- (b) All general meetings, which are not annual general meetings, are extraordinary general meetings. General meetings may be called by Directors, whenever they think fit or, upon receipt of a requisition of members served in accordance with the Acts, shall forthwith convene a meeting for a date not later than 21 days after the date of the deposit of the requisition. If there are not sufficient Directors capable of acting to form a quorum, any Director or any two members of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.
- (c) An annual general meeting and an extraordinary general meeting for the passing of a special resolution or a resolution appointing a person a Director shall be called by twenty-one clear days' notice at least and all other extraordinary general meetings shall be called by at least fourteen days' notice. The notice shall be exclusive of the day on which it is served, or deemed to be served, and of the day for which it is given. Every notice shall be in writing and shall specify the place, the day and the time of meeting, and (in the case of special business) the general nature of such business, and in the case of an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special or extraordinary resolution shall specify the intention to propose the resolution as a special or extraordinary resolution as the case may be. Notices shall be given in manner hereinafter mentioned to all the members, other than those who under the provisions of the Articles or under the rights attached to the shares held by them are not entitled to receive the notice, and to the auditors for the time being of the Company. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in this article, it shall be deemed to have been duly called if it is so agreed by all the members entitled to attend and vote thereat.

#### 6.10 *Transfer of shares*

- (a) Subject to the Articles, any member may transfer all or any of his shares. The instrument of transfer of a share in certificated form may be in any usual form or in any other form which the Directors may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. Nothing in the Articles shall require title

to any securities of the Company to be evidenced or transferred by a written instrument, the CREST Regulations so permitting. The Directors shall have power to implement any arrangements they may think fit for such evidencing and transfer which accord with the CREST Regulations.

- (b) The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share in certificated form which is not fully paid or of a share on which the Company has a lien provided that such refusal shall not prevent dealings in the shares taking place on an open and proper basis. The Directors may also decline to recognise an instrument of transfer in respect of shares in certificated form unless the instrument is lodged duly stamped at the office of the Company or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may further decline to register an instrument of transfer in respect of shares in certificated form unless it is in respect of only one class of share and is in favour of not more than four trustees. In the case of shares for the time being in uncertificated form transfers shall be registered only in accordance with the terms of the CREST Regulations but so that the directors may refuse to register a transfer which would require shares to be held jointly by more than four persons.

#### 6.11 *Dividends*

- (a) There are no fixed dates on which a dividend entitlement arises. The Company may by ordinary resolution from time to time declare dividends to be paid to Shareholders, although the amount of the dividend cannot exceed the amount recommended by the Directors. In addition the Directors may pay interim dividends if justified by the profits of the Company available for distribution.
- (b) The dividend payment to each Shareholder shall be calculated proportionately to the amounts paid up on each issued Ordinary Share.
- (c) All unclaimed dividends may be used for the benefit of the Company until claimed and shall not attract interest. Any dividend, which remains unclaimed twelve years after the date of declaration or (if later) the date the dividend becomes due for payment, shall, at the option of the Directors, be forfeited and shall revert to the Company.
- (d) Save as disclosed above there are no dividend restrictions attaching to the Ordinary Shares, provided they are fully paid up. Payments of dividends may be made by any method the Directors consider appropriate and on a cash dividend there are no special arrangements for non-resident Shareholders. The Directors may make such arrangements, as they consider expedient in connection with a dividend payment in shares to deal with any legal or other difficulties that may arise in any territory in which non-resident shareholders are present.

#### 6.12 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, or any part thereof, and subject to the Acts to issue debentures and other securities whether outright or as collateral security for any debt liability or obligation of the Company or of any third party.

#### 6.13 *Directors*

- (a) Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two. The Company may from time to time by ordinary resolution fix a maximum number of Directors and from time to time vary that maximum number.
- (b) There is no shareholding qualification for Directors.

- (c) The Directors may establish and maintain, or procure the establishment and maintenance of, any pension or superannuation funds (whether contributory or otherwise) for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances and emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company or is allied to or associated with the Company or any such subsidiary or of any of the predecessors in business of the Company or any such other company as aforesaid, or who may be or have been Directors or officers of the Company or of any such other company as aforesaid and who hold or have held executive positions or agreements for service with the Company or any such other company as aforesaid, and the wives, widows, families, connections and dependants of any such persons, and also establish, subsidise and subscribe to any institutions, associations, societies, clubs or funds calculated to be for the benefit of, or to advance the interests and well-being of the Company or of any such other company as aforesaid, or of any such person as aforesaid, and make payments for or towards the insurance of any such person as aforesaid and subscribe or guarantee money for charitable or benevolent objects, or for any exhibition or for any public, general or useful object, and do any of the matters aforesaid either alone or in conjunction with any such other company as aforesaid. Subject to particulars with respect to the proposed payment being disclosed to the members of the Company and to the proposal being approved by the Company by ordinary resolution, if the Acts shall so require, any Director who holds or has held any such executive position or agreement for services shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.
- (d) The Directors may from time to time appoint one or more of their body to be the holder of any executive office on such terms and for such period as they may determine.
- (e) A majority of Directors may remove another Director and appoint another Director in his place.
- (f) Subject to the provisions of applicable law and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office:
  - (i) may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;
  - (ii) may be a Director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
  - (iii) may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of Director and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the Directors may determine; and
  - (iv) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.
- (g) Save as specifically provided in the Articles, a Director may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest. A Director will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (h) Subject to applicable law, a Director is (in the absence of some material interest other than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
  - (i) any contract, transaction or arrangement for giving to such Director any security, guarantee or indemnity in respect of money lent by him or obligations undertaken by

him at the request of or for the benefit of the Company or any of its subsidiary undertakings;

- (ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings which the Director has himself guaranteed or secured in whole or in part;
  - (iii) any contract or arrangement by a Director to subscribe for shares, debentures or other securities of the Company issued or to be issued pursuant to any offer or invitation to members or debenture holders of the Company or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of the Company;
  - (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
  - (v) any contract or arrangement concerning any other company in which he is interested directly or indirectly or as a shareholder holding less than 1 per cent., of any class of the equity share capital of, or the voting rights in such company as an officer, shareholder, creditor or otherwise howsoever;
  - (vi) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates;
  - (vii) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner as the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom such arrangement relates; and
  - (viii) any proposal, contract, transaction or arrangement concerning (a) the purchase or maintenance of insurance for the benefit of the Directors or for the benefit of persons who include Directors.
- (i) Subject to any applicable law, the Company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of the Articles prohibiting a Director from voting at a meeting of Directors or of a committee of Directors and may ratify any transactions not duly authorised by reason of a contravention of the Articles.
  - (j) Where proposals are under consideration concerning the appointment, including the arrangement or variation of the terms thereof or the termination thereof, of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment or the arrangement or variation of the terms thereof or the termination thereof.
  - (k) If a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director other than the Chairman of the meeting to vote or be counted in a quorum, the question may, before the conclusion of the meeting, be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Directors. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the

Directors (for which purpose such chairman shall be counted in the quorum but shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Directors.

- (l) At every general meeting, one third of all Directors shall retire by rotation and stand for re-election.
- (m) A Director shall not be required to retire upon reaching the age of 70, but shall be required to offer himself for re-election at each subsequent annual general meeting.

#### 6.14 *Winding up*

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Acts, divide among the members *in specie* the whole or any part of the assets of the Company and whether or not the assets consist of property of one kind or of properties of different kinds may, for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members.

#### 6.15 *Non-British shareholders*

There are no limitations in the Articles on the rights of non-British shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-British shareholders are not entitled to receive notices of general meetings unless they have given an address in the British Islands to which such notices may be sent.

#### 6.16 *CREST*

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form.

#### 6.17 *Restrictions on changes in control, mergers, acquisitions or corporate restructuring of the Company*

There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change in control of the Company or that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

#### 6.18 *Notification of interests*

- (a) The Articles require any person, whether alone or acting in concert with other persons, who acquires or has acquired interests in shares (including options in respect of, derivatives referenced to or securities carrying a right to subscribe for or convert into shares) in the Company which (including the interests of any persons with whom he is acting in concert) amount to 3 per cent. or more of the issued share capital of any class of the Company to notify the Company within two days following the date on which he became aware (or ought reasonably to have become aware) of the acquisition of such an interest or the existence of such interest and certain other information (including details of any other persons interested in such shares). For so long as such an interest amounts to 3 per cent. or more of the issued share capital of any class of shares in the Company, such a person must notify the Company of any change to his interests (including the interests of persons with whom he is acting in concert) amounting to one per cent. or more of the issued share capital of any class of the Company within two days following the date on which he became aware (or ought reasonably to have become aware) of such change.
- (b) In addition, the Articles provide that the Company may by notice in writing require any person whom the Company knows or has reasonable cause to believe to be interested in shares (including options in respect of, derivatives referenced to or securities carrying a right to subscribe for or convert into shares) in the Company to confirm that fact or (as the case may

be) to indicate whether or not it is the case and, where that person holds any interest in any such shares, to give certain further information (including details of any other persons interested in such shares and any information and documents as may be required to be obtained by any person providing corporate services to the Company pursuant to any applicable laws, regulations, rules or regulatory guidance).

