THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 immediately.

This document has been drawn up in accordance with the Public Offers of Securities Regulations 1995 as amended ("POS Regulations"). A copy of this prospectus has been delivered for registration to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of the POS Regulations.

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

Application has been made for the Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). It is expected that dealings in the Ordinary Shares will commence on 20 March 2000.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A potential investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of any Ordinary Shares to the Official List. Further, the London Stock Exchange itself has not approved the contents of this document.

Radio First Plc

(Incorporated and registered in England and Wales with registered number 3118359)

Introduction to the Alternative Investment Market

Seymour Pierce Limited, which is regulated by The Securities and Futures Authority Limited, is the Company's nominated adviser for the purpose of the AIM Rules. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person and will not be responsible to such persons for providing protections afforded to customers of Seymour Pierce Limited nor for advising them in relation to the Introduction. No representation or warranty, express or implied, is made by Seymour Pierce Limited as to any of the contents of this document.

Ellis & Partners Limited, which is regulated by The Securities and Futures Authority Limited, is the Company's nominated broker for the purpose of the AIM Rules. Persons should note that, in conjunction with this Introduction, Ellis & Partners Limited is acting for the Company and no-one else and will not be responsible to any other person for providing protections afforded to customers of Ellis & Partners Limited, nor for providing advice in relation to the Introduction.

This document does not constitute an offer or invitation to any person to subscribe for or to purchase any Ordinary Shares in the Company. No Ordinary Shares have been or are proposed to be issued to the public in connection with the application to AIM.

THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ. YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" IN PART II OF THIS DOCUMENT.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Dealings expected to commence in the Ordinary Shares on AIM	8.00 a.m. on 20 March 2000

DIRECTORS, SECRETARY AND ADVISERS

Directors	Keith Reginald Harris (Non-Executive Chairman) John Martin Aumonier (Chief Executive) Roderick John Sibbald McLeod (Managing Director) Bruce Anthony Morrison (Finance Director) Peter George Leighton Ross (Non-Executive Director) all of Suite 25 Brighton Media Centre 9-12 Middle Street Brighton BN1 1AL
Company Secretary and Registered Office	Bruce Morrison Suite 25 Brighton Media Centre 9-12 Middle Street Brighton BN1 1AL
Nominated Advisor	Seymour Pierce Limited 29/30 Cornhill London EC3V 3NF
Nominated Broker	Ellis & Partners Limited Talisman House Jubilee Walk Three Bridges Crawley RH10 1QL
Solicitors to the Company	Memery Crystal 31 Southampton Row London WC1B 5HT
Reporting Accountants	KPMG Audit Plc 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT
Principal Bankers	Barclays Bank Plc Soho Square Branch 27 Soho Square London W1A 4WA
Registrars	Connaught St Michaels Limited PO Box 30 Cresta House Alma Street Luton Bedfordshire LU1 2PU

DEFINITIONS

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

"Act"	the Companies Act 1985, as amended
"Admission" or "Introduction"	the admission of the issued share capital of the Company to trading on AIM
"AIM"	the Alternative Investment Market of the London Stock Exchange
"Board" or "Directors"	the directors of the Company whose names are set out on page 3 of this document
"the Company" or "Radio First"	Radio First Plc
"CREST"	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
"Digital One"	a commercial national digital radio operator
"Ellis & Partners"	Ellis & Partners Limited, nominated broker to the Company
"Group"	the Company and its wholly owned subsidiaries
"London Stock Exchange"	the London Stock Exchange Limited
"OFEX"	a facility managed by JP Jenkins Ltd to allow trading in the shares of unquoted companies between member firms of the London Stock Exchange
"Official List"	the official list of the London Stock Exchange
"Ordinary Shares"	ordinary shares of 2p each in the capital of the Company
"POS Regulations"	The Public Offers of Securities Regulations 1995, as amended
"Radio Authority"	the independent body responsible for licensing and regulating independent radio in accordance with the statutory requirements of the Broadcasting Acts 1990 and 1996
"Seymour Pierce"	Seymour Pierce Limited, nominated adviser to the Company
"Shareholders"	holders of Ordinary Shares
"Share Option Scheme"	the Radio First Discretionary Share Option Scheme, details of which are set out in paragraph 6A of Part IV of this document

GLOSSARY

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

"analogue"	the use of electronic circuits to mimic sounds or pictures
"AM"	amplitude modulation; low wave frequency on which radio services are broadcast in mono sound
"BMRB"	British Market Research Bureau
"DAB"	digital audio broadcasting
"digital"	the process of transmitting sounds by way of a sequence of digits which produces a high fidelity, robust signal and the ability to broadcast data services
"FM"	frequency modulation; high wave frequency on which radio services are broadcast in stereo sound
"multiplex"	bundling together of several different audio programme services which are transmitted simultaneously in digital format
"MRS"	Market Research Society
"MW"	medium wave or AM

KEY INFORMATION

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

Digital Radio

Digital radio is a major technical advance in audio transmission (Source: Radio Authority).