- (c) Where a person fails to comply with a request for information made by the Company in the terms summarised above, his right to be present or vote at any meeting, either personally or by proxy, or to exercise any privilege in relation to meetings of the Company conferred by membership, or be reckoned in a quorum in respect of any shares held by him, and his right to receive payments of income or capital which become due or payable in respect of any share, shall be suspended. In addition, the holders of such shares may, in the discretion of the Directors, be excluded from participation in any further issue of shares by reference to an existing holding of shares at a point in time during such period of suspension.
- (d) In addition, the Articles provide that where any person has failed to comply with the notification requirements described above (notwithstanding that such notification has been made after the said period of two days), the Directors may in their absolute discretion serve a notice on such person stating that the rights of the registered holder of the shares in which that person is interested shall be similarly suspended during a period (not to exceed 180 days) following the service of such notice.

6.19 The Articles provide that where, in the opinion of the Panel, the provisions of the Code do not apply to the Company and/or dealings by persons in the Company's shares, then any person, together with persons acting in concert with him who acquires shares in the Company shall conduct their offers for shares in accordance with the Code, except that where the Code states that the consent of the Panel is required, the relevant person shall be required to seek the consent of the Company's board. The application of Rule 9 of the Code was thus modified, *inter alia*, by the insertion into the Articles of the following provisions:

- (a) Except with the consent of the Company's board, when:
  - (i) any person acquires, whether by a single or a series of transactions over a period of time, an interest in shares which, when taken together with shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of the Company; or
  - (ii) any person, together with the persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of the Company and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested,

such person shall extend offers to the holders of any class of equity share capital (whether voting or non-voting) and also to the holders of any class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable.

- (b) In addition to the person specified in the foregoing, each of the principal members of a group of persons acting in concert with him may, in the absolute discretion of the Company's board, also have the obligation to extend an offer to holders of any class of equity share capital of the Company. Offers for different classes of equity share capital must be comparable.
- (c) Except with the consent of the Company's board:
  - (i) any offer so made must be conditional upon the offeror having received acceptances in respect of shares which, together with the shares acquired or agreed to be acquired before or during the offer, will result in the offeror and any person acting in concert with it holding shares carrying more than 50 per cent. of the voting rights; and

- (ii) no acquisition of any interest in shares which would give rise to a requirement to make an offer in accordance with the foregoing shall be made if such an offer would or might be dependent on a shareholder resolution or upon any other consents or arrangements.
- (d) Offers made in accordance with the foregoing must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for any interest in shares of that class during the 12 months prior to the announcement of the offer. If an offeror or any person acting in concert with it after an offer had been announced acquires an additional interest in shares of that class above the offer price, it shall increase the offer price accordingly. The cash offer or the cash alternative must remain open after the offer has become or is declared unconditional as to acceptances for not less than 14 days after the date on which it would have otherwise expired.
- (e) When Directors of the Company sell shares to a person (or enter into other transactions) as a result of which that person is required to make an offer, the Director of the Company must ensure that as a condition of the transaction or sale that the person undertakes to fulfil its obligations in respect of the foregoing offer provisions. In addition, the relevant Director shall not, except with the consent of the Company's board, resign from the board until the later of the first closing date of the offer or the date when the offer becomes unconditional.
- (f) If the Company's board is at any time satisfied that any Shareholder has incurred an obligation to extend an offer but has failed to do so or such Shareholder is otherwise in default of any obligation pursuant to the foregoing offer provisions, the Company's board may in its absolute discretion send a direction notice to such Shareholder directing that:
  - (i) in respect of the shares or interests in shares held by the defaulters (the "default shares") the defaulters shall not be entitled to vote at a general meeting or exercise any other right conferred by such shareholding or interest;
  - (ii) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the default shares and the Company shall not be obliged to meet any liability to pay interest on any such payment when it is finally paid to the Shareholder; and
  - (iii) no other distribution shall be made on the default shares.

## **7. Minority shareholder rights under Isle of Man law**

- 7.1 Under Isle of Man law and the provisions of the Articles, the Directors are empowered to carry on the day to day management of the business of the Company and to bind the Company to contracts and other commitments. The Directors have the power to delegate their powers. Under Isle of Man law and the provisions of the Articles, certain matters relating to the Company require the sanction of a resolution of the Shareholders passed in general meeting. These include, by way of example only, changes to the capital of the Company, amendments to the Articles and proposals to wind up the Company voluntarily. The members also have the power to appoint or remove directors. Generally, such resolutions only require a simple majority of those voting in favour thereof to pass; others (such as a resolution to amend the Articles, for example) must be approved by 75 per cent. of those voting thereon i.e. a special resolution.
- 7.2 Accordingly, the rights of minority shareholders are limited under Isle of Man law. Although the holders of 10 per cent. or more of the Ordinary Shares can requisition a general meeting to consider a resolution, any such resolution would need the support of the requisite majority to be carried; and although any Shareholder can prevent a general meeting being convened on short notice a Shareholder must hold more than 25 per cent. of the Ordinary Shares in issue in order to be sure of preventing a special resolution from being passed or at least 50 per cent. to be sure of preventing an ordinary resolution from being passed.

7.3 Since it is open for a majority of Shareholders to ratify any of the Directors' actions, even where some wrong has been done to the Company, the Isle of Man Courts will not generally permit a minority Shareholder to bring an action in the name of the Company to right such a wrong unless such wrong is inherently incapable of ratification or in circumstances such a fraud.

7.4 Section 7 of the Isle of Man Companies Act 1968 entitles a Shareholder to petition the Isle of Man Court on the grounds that the affairs of the Company are being conducted, or the powers of the Directors are being exercised, in a manner that is oppressive to him or some part of the members of the Company or in disregard of his or their proper interests as members of the Company. If the Court finds in favour of the Shareholder in question it has the power to make various orders, including directing or prohibiting any act or cancelling or varying any transaction or for regulating the conduct of the company's affairs in future, or for the purchase of the shares of any members of the company by other members of the company or by the company and, in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise. A Shareholder may also petition the Court for the winding up of the Company on grounds that it is just and equitable to do so.

## **8. Long Term Incentive Plan ("LTIP")**

The Board adopted the LTIP on 23 February 2007 to allow individuals to be granted awards ("**Awards**") in respect of Ordinary Shares in the Company, the principal terms of which are summarised below. Details of the Awards granted or to be granted under the LTIP either before or on Admission are set out at the end of this paragraph. It is proposed that the powers of the Board will be operated through and on the recommendation of the Remuneration Committee.

### *8.1 Eligibility and Grant of Awards*

The Board may grant Awards to any employee of the Group selected by the Board. Awards may be granted by the Board at any time when there are no restrictions on dealing in the Ordinary Shares and the Company is not in a close period. The grant of an Award will be conditional upon the option holder agreeing to indemnify the Company for the cost of any tax, duties, social security contributions and national insurance (including the Company's secondary contributions) in the relevant jurisdiction.

### *8.2 Limits*

The maximum number of Ordinary Shares issued or issuable under the LTIP by the Company shall not exceed 10 per cent. of the Company's issued ordinary share capital in any 10 year period when added to any other share rights or other options granted under all group employee share schemes and similar individual share option agreements. Options or other share rights that have lapsed or were granted before the adoption of the LTIP are excluded. Initially, all Ordinary Shares used for the LTIP will be acquired in the market rather than issued.

For an individual participant, the maximum market value, at date of grant, of Ordinary Shares subject to any awards in any year shall not be greater than 100 per cent. of the participant's annual salary.

### *8.3 Awards*

Awards may take one of three forms:

- A Nil-Cost Option Award, whereby participants may exercise the right to claim an award of free Ordinary Shares subject to the satisfaction of performance conditions and a retention period;
- Contingent Share Awards whereby participants become entitled to Ordinary Shares subject to the satisfaction of performance conditions and payment of a pre-determined amount;
- Forfeitable Shares whereby participants become entitled to Ordinary Shares which may be forfeited if performance conditions are not met.

At present the Company only intends to make Nil-Cost Option Awards. All Ordinary Shares that are the subject of an Award will be held by the trustees of the Employee Benefit Trust.

#### 8.4 *Performance Conditions*

When making Awards, the Board will determine appropriate performance conditions which will be measured over a minimum of one financial year (unless the Board determines otherwise). The initial performance conditions are set out at the end of paragraph 8.9. The vesting of any Award is then subject to the recipient remaining in full time employment within the Group for a further period of one year. Awards may not vest if the Company is in a close period. The Board has the power to deem that performance conditions have been satisfied on a demerger, change of control, compulsory acquisition and similar corporate events or if the participant leaves the Company other than by reason of misconduct.

#### 8.5 *Leavers*

The following rules will apply if a participant ceases to be employed within the Group:

- If a participant leaves for a specified circumstance (including death, disability, injury, ill-health, redundancy) vested Awards (where the performance conditions are satisfied, may be claimed) and a proportion (determined by the Board) of unvested Awards may be claimed.
- If a participant leaves for misconduct then all Awards lapse.
- If a participant leaves for any other reason then unvested Awards lapse unless the Board determines otherwise within 30 days.

#### 8.6 *Variation of Share Capital*

On an alteration of the ordinary share capital of the Company including by capitalisation or rights issue, consolidation, sub-division or reduction Awards may be adjusted by the Board in such manner as independent advisers confirm to be fair and reasonable.

#### 8.7 *Voting, Dividend and Other Rights*

For Nil-Cost Option awards and Contingent Share Awards, Ordinary Shares will be held by the trustees of the Employee Benefit Trust and participants have no voting or dividend rights. For Forfeitable Share awards, the participant may be required to renounce dividend or other rights in favour of the trustees of the Employee Benefit Trust who may seek irrevocable directions regarding the exercise of voting or other rights. The rights under the LTIP are non-pensionable.

#### 8.8 *Amendments*

The Board may alter the rules of the LTIP with the approval of the Company in General Meeting provided no alteration shall adversely affect the rights of the participant (without his or her agreement). Minor amendments may be made without such approval or agreement.

#### 8.9 *Proposed Awards*

The Company is planning to grant on or prior to Admission, Awards over up to 175,000 Ordinary Shares to certain employees of the Group (other than the Directors). The performance conditions in relation to these Awards are based upon a split between an employees' divisional financial performance (50 per cent.) and STM's subsidiary's financial performance (50 per cent.). The financial performance element will be measured by the returns achieved by that employees' group company against its budget which, in the case of all the initial Awards, is Fidecs Group.

## 9. Employee Benefit Trust

It is intended that the Employee Benefit Trust will be established on or around Admission, the principal terms of which are summarised below.

The LTIP may be operated in conjunction with the Employee Benefit Trust. This trust is a general discretionary trust the beneficiaries of which are primarily employees and former employees of the Group and their dependants. The principal purpose of the trust is to motivate and retain employees by encouraging and facilitating the holding of Ordinary Shares for those beneficiaries. This will be achieved by the trustees acquiring Ordinary Shares and, at the entire discretion of the trustees, distributing them in accordance with the terms of the LTIP.

The Employee Benefit Trust may acquire Ordinary Shares by purchase or by subscription and the funds for the acquisitions may be provided by loans and/or contributions by the Company or any other company within the Group. Alternatively, funds may be obtained from third party sources and guaranteed by the Company or any other company in the Group.

No Ordinary Shares will be acquired by the trustees of the Employee Benefit Trust if the trustees control more than 5 per cent. of the Ordinary Shares (excluding any Ordinary Shares which the trustees hold as nominee for any other person).

The first trustee will be STMGEI Limited, a wholly owned subsidiary of the Company formed specifically to act as a trustee of the Employee Benefit Trust.

## 10. Directors' and other Interests

10.1 As at the date of this document and as they are expected to be immediately following the Placing, the Acquisition and Admission, the interests of the Directors and their immediate families in the share capital of the Company: (i) which would have been required to be notified to the Company pursuant to sections 324 and 328 of the UK Act if it applied to the Company; or (ii) which would have been required to be disclosed in the Register of Directors Interests pursuant to section 325 of the UK Act if it applied to the Company; or (iii) which are interests of a person connected (within the meaning of section 346 of the UK Act as if it applied to the Company) with a Director which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above; and the existence of which is known to or could with reasonable diligence be ascertained by the Directors are and will be as follows:

<i>Name</i>	<i>Number of Ordinary Shares on the date of this document</i>	<i>% of the issued ordinary share capital on the date of this document</i>	<i>Number of Ordinary Shares on Admission</i>	<i>% of issued share capital on Admission</i>	<i>Options</i>
Bernard Gallagher	None	–	222,222 <sup>(1)</sup>	0.6	–
Tim Revill	None	–	7,739,200 <sup>(2)</sup>	22.0	–
Alan Kentish	None	–	2,918,400 <sup>(3)</sup>	8.3	–
Matt Wood	None	–	None	–	–
Martin Derbyshire	None	–	None	–	–
Mark Denton	None	–	None	–	–

1 These shares are being subscribed pursuant to the Placing.

2 These shares form part of the Consideration Shares and will be registered in the name of Hearth Investments Limited, the trustee of the Revill Family Settlement, a discretionary settlement. Timothy Revill is one of the potential beneficiaries of the Revill Family Settlement.

3 These shares form part of the Consideration Shares and will be registered in the name of Clifton Participations Inc, and form part of the assets of the Perros Trust. Alan Kentish is one of the potential beneficiaries of the Perros Trust, a discretionary settlement.

- 10.2 Save as disclosed in sub-paragraph 10.1 above, sub-paragraph 10.7 below and in this sub-paragraph 10.2 the Company is not aware of any interest (within the meaning of Part VI of the UK Act) in the Company's ordinary share capital which amounts or would, immediately following the Placing, the Acquisition and Admission, amount to 3 per cent. or more of the Company's issued ordinary share capital other than the following:

<i>Name</i>	<i>Number of Ordinary Shares at the date of this document</i>	<i>% of the issued ordinary share capital at the date of this document</i>	<i>Number of Ordinary Shares on Admission</i>	<i>% of issued share capital on Admission</i>
ESS	4,032,571	72.0	7,032,571	20.0

The voting rights of the Shareholders set out in paragraphs 10.1 and 10.2 do not differ from the voting rights held by other Shareholders.

- 10.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors, nor are there any outstanding loans or guarantees provided by the Directors to or for the benefit of the Company.
- 10.4 Save as disclosed in this paragraph 10 and in paragraph 17 of this Part VI, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 10.5 Save as otherwise disclosed in this document, none of the Directors nor any member of their respective immediate families nor any person connected with the Directors (within the meaning of section 346 of the UK Act) has any interest, whether beneficial or otherwise, in the share capital of the Company.
- 10.6 None of the Directors nor any member of a Director's family is interested in any related financial product (as defined in the AIM Rules) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for differences or a fixed odds bet.
- 10.7 On Admission the Vendors will have the following interests in Ordinary Shares:

<i>Name</i>	<i>No. of Ordinary Shares</i>	<i>% of issued share capital on Admission</i>
Hearth Investments Limited	7,739,200	22.0
Quest Traders Limited <sup>1</sup>	1,408,000	4.0
Clifton Participations Inc	2,918,400	8.3
Pathway Trading SA	1,126,400	3.2
Louise Kentish as Trustee of the Focus & Crowe Trusts	1,405,000	4.0

<sup>1</sup> The shares held by Quest Traders Limited form part of the Tee Trust, a discretionary settlement. Elizabeth Plummer, the Group Company Secretary, is one of the potential beneficiaries of the Tee Trust.

## 11. Directors' Service Agreements/Letters of Appointment

- 11.1 On 21 March 2007, Bernard Gallagher entered into a letter of appointment to act as chairman of the Company, such appointment to be ratified at the first board meeting after Admission. Under the terms of his appointment Bernard Gallagher is entitled to a fee of £30,000 per annum paid quarterly in advance. The quarterly fee is used as payment for the allotment of ordinary shares in the Company to Bernard Gallagher at a subscription price equal to the average mid-market price within the five trading days ending on the day prior to the quarter end date. The appointment will continue for three years from Admission but may be terminated at any time by either party giving three months' written notice

to the other. The letter of appointment also includes a detailed provision in relation to confidentiality. Bernard Gallagher is not entitled to any compensation for loss of office (save for any contractual entitlement).

- 11.2 On 21 March 2007, Timothy Revill entered into a service agreement with the Company under the terms of which Timothy Revill agreed to act as Chief Executive Officer and a director of the Company for a salary of £120,000 per annum. In addition, Timothy Revill is entitled to an annual bonus of £30,000 which will reduce by £3,000 for each 1 per cent. that the Fidecs Group's earnings before interest and tax ("EBIT"), as determined from the audited consolidated accounts of the Fidecs Group, is less than any target EBIT notified to Timothy Revill. Timothy Revill's time is to be split so that 60 per cent. will be spent in performing duties for the Company and 40 per cent. in performing duties for Fidecs Group Limited or in such other proportions as may be agreed. Timothy Revill is entitled to medical cover for himself and his dependents and he will be provided with a mobile telephone and company credit card. The agreement may be terminated by either party giving to the other 12 months' written notice and contains standard confidentiality and intellectual property provisions and post termination restrictions applicable for a period of 12 months. In the event of termination of his appointment no benefits (other than those accruing during the notice period) are due to Mr Revill and he has agreed he will not be entitled to compensation for loss of office.
- 11.3 On 21 March 2007, Alan Kentish entered into a service agreement with the Company under the terms of which Alan Kentish agreed to act as Chief Financial Officer and a director of the Company for a salary of £120,000 per annum. In addition, Alan Kentish is entitled to a bonus of £30,000 which will reduce by £3,000 for each 1 per cent. that the Fidecs Group's EBIT, as determined from the audited consolidated accounts of the Fidecs Group, is less than any target EBIT notified to Alan Kentish. Alan Kentish's time is to be split so that 25 per cent. will be spent in performing duties for the Company, 25 per cent. will be spent in performing duties for Fidecs Group Limited and 50 per cent. will be spent in performing duties for Fidecs Insurance Management or in such other proportions as may be agreed. Alan Kentish is entitled to medical cover for himself and his dependents and he will be provided with a mobile telephone and company credit card. The agreement may be terminated by either party giving to the other 12 months' written notice and contains standard confidentiality and intellectual property provisions and post termination restrictions applicable for a period of 12 months. In the event of termination of his appointment no benefits (other than those accruing during the notice period) are due to Mr Kentish and he has agreed he will not be entitled to compensation for loss of office.
- 11.4 On 21 March 2007, Matthew Wood entered into a letter of appointment to act as a non-executive director of the Company. Under the terms of his appointment Matthew Wood is entitled to a fee of £20,000 per annum payable quarterly in advance. The appointment may be terminated at any time by either party giving three months' written notice to the other. The letter of appointment also includes a detailed provision in relation to confidentiality. Matthew Wood is not entitled to any compensation for loss of office (save for any contractual entitlement).
- 11.5 On 21 March 2007, Fortis Intertrust (Isle of Man) Limited entered into a letter of appointment with the Company under the terms of which it agreed to procure the services of Martin Derbyshire and Mark Denton to act as non-executive directors of the Company. A fee of £10,000 per annum will be paid to Fortis Intertrust (Isle of Man) Limited for procuring their services as directors (being £5,000 per director). The appointment is terminable on three months' written notice on either side. Neither Fortis Intertrust (Isle of Man) Limited, Martin Derbyshire nor Mark Denton are entitled to compensation for loss of office (save for any contractual entitlement).
- 11.6 Save as disclosed in paragraphs 11.1 to 11.5 above, there are no service contracts, existing or proposed, between any Director and the Company.
- 11.7 Details of the length of time in which Directors in the financial period of the Company to 31 December 2006 have been in office and the period of their term of office are set out below:

<i>Name</i>	<i>Commencement of Period of office</i>	<i>Date of expiration of term of office</i>
Bernard Gallagher	21 March 2007	Annual General Meeting to be held in 2007
Tim Revill	21 March 2007	Annual General Meeting to be held in 2007
Alan Kentish	21 March 2007	Annual General Meeting to be held in 2007
Matthew Wood	21 March 2007	Annual General Meeting to be held in 2007
Martin Derbyshire	22 February 2007	Annual General Meeting to be held in 2007
Mark Denton	22 February 2007	Annual General Meeting to be held in 2007

There are no service contracts in place between the Company or any subsidiary and any member of the administrative/management or supervisory bodies which provides for benefits on termination of employment.

## 12. Additional Information on the Board

12.1 In addition to directorships of the Fidecs Group, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Bernard Gallagher	53	Evo Medical Solutions Limited (UK) Scirex Limited (UK) Premier Research Germany Limited (UK) Premier Research Group Plc (UK) PRG2 Limited (UK) PRG3 Limited (UK) STMGEI Limited (British Virgin Islands)	Dynex Power Inc (Canada) Dynex Semiconductor Limited (UK)
Tim Revill	56	Aquamarine Line Limited (Gibraltar) BDO Fidecs Chartered Accountants Limited (Gibraltar) Cashflow 4 U Limited (Gibraltar) Cashflow 4 U Limited (UK) Cristina Developments Limited (Spain) European Export Institute Limited (British Virgin Islands) Fabrica de Cerveza Kettal S.L. (Spain) Fiander Properties Limited (Gibraltar) Fidecs Personal Financial Planning Limited (Gibraltar) Ivy Holdings Limited (Turks & Caicos Islands) Kingsley Nominees Limited (Gibraltar) MC Leisure Limited (Bahamas) Newcastle United Plc (UK) Nightingale Equities Inc. (British Virgin Islands) Nummos Profesional SL (Spain) Pharma Medico Research Limited (Gibraltar)	Amadeus Investments Limited (Gibraltar) Ariane Way Limited (Gibraltar) Bata Investments Limited (Gibraltar) Belview Properties Limited (UK) Bernicia Consultants Limited (Gibraltar) Bespoke Finance (UK) Limited (UK) Bespoke Finance Limited (Gibraltar) Beyer Holdings Limited (British Virgin Islands) Casna Bay Limited (Gibraltar) Cristina Developments S.L. (Spain) Codock Limited (UK) Copia Holdings Limited (Gibraltar) Cutter Bay Limited (Gibraltar) Damask Trading Limited (Gibraltar) Diamond Line Limited (Gibraltar) Fidecs Holdings Limited (Ireland) ECS Financial Management Limited (Gibraltar) Five Loaves Limited (Ireland) Gelton Investments Limited (Gibraltar)

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Tim Revill <i>(continued)</i>	56	Practical Holdings Limited (Gibraltar) Retire to the Sun Limited (British Virgin Islands) Retire to the Sun Limited (Gibraltar) Retire to the Sun Limited (Ireland) Retire to the Sun Limited (UK) Spanish Corporate Management Services SL (Spain) Stan James (Gibraltar) Limited (Gibraltar) Star Light Limited (Gibraltar) The Kettal Brewing Company Limited (Gibraltar) Vita Vizion Limited (Gibraltar) Westsaxon Investment Corp. (Bahamas)	Gosford International Trading Limited (Gibraltar) Hartfield Estates Limited (Gibraltar) Haviland Ventures Limited (British Virgin Islands) Keenan Limited (Gibraltar) Kinshasa Bay Limited (Gibraltar) Jordans (Gibraltar) Limited (Gibraltar) Le Roc Investments Limited (Gibraltar) Limebay Limited (Gibraltar) Ludgershall Limited (Ireland) Marfa Limited (Ireland) Nigella Corporation (Delaware) Onyx Line Limited (Gibraltar) Pimblett Real Estate Limited (Gibraltar) Pomato Investments Inc. (British Virgin Islands) Primrose Line Limited (Gibraltar) Professional Travel Insurance Company Limited (Gibraltar) Property & Leisure Developments Limited (Gibraltar) Ready Finance Limited (Gibraltar) Real Growth (1) Limited (Gibraltar) Seamless Systems (International Limited (Gibraltar) Shoecraft (International) Limited (Gibraltar) The Fairmile Property Joint Venture Limited (Gibraltar) Vellar Limited (Isle Of Man) White's World Limited (Gibraltar)
Alan Kentish	41	Admiral Insurance (Gibraltar) Limited (Gibraltar) BDO Fidecs Chartered Accountants Limited (Gibraltar) Bespoke Finance Limited (Gibraltar) Brooktill Limited (Gibraltar) Call4 (Gibraltar) Limited (Gibraltar) Carraig Insurance Company Limited (Gibraltar) Collingwood Insurance Company Limited (Gibraltar) Fiander Properties Limited (Gibraltar) Ioma Holdings (Gibraltar) Limited (Gibraltar)	Baile Investments Limited UK (UK) Dulcet Limited (UK) Fidecs Services Limited Hurlingham Investments Limited (Gibraltar) Ioma Services (Gibraltar) Limited (Gibraltar) Nightingale Equities Inc. (British Virgin Islands) Tandrow Investments Limited (Gibraltar) United Continental Company Limited (Gibraltar) Victory Insurance Limited (Gibraltar) Vilara Limited (Gibraltar) Zenith Insurance Public Limited Company (Gibraltar)

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Alan Kentish <i>(continued)</i>	41	Ioma Insurance Company (Gibraltar) Plc (Gibraltar) Ioma Premiums (Gibraltar) Limited (Gibraltar) London Buckingham Insurance Company Limited (Gibraltar) Markerstudy Insurance Company Limited (Gibraltar) Planet Insurance Company Limited (Gibraltar) Practical Holdings Limited (Gibraltar) Southern Rock Holdings Limited (Gibraltar) Southern Rock Insurance Company Limited (Gibraltar) Southern Rock Investments Limited (Gibraltar) Symphony Insurance Company Limited (Gibraltar) The Insurance Executive Search & Selection Limited (UK) Thermond Insurance Company Limited (Gibraltar) U Drive Solutions (Gibraltar) Limited (Gibraltar) Viscount Reinsurance Company Limited (Gibraltar) WWW Sunoptic Com (International) Limited (Gibraltar)	ZPL Limited (Gibraltar)
Matthew Wood	33	Avarae Global Coins Plc (Isle of Man) Combined Management Services Limited (UK) Eskimo Group ebf (Iceland) Shutford Grounds Farm (UK-Partnership) STMGEI Limited (British Virgin Islands)	None

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Martin James Derbyshire	39	112472C Plc (Isle Of Man) Abillion Co Limited (Isle of Man) ACS UK Sales Limited (Isle of Man) AFE Property Development Limited (Isle of Man) Alpha Entertainment Limited (Isle of Man) Animation Productions Limited (UK) Arla Limited (Isle of Man) Bare Face Chic Limited (Isle of Man) Boulder Services Limited (Isle of Man) Busby Limited (Isle of Man) Carbon Compliance Acquisitions 5 Limited (UK) Chart Limited (Isle of Man) Classmark Limited (Isle of Man) Coronet Developments Limited (UK) Cottergate Services Limited (Isle of Man) Crow Investment Limited (Isle of Man) Elm Enterprises Limited (Isle of Man) Endley Services Limited (UK) Eutel Telecommunications Limited (Isle of Man) Foreteck Services Limited (Isle of Man) Fortis Intertrust (Isle of Man) Limited (Isle of Man) Foxbridge Limited (Isle of Man) Goldpark Homes Limited (Isle of Man) Greenroof Company Limited (Isle of Man) I-Cap Exploitation Ireland Limited (Ireland) I-Cap UK Limited (UK) Interstar Technology Group Limited (Isle of Man) Klockner Limited (Isle of Man) Lansdowne Properties Limited (Isle of Man) Megaweb Trading Limited (Isle of Man) MPI Consulting Limited (British Virgin Islands)	Advertising Film Festival Financing Limited (Isle of Man) Aermar Services Limited (Isle of Man) Air Transport Services Limited (Isle of Man) Aladdin Capital Limited (Isle of Man) Alderson Resources Limited (Isle of Man) Allied Traders Limited (UK) Alpenside Limited (Ireland) Anchor Trading Limited (Isle of Man) Anderson Services Limited (Isle of Man) Annesgate Properties Limited (Isle of Man) Arion Enterprises Limited (Isle of Man) Armstrong Yachts Limited (Isle of Man) Arrowlake Investments Limited (Isle of Man) Barkerhouse Investments Limited (Isle of Man) Benrers Investments Limited (Isle of Man) Berrisford Enterprises Limited (Isle of Man) Berryfield Investments Limited (Isle of Man) Blakeney Limited (Isle of Man) Bogeydom Enterprises Limited (Isle of Man) Bosworth Limited (Isle of Man) Bowlerdene Trading Limited (Isle of Man) Breeze Marine Limited (Isle of Man) Breeze Sailing Limited (Isle of Man) Brite Resources Limited (Isle of Man) Brockmoor Trading Limited (Isle of Man) Caldwell Limited (Isle of Man) Candyscape Limited (Isle of Man) Caspian Limited (Isle of Man) Cedar Walk Properties Limited (Isle of Man) Chandlersford Resources Limited (Isle of Man)

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Martin James Derbyshire (continued)	39	Openway Management Limited (UK) Paisley Limited (Isle of Man) Personal Investment & Management Solutions Limited (Isle of Man) Ponant Limited (Isle of Man) Porterlane Investments Limited (Isle of Man) Reconstruction Capital Plc (Isle of Man) Reconstruction Management Limited (British Virgin Islands) S McMahon Sports Limited (UK) Sigma Management Limited (Isle of Man) Silverex Investments Limited (UK) Skircoat Green Limited (Isle of Man) Swanmount Properties Limited (Isle of Man) The Euro Turtle Fund (Isle of Man) Turtle Fund Limited (Isle of Man) Unique Food Organisation Limited (Isle of Man) Wamland Limited (Isle of Man) Watchorn Limited (Isle of Man) Watermark Enterprises Limited (UK) White Dune Properties Investments Limited (Isle of Man) Winter Properties Developments Limited (Isle of Man)	Cherry Drop Limited (Isle of Man) Chessington Developments Limited (Isle of Man) Clifton Gardens Limited (Isle of Man) Comet Limited (Isle of Man) Consultrend Limited (Isle of Man) Contoured Limited (Isle of Man) Copap Participations Limited (Isle of Man) Courier Developments Limited (Isle of Man) Cowes Marine Limited (Isle of Man) Crabtree Enterprises Limited (Isle of Man) Crew Co Limited (Isle of Man) D Egerton Merchants Limited (Isle of Man) Dolphin Marine Limited (Isle of Man) Downwind Limited (Isle of Man) Durable Limited (Isle of Man) Eastpine Trading Limited (Ireland) Edgemoreway Limited (Isle of Man) Erland Limited (British Virgin Islands)) Falco Limited (Isle of Man) Farspace Limited (Isle of Man) Fontas Limited (British Virgin Islands)) Fortis Intertrust Yacht and Aircraft Group Limited (Isle of Man) Freemantle Properties Limited (Isle of Man) Fulham Developments Limited (Isle of Man) Gabriel Properties Limited (Isle of Man) Geotrade Limited (Isle of Man) Golf Truck Limited (Isle of Man) Gunther Reform Corporation Limited (Isle of Man) Hague Trading Limited (Isle of Man) Hallfield International Trading Limited (UK) Hammond Holdings Limited (Isle of Man) Hawksworth Limited (Isle of Man) Heysham International Limited (UK)

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Martin James Derbyshire (continued)	39		<p>Highworth Management Limited (Isle of Man)</p> <p>Hirsel Trading Limited (Isle of Man)</p> <p>Hollywood Gardens Limited (Isle of Man)</p> <p>Imberfield Investments Limited (Isle of Man)</p> <p>Impley Investments Limited (Isle of Man)</p> <p>Invepar Limited (Isle of Man)</p> <p>Kastorian Limited (Isle of Man)</p> <p>Kenora Limited (British Virgin Islands))</p> <p>Kermont Investments Limited (Isle of Man)</p> <p>Kingswood Properties Limited (Isle of Man)</p> <p>Knottend Trading Limited (Isle of Man)</p> <p>Korse Limited (Isle of Man)</p> <p>Lagrange Limited (Isle of Man)</p> <p>Lalex Consultants Limited (Isle of Man)</p> <p>Lamm Industrial Relations Limited (Isle of Man)</p> <p>Langdale Consultants Limited (Isle of Man)</p> <p>Langham Investment Corporation Limited (Isle of Man)</p> <p>Lion Investment Holdings Limited (Isle of Man)</p> <p>Longbay Management Limited (UK)</p> <p>M &amp; A Eastern Europe Limited (UK)</p> <p>Mallem Investments Limited (Isle of Man)</p> <p>Maxim Partners Limited (Isle of Man)</p> <p>Middle East Technical Services Limited (Isle of Man)</p> <p>Mintice Trading Limited (Isle of Man)</p> <p>Moffgrove International Limited (British Virgin Islands))</p> <p>Morebrook Limited (Isle of Man)</p> <p>Multifin Consulting Limited (Ireland)</p> <p>Nostro Investments Limited (Isle of Man)</p> <p>Oceaneering Limited (Isle of Man)</p>

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Martin James Derbyshire (continued)	39		Olsen Developments Limited (Isle of Man) Openshaw Services Limited (Isle of Man) Orsettridge Resources Limited (Isle of Man) Ozark Investments S.A. (Panama) Packaging Consultants Limited (Isle of Man) Palmbury Services Limited (UK) Pendle Hill Limited (Isle of Man) Pennystone Consultants Limited (Isle of Man) Penzance Marine Limited (Isle of Man) Phenomenon Limited (Isle of Man) Pitstone Limited (Isle of Man) Plymstock Limited (Isle of Man) Porpoise Marine Limited (Isle of Man) Project Developments Limited (Isle of Man) Quilldale Investments Limited (Isle of Man) Red Kite Trading Limited (Isle of Man) Roanlane Limited (Isle of Man) Sapsing Trading Limited (Isle of Man) Sava Trading Limited (Isle of Man) Seafarer Marine Limited (Isle of Man) Silkway Entertainment Limited (Isle of Man) Silver Trading Limited (Isle of Man) Simex Limited (Isle of Man) Sirus Limited (Isle of Man) Skipworth Properties Limited (Isle of Man) Smithbury Developments Limited (Isle of Man) Solent Management Limited (Isle of Man) Southgate Overseas Limited (Isle of Man) Southwark Bridge Village Limited (Isle of Man) Sunwave Charter Limited (Isle of Man) Swanline Limited (Isle of Man) Tiche Enterprises Limited (Cyprus) TLS (Central Asia) Limited (UK)

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Martin James Derbyshire (continued)	39		United Consultancy Services Limited (UK) Victory Consolidated Limited (Isle of Man) Whitelaw Limited (Isle of Man) Whitestone Consultants Limited (Isle of Man) Wickleton Limited (Isle of Man) Zania Properties Limited (Isle of Man) Zaphos Investments Limited (Isle of Man) Zuma Limited (Isle of Man)
Mark William Denton	45	Animation Productions Ltd (UK) Arnoldsford Ltd (Isle of Man) Bellingham Enterprises Ltd (Isle of Man) Bentinck Finance (UK) Ltd (UK) Bentinck Secretaries Ltd (UK) Braddan Ltd (Isle of Man) Briery Ltd (Isle of Man) Brosil Resources Ltd (Isle of Man) Bruncaster Ltd (Isle of Man) Burtons Management Ltd (Isle of Man) Capella Trading Ltd (Isle of Man) Cedargrove Ltd (Isle of Man) Chandlersford Resources Ltd (Isle of Man) Diktalex Ltd (Isle of Man) Dronco (UK) Ltd (UK) Eeshee Ltd (Isle of Man) Erdingside Services Ltd (Isle of Man) Faxtel Ltd (Isle of Man) Fortis Intertrust (IoM) Ltd (Isle of Man) Fortis Intertrust (Jersey) Limited (Jersey) Fortis Intertrust Finance (IoM) Limited (Isle of Man) Fortis Intertrust Limited (Isle of Man) Fortis Intertrust Management (IoM) Limited (Isle of Man) Fortis Intertrust Trustees (IoM) Limited (Isle of Man) Fountainfield Services Ltd (Isle of Man) Garrabost Properties Ltd (Isle of Man) Goldsmith Trading Ltd (Isle of Man)	Alderson Resources Ltd (Isle of Man) Anakin Investments Ltd (Isle of Man) Armstrong Yachts Ltd (Isle of Man) Beckbury Trading Ltd (Isle of Man) Berry Dale Ltd (Isle of Man) Billington Service Ltd (Isle of Man) Blandford Court Properties (Isle of Man) Brandwood Ltd (Isle of Man) Breezelake Properties Ltd (Isle of Man) Challenor Ltd (Isle of Man) Chandler Services Ltd (Isle of Man) Chartering International Ltd (UK) Cool Trading Ltd (Isle of Man) Cowser Trading Ltd (Isle of Man) Crew Co Ltd (Isle of Man) Darland Associates Ltd (Isle of Man) Decklin Investments Ltd (Isle of Man) Dovedale Technology Ltd (UK) Dylan Promotions Ltd (Isle of Man) Ennis Trading Ltd (Isle of Man) F.T. Invest Ltd (Isle of Man) Fidcorp Services Ltd (Isle of Man) FLS Forwarding & Logistics System Ltd (Isle of Man) Forthlane Ltd (Isle of Man) Fortis Intertrust (Ireland) Ltd (Ireland)

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
	45	Harrison Ltd (Isle of Man)	Fortis Intertrust Trustees (IoM) Limited (Isle of Man)
		Hemswell Consultants Ltd (Isle of Man)	Fortis Intertrust Yacht And Aircraft Group Limited (Isle of Man)
		Howsdrake Enterprises Ltd (Isle of Man)	Gavelside Trading Ltd (Isle of Man)
		Izar Enterprises Ltd (Isle of Man)	Man)
		Knottend Trading Ltd (Isle of Man)	Grayswood Trading Ltd (Isle of Man)
		Layla Services Ltd (Isle of Man)	Man)
		Ludgewall Trading Ltd (Isle of Man)	Hemisphere Developments Ltd (Isle of Man)
		Milton Ltd (Isle of Man)	Intertransport Investments Ltd (Isle of Man)
		Mollington Properties Ltd (Isle of Man)	Man)
		Nashira Services Ltd (Isle of Man)	Jasmine Consultants Ltd (Isle of Man)
		Norwood Consultants Ltd (Isle of Man)	Man)
		Orsettridge Resources Ltd (Isle of Man)	Kikibius Ltd (Isle of Man)
		Premium Consultants Ltd (Isle of Man)	Lotta Properties Ltd (Isle of Man)
		Premium Secretaries Ltd (Isle of Man)	Man)
		Queensferry Consultants Ltd (Isle of Man)	Maxan Trading Ltd (Isle of Man)
		Rakestone Ltd (Isle of Man)	Merrit Developments Ltd (Isle of Man)
		Reenstone Ltd (Isle of Man)	Man)
		Regency Trustee Company (UK) Ltd (UK)	MMD KPIP (Trustee) Ltd (Isle of Man)
		Rivercroft Ltd (Isle of Man)	Man)
		Sapcote Ltd (Isle of Man)	Pertonwood Ltd (Isle of Man)
		Shirewood Ltd (Isle of Man)	Prington Services Ltd (Isle of Man)
		Sparrowbrook Services Ltd (Isle of Man)	Man)
		Sports Enterprises Ltd (Isle of Man)	Produce Ltd (Isle of Man)
		Tapington Trading Ltd (Isle of Man)	Promo 7 Sports Ltd (Isle of Man)
		Towerbond Associates Ltd (UK)	Resinvest Corp Ltd (Isle of Man)
		Treatbase Ltd (UK)	Rixos Management UK Ltd (UK)
		Vadar Trading Ltd (Isle of Man)	Rosehill Ltd (Isle of Man)
		Victory Independent Ltd (Isle of Man)	Sceptre Consultants Ltd (UK)
		Woodshire Ltd (Isle of Man)	Serkorx Technologies (IoM) Ltd (Isle of Man)
			Man)
			Shanahan Trading Ltd (Isle of Man)
			Man)
			Tradefinco Holdings Ltd (UK)
			Tradefinco Ltd (UK)
			Turberville Trading Ltd (Isle of Man)
			Man)
			Whitebridge Resources Ltd (UK)
			Yorkvale Management Ltd (Isle of Man)
			Man)
			Yorkvale Properties Ltd (Isle of Man)
			Man)

Whilst Mark Denton was a director of Produce Limited the company passed a resolution to enter voluntary creditors liquidation. On 14 April 2003, Produce Limited was wound up and it was finally dissolved on 2 August 2003. At this point £32,450 remained outstanding to creditors.

Alan Kentish is a director of two insurance companies (Crystal Insurance Company Limited and Viscount Reinsurance Company Limited) that went into provisional liquidation in 2004. The companies continue to operate but are not taking on new business. The companies continue to deal with claims related to policies already in place until all of the policies that have been sold expire.

Tim Revill was a director of a company registered in the Isle of Man that in the early 1980's became insolvent. At the time of the winding up a number of that company's creditors remained unpaid. The total amount outstanding to creditors was in the region of £15,000.

12.2 Save as disclosed above none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) 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 any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) 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;
- (e) 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;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

### **13. Employees**

Other than the Directors, Fidecs and its subsidiaries had 72 employees on 31 December 2006. Other than the Directors, on completion of the Acquisition the Company will have 78 employees and had 0 employees at 31 December 2006.

### **14. Environmental Issues**

The Directors are not aware of any environmental issues or risks affecting the Company and its operations.

### **15. Material Contracts**

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

- 15.1 The Placing Agreement dated 22 March 2007 between the Company (1), the Directors (2), Daniel Stewart (3) and Hearth Investments Limited and Clifton Participations Inc (4) conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 28 March 2007 (or such later time and or date as the Company, the Directors and Daniel Stewart may agree being not later than 25 April 2007) and the Acquisition Agreement having been entered into and having become unconditional in all respects (save only for Admission) pursuant to which Daniel Stewart has agreed to use reasonable endeavours to procure subscribers for the Placing at the Placing Price.

The Placing Agreement contains warranties from the Company, the Directors and Hearth Investments Limited and Clifton Participations Inc in favour of Daniel Stewart together with provisions which enable Daniel Stewart to terminate the Placing Agreement in certain circumstances prior to Admission including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors and Hearth Investments Limited and Clifton Participations Inc

for breach of warranty is limited. The liability of the Company under the Placing Agreement is also limited. Under the Placing Agreement the Company has agreed to pay Daniel Stewart a corporate finance fee and commission based on the value of the Placing Shares at the Placing Price which are subscribed by persons procured by Daniel Stewart. In addition the Company and certain Directors have given indemnities to Daniel Stewart.

Each of the Directors has undertaken with the Company and Daniel Stewart not to, and has agreed to use their respective reasonable endeavours to procure that no connected person shall, sell, charge, or grant any interests over any Ordinary Shares held by them (subject to certain exceptions) during the twelve months following Admission and, for a further twelve months, to consult Daniel Stewart (or the Company's then nominated adviser and broker) prior to any disposal and to make any disposal through Daniel Stewart (or the Company's then broker).

- 15.2 A nominated adviser and broker agreement dated 22 March 2007 between the Company (1) and Daniel Stewart & Company Plc (2) pursuant to which the Company has, conditional on Admission, appointed Daniel Stewart to act as nominated adviser to the Company for the purposes of the AIM Rules and broker. The Company has agreed to pay Daniel Stewart an annual fee for its services as nominated adviser under this agreement. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of the agreement and, thereafter, is subject to termination on the giving of three months' notice.
- 15.3 The Acquisition Agreement dated 22 March 2007 between the Vendors (1) and the Company (2) pursuant to which the Company has agreed to purchase the entire issued and to be issued share capital of Fidecs Group Limited for a consideration of £13,600,000, to be satisfied as to £6,300,000 in cash and as to £7,300,000 by the issue of the Consideration Shares at the Placing Price. The Vendors have agreed that £1,575,000 in cash will be retained in a retention account for the warranty limitation period, which expires on the date falling 3 months following the date of publication of the audited accounts of the Company for the year ended 31 December 2007. The Vendors have given warranties to the Company, which are capped at the amount of cash consideration to be received by each Vendor with the aggregate cash being equivalent to the total cash consideration less the amount required to repay an outstanding debt owed by Fidecs Group Limited, estimated at around £800,000. In the event that there is any claim against Hearth Investments Limited or Clifton Participations Inc under the Placing Agreement, this would reduce the liability of these two Vendors to the Company. The Vendors have agreed to give restrictive covenants for a period of two years from the date of completion of the Acquisition. The Vendors have also agreed not to dispose of their Consideration Shares for a period of one year from completion of the Acquisition, with a further twelve month orderly market arrangement in place in favour of the Company and Daniel Stewart.
- 15.4 A lock in agreement dated 22 March 2007 between the Company (1), ESS (2) and Daniel Stewart (3) under the terms of which ESS undertook to the Company and Daniel Stewart that, conditional upon Admission and subject to certain exceptions for one year from Admission, it will not sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in Ordinary Shares held immediately prior to Admission and for one year from the first anniversary of Admission it will only dispose of its interests in Ordinary Shares held immediately following Admission in accordance with orderly market principles.
- 15.5 The Daniel Stewart Option Agreement dated 22 March 2007 pursuant to which, conditional on Admission, Daniel Stewart has been granted an option to subscribe for up to 528,000 new Ordinary Shares (representing 1.5 per cent. of the Enlarged Issued Share Capital) at the Placing Price per share exercisable from the first anniversary of Admission until three years thereafter. Under the terms of this agreement Daniel Stewart has also agreed that any Ordinary Shares issued to it pursuant to the agreement will only be disposed of in accordance with the AIM Rules and through the Company's broker (if this is not Daniel Stewart) with the consent of the chairman of the board of Directors of the Company (such consent not to be unreasonably withheld or delayed), with the Chairman primarily having regard towards maintaining an orderly market in the Ordinary Shares.

- 15.6 Pursuant to an agreement dated 22 March 2007, Clifton Participations Inc, one of the Vendors, conditionally agreed to transfer 2,500 shares in the capital of FIM to Fidecs for a consideration of 13,960 shares in the capital of Fidecs on Admission. As a result of this transfer, Fidecs will, on Admission, own 100 per cent. of the issued share capital of FIM.
- 15.7 Pursuant to the terms of an agreement between Fidecs (1), BDO Fidecs Chartered Accountants Limited (“FCA”) (2) and T Revill, A Kentish and E Plummer (“the FCA Shareholders”) (3) dated 21 March 2007 (“the FCA Agreement”) the Company agreed to transfer its 500 shares in the capital of FCA to the FCA Shareholders for a consideration of £1. Fidecs also agreed to procure that the Fidecs Group will give FCA a right of first refusal on all referrals it makes of audit and accountancy services and FCA agreed to give the Fidecs Group a right of first refusal on all referrals it makes of corporate and trustee services, insurance management and international tax planning services. FCA agreed, whilst it remains a licensee in the premises of Fidecs, not to offer corporate and trustee, insurance management, expatriate international tax planning services and Fidecs agreed not to offer audit services and to only perform accountancy services for companies, trusts and other entities administered by the Fidecs Group. FCA agreed to continue until 22 March 2013 to meet the standards required to maintain its membership of the BDO International Network and continue to support the continuing involvement of the Fidecs Group in the BDO Network.
- 15.8 On 22 March 2007 the Company entered into the New Loan Facility agreement with ESS under which ESS agreed to provide the Company with a loan facility in the principal aggregate sum of £2,000,000 (the “Loan Facility”), which comprises of an unsecured loan equal to certain interest-free unsecured loans made to Fidecs (the “Shareholder Loans”) by its shareholders (the “Unsecured Loan”), and a secured loan for the balance of the principal sum to fund acquisitions of other trust businesses and costs related to such acquisitions (the “Secured Loan”). The New Loan Facility is conditional upon completion of the Acquisition and Admission. The Unsecured Loan will not bear interest and is repayable, as to one third of the principal amount by 31 December 2007 and as to the remaining two thirds of the principal amount by 31 December 2008, however, the Company may repay the Unsecured Loan early, in whole or in part, but cannot re-borrow any amount so repaid until the Unsecured Loan has been repaid in full unless ESS consent to early repayment. If the Unsecured Loan has been repaid in full by 31 December 2008 then a further sum of £832,000 may be drawn down under the Secured Loan. The Secured Loan may only be drawn down in connection and at the time of any an acquisition and any amounts drawn down will be repayable, together with accrued interest thereon, on the second anniversary of completion of the Acquisition. The Secured Loan may be repaid early but amounts repaid cannot be re-borrowed.
- 15.9 On 5 December 2006 the Company entered into a Consultancy Service Agreement with Combined Management Systems Limited (“CMS”), pursuant to which CMS agreed to provide certain research and transaction support services and other related services in relation to the Acquisition, Admission and the Placing for a fee of £112,500 in aggregate. In addition CMS agreed to provide further support services, such as the production of accounts after Admission on a time spent basis with a minimum fee of £1,000 per month. CMS will also be paid an arrangement fee in relation to the New Loan Facility summarised in paragraph 15.8 above equal to 1.0 per cent. of the amount of the Secured Loan.
- 15.10 Pursuant to the terms of an agreement dated 3 April 2006 between Fidecs Consulting Limited (“FCL”) (1) and BDO Audiberia Estudio Juridicio y Tributario (“BDO Audiberia”), FCL acquired 670 shares in Nummos Profesional SL (“Nummos”) taking its holding to 100 per cent. The consideration was €130,718, to be satisfied in cash as to €13,072 on 3 April 2008, €26,104 on 3 April 2009, €39,215 to be paid on 3 April 2010 and €52,287 on 3 April 2011. Nummos agreed to restrict itself to legal, tax and basic accounting services for expatriate high net worth individuals and non-resident persons with property in Spain (“the Services”) and agreed not to offer audit or other corporate services. BDO Audiberia agreed not to restrict the provision of the Services and not to object to marketing or the establishment of one or more branch offices on the Costas or the Islands by Nummos.

## **16. Dependence on Intellectual Property etc.**

The Group is not dependent on any patents, licences, industrial, commercial or financial contracts or new manufacturing processes which have a material effect on the Group's business or profitability.

## **17. Related Party Transactions**

17.1 Hearth Investments Limited ("Hearth") and Clifton Participations Inc ("Clifton") own 33 per cent. each of the issued share capital of Fiander Properties Limited ("Fiander"), which sub-leases the principal Fidecs Group property to the Fidecs Group. The lease is on arm's length basis on open market terms. Hearth is the trustee of the Revill Family Settlement, of which Timothy Revill is a potential beneficiary. Clifton's shares in Fiander form part of the Perros Trust, of which Alan Kentish is a potential beneficiary.

17.2 Timothy Revill, Hearth and Clifton are shareholders in various companies which engage the Fidecs Group to perform professional services on arm's length terms.

17.3 Fidecs Management Limited engages the spouse of one of the Directors and trust beneficiary as a consultant. An arms length commission is paid to the spouse for business referred to the Group. In the year the Group paid commissions of £Nil (2005: £2,000) (2004: £4,000). These arrangements will cease from Admission.

The Group provides IT services and charges rental to Gold Management Limited. Gold Management Limited is 50 per cent. owned by the spouse of a Director and trust beneficiary of the Group. The spouse also introduces trust work to the Group and acts as a trustee to Focus and Crowe Trust which is a Shareholder of the Group. In the year the Group charged Fidecs Management Limited £641 (2005: £1,213) (2004: £5,300).

17.4 Clifton has invested money in U Drive Solutions (Gibraltar) Limited, ("U Drive") for an agreed 25 per cent. shareholding. Alan Kentish is currently the sole director. U Drive is a start up company proposing to sell a bundle of products revolving around a mechanical breakdown insurance product for the United Kingdom market. These products do not compete with those offered by the Fidecs Group. Company secretarial services are offered by Fidecs Management Limited on an arm's length basis and if the U Drive succeeds it will use FIM to manage its business. Alan Kentish will not be involved in the negotiation. Alan Kentish has minimal involvement in the business of U Drive as U Drive is managed by the proposed holders of the remaining 75 per cent. of the shares of U Drive.

17.5 On 5 December 2006 the Company entered into an agreement with CMS summarised at paragraph 15.9 above. At the time the agreement was entered into it was proposed that Matthew Wood would become a director of the Company. Matthew Wood is also a director of CMS. This contract was concluded on an arms length basis.

17.6 On 22 March 2007 the Company entered into a contract with Fortis Intertrust (Isle of Man) Limited under which Fortis Intertrust (Isle of Man) Limited agreed to procure two persons to serve as Directors, provide a registered office facility and manage the Company's bank account. Both Martin Derbyshire and Mark Denton are directors of the Company and Fortis Intertrust (Isle of Man) Limited. However, Mr Denton and Mr Derbyshire did not negotiate the agreement on behalf of the Company and it was concluded at arms length.

## **18. Litigation**

18.1 Fidecs Trust Company Limited ("FTC") is one of a number of defendants in a civil action brought by the Commissioner of HM Revenue & Customs ("HMRC") in the High Court of Justice in England. The case concerns the late Mohammed Uddin and the assets of a settlement, of which FTC is a trustee for the Uddin family. The background to the case is set out below.

It has been alleged that Mr Uddin defrauded the public revenue by causing Cellcom Limited (a company HMRC allege to be beneficially owned and controlled by Mr Uddin) to carry out a number of fraudulent transactions relating to sales of mobile telephones in relation to which substantial VAT

input repayment claims were made without corresponding payments of “output” tax to HMRC. HMRC allege that Mr Uddin “laundered” the proceeds of the fraud by transferring the funds from Cellcom Limited to Ward Enterprises Limited (“Ward”), a company that held and currently holds the majority of the shares. In 2000, FTC was instructed that the shares were to be held as part of a trust of which Mr Uddin and members of his family were to be discretionary beneficiaries (“the Settlement”).

Criminal proceedings were commenced against Mr Uddin in 2001 and terminated in June 2005 due to an abuse of process by the prosecution, with costs being awarded in favour of Mr Uddin. Civil proceedings were commenced in 2002 against Mr Uddin and others, including FTC. The proceedings were issued against FTC in order to enable HMRC to obtain a freezing order over the assets of the settlement, and the freezing order remains in place. The Directors have been advised that it is common practice to join Trustees to actions such as this one to prevent the assets being paid out from the relevant trust. Civil proceedings were adjourned pending the outcome of the criminal proceedings and were then recommenced in 2005, but have been further delayed by the death of Mr Uddin.

The central allegations against FTC are to the effect that it was the recipient of assets, which were either held on constructive trust for HMRC from the time FTC became aware of the fraud, or were liable to be recovered under section 423 of the Insolvency Act 1986.

In 2005, HMRC confirmed that no claim was at that time being made against FTC (a) over and above the assets in its hands when it learned of Mr Uddin’s arrest; and (b) any rights of action FTC might have against third parties. HMRC reserved the right to amend their claim should new information come to light.

As long ago as the autumn of 2005, HMRC indicated that they might bring new claims against FTC in the civil proceedings to the effect that the Settlement was an illegal and/or sham trust and that the assets of the Settlement had been held on constructive trust for HMRC at all times. FTC has been advised that the revised claims were improperly pleaded and therefore intended to oppose the proposed amendments at a hearing due to be heard on 21 February 2006, which was adjourned due to Mr Uddin’s death. Since that date, FTC has on a number of occasions formally requested HMRC to clarify its case, but without success.

FTC have been advised that currently no claim has been made or threatened by HMRC extending beyond the assets that are in or went through the Settlement. Most of the assets remain in the Settlement, and of those that do not, a large part consists of payments out, made in accordance with specific court orders funding the costs of FTC and Mr Uddin, on the basis that FTC would not be liable to reimburse the Settlement even if HMRC succeeded in the litigation. Hitherto, since FTC has been neutral in the litigation, taking the position that it will abide by any order the court may make, HMRC have agreed and the court has so ordered that the costs drawn shall not be refundable.

The Directors believe that the claim originally made against FTC was simply to protect the assets in the Settlement against dissipation pending the court determining the validity of the claim against the parties involved and the claims threatened 18 months ago have no merit and, having taken legal advice, could be successfully resisted.

- 18.2 Other than disclosed in paragraph 18.1 above, neither the Company nor any company in the Group is involved or has been involved in any governmental, legal or arbitration proceedings in the previous twelve months which may have or have had in the recent past a significant effect on the Company’s or the Group’s financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any company in the Group.

## **19. No Significant Change**

There has been no significant change in the financial or trading position of either the Company or the Fidecs Group since the end of the last financial period for which audited financial information has been published, being 31 January 2007 and 31 December 2006, respectively.

## 20. Working Capital

The Directors are of the opinion, having made due and careful enquiry and having taken into account the net proceeds of the Placing and the funds available under the New Loan Facility, that following Admission, the Company will have sufficient working capital for at least 12 months from the date of Admission.

## 21. Taxation

The following information is intended as a general guide and relates to the UK tax position of shareholders who are resident and ordinarily resident in the UK and to the Isle of Man tax position of both the Company and shareholders. The statements may not apply to certain classes of shareholders such as dealers in securities and other persons who hold the shares other than as investments. The statements are based on the current legislation and practice in the UK and the Isle of Man and do not purport to be comprehensive or to describe all potential relevant considerations.

**Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.**

### *UK Taxation – Shareholders*

- (a) Holders of Ordinary Shares who are resident in the UK, or are carrying on a trade in the UK for tax purposes to which the Ordinary Shares are attributable, will generally be liable to UK income tax, or corporation tax, as the case may be, in respect of the gross amount of any dividends received from the Company.
- (b) Any gain on a subsequent disposal of Ordinary Shares by persons resident or ordinarily resident in the UK for tax purposes may, depending on their circumstances, give rise to a charge to capital gains tax (for individuals and trustees) or corporation tax (companies). For shareholders who are individuals or trustees, taper relief, and for shareholders who are within the charge to UK corporation tax in respect of any gain on disposal of the Ordinary Shares, indexation allowance, may reduce the amount of the chargeable gain.
- (c) The attention of UK resident and domiciled shareholders is drawn to the provisions contained in Section 13 of the Taxation of Chargeable Gains Act 1992 under which in certain circumstances a proportion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than a 10 per cent. interest in the Company.
- (d) Individuals ordinarily resident in the UK should note the provisions of Sections 739 to 745 of the Income and Corporation Taxes Act 1988 (the “Taxes Act”), which contain provisions for preventing the avoidance of income tax through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and which may render them liable to taxation in respect of any undistributed income and profits of the Company.
- (e) A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Shares should note the provisions contained in Sections 747 – 756 of the Taxes Act.
- (f) No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the Ordinary Shares. No SDRT will arise on the transfer of Ordinary Shares so long as the Company remains incorporated and the register of members is kept outside the UK.
- (g) Investments in qualifying AIM trading companies (including investments in holding companies of a trading group - such as the Company) can attract 100 per cent. relief from inheritance tax (IHT) provided that the investment is held for at least two years before a chargeable transfer for IHT purposes. For this purpose, a trading company (or the holding company of a trading group) is one whose business consists wholly or mainly of trading activities. The residence or place of incorporation of the AIM company is not relevant for this relief to apply.

### *Isle of Man Taxation – the Company and Shareholders*

- (a) The Isle of Man has introduced a zero per cent. rate of income tax for companies, with the exception of certain banking income and income from Isle of Man land and property, which is taxed at 10 per cent. There will be no withholding to be made by the Company on account of Isle of Man tax in respect of dividends paid by the Company. The Company will be required to pay an annual corporate charge in the Isle of Man. The current level of the corporate charge is £250 per annum.
- (b) The Isle of Man has also introduced, with effect from 6 April 2006, a Distributable Profits Charge regime (the “DPC”). The effect of the regime, where it applies, is to impose a charge (at 18 per cent.) on that proportion of the Company’s profits that are attributable to Isle of Man resident shareholders. However, as the Company’s shares will be admitted to trading on AIM, it will be outside the scope of the DPC.
- (c) Shareholders resident in the Isle of Man will, depending upon their particular circumstances, be liable to Isle of Man income tax on dividends received from the Company.
- (d) Shareholders resident outside the Isle of Man will have no liability to Isle of Man income tax on dividends received from the Company.
- (e) There are no capital or stamp taxes in the Isle of Man (save for capital duty as described below). No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue or transfer of, or any other dealing in, Ordinary Shares.
- (f) The Company is liable to capital duty in the Isle of Man. Capital duty is currently payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company at the rate of £15 per £1,000 (or part thereof) of authorised share capital over £2,000 subject to a minimum of £125 and a maximum aggregate amount of £5,000 for each company.
- (g) In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required, in respect of which certain fees will be payable to the Isle of Man Government.
- (h) There are no inheritance taxes payable in the Isle of Man.

## **22. General**

- 22.1 The gross proceeds of the Placing are expected to be £7.5 million. The total costs and expenses relating to Admission, the Placing and the Acquisition are payable by the Company and are estimated to amount to approximately £800,000 (excluding Value Added Tax). The net proceeds of the Placing are expected to be £6,700,000 of which £6,300,000 will be paid to the Vendors on Admission.
- 22.2 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 22.3 KPMG Audit LLC has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears and to the inclusion in Parts III and IV of this document of their Independent Accountants’ reports in respect of the financial information of the Company as at 31 January 2007 and of Fidecs Group Limited for the three years ended 31 December 2006 in the form and context in which it appears.
- 22.4 Daniel Stewart has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 22.5 Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

- 22.6 The accounting reference date of the Company is 31 December.
- 22.7 The Placing Price represents a premium over nominal value of 49.9 pence per Ordinary Share.
- 22.8 It is expected that definitive share certificates will be dispatched by hand or first class post by 4 April 2007. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 28 March 2007.
- 22.9 Save as disclosed above no person directly or indirectly (other than the Company's professional advisors and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or any other benefit to such value or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

### **23. Availability of this document**

Copies of this document are available free of charge from the Company's registered office and at the offices of Daniel Stewart at Becket House, 36 Old Jewry, London EC2R 8DD, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

Dated: 22 March 2007