The BBC's national digital radio service has commenced broadcasting and Digital One commenced its radio service in Autumn 1999. Further regional and local digital radio services are being announced by the Radio Authority during 2000.

Digital radio will provide improved sound quality, easy search and tuning facilities, text information, personalised data and, eventually, the potential for interactive services such as ticketing.

The Fan Radio Network

Radio First is creating "The Fan Radio Network"; a group of separate regional digital radio stations each centred on, and in partnership with, a local Premiership football club.

To date, three joint ventures have been signed with the football clubs Aston Villa, Chelsea and Southampton.

The Fan Radio Network will be an informal marketing umbrella facilitating the national and international sales of advertising and sponsorship on all of the joint ventures. When it is complete, The Fan Radio Network will provide advertisers and advertising agencies with a one-stop buy of the United Kingdom's major markets.

Each radio station will utilise, "on-air," the popular branding of its football club partner. Each will broadcast 24 hours a day, every day, and will provide listeners with top music entertainment, unique football coverage combining a highly partisan approach with focused analysis, up-to-the-minute coverage of other Premier League fixtures and national and regional news and information.

Key Strengths

The Directors believe that all of the radio stations in The Fan Radio Network will be able to differentiate themselves from other radio services and attract advertising revenue by:

- providing a new, distinctive radio choice;
- a clear and simple programme proposition: "Hot Music Hot Football";
- each football club providing an instantly recognisable brand for that radio station;
- exploiting a loyal audience from each football club's support; and
- providing a one-stop buying opportunity for national advertisers.

PART I

INFORMATION ON THE COMPANY

1. Introduction

1.1. Radio First

Radio First, which was established in October 1995, was created in order to invest in, and manage, analogue radio stations. In 1996, Radio First acquired Audio Management Limited ("AML"), the operator of Mellow 1557, an AM radio station in Essex. During the following two years, Radio First improved AML's trading performance significantly and was successful in obtaining Radio Authority approval for transmission migration from AM to FM. Radio First sold AML on 1 September 1998 to Tindle Radio Limited for a total consideration of £1,075,000 satisfied by £749,000 in cash and the assignment to Tindle Radio Limited of £326,000 of inter-company debt. This disposal realised a three-fold increase in the Company's original investment in AML.

The Directors have concluded that investment opportunities in analogue radio were becoming limited following industry consolidation. As a result, the Company has decided to focus on the opportunities created by new broadcast technology; in particular, digital audio broadcasting.

1.2 Business Objective

Radio First's strategy is to use digital radio, and its new regulatory environment, to create The Fan Radio Network, a group of separate regional digital commercial radio stations, covering the key marketing areas of the United Kingdom.

Radio First's strategy is based upon:

- A new type of media partnership
- A popular new radio format
- New broadcast technology

The Company's intention is to secure separate joint ventures with leading football clubs in the following digital broadcast areas:

- Central Scotland
- The North-East
- The North-West
- Yorkshire
- The East Midlands
- The West Midlands
- Greater London
- The South

Vested in each joint venture with the football clubs will be the exclusive non-national digital audio rights belonging to each football club.

1.3 Digital Radio

AM radio systems were first developed around 100 years ago and FM some 50 years ago. Developments in the transmission of radio has greatly advanced since AM and FM were developed and the introduction of digital radio is seen as a major technical advance in audio transmission (source: Radio Authority).

The BBC's national digital radio services has commenced broadcasting and Digital One commenced its radio in autumn 1999. Further regional and local digital radio services are being announced by the Radio Authority from 2000.

2. Joint Venture Contracts

2.1 Status

The Company is creating joint ventures with some of the UK's leading football clubs. Joint venture contracts with Aston Villa, Chelsea, and Southampton have been completed. Contractual negotiations are underway with a further four football clubs. In addition, one other football club is considering the Company's proposals.

The Company is exploring the opportunities for similar contracts with leading football clubs in Europe. The Company has targeted The Netherlands and Spain first and is engaged in talks with two leading football clubs in Holland, and with three clubs in Spain. The Directors are encouraged by the response of the clubs and the progress to date. However, despite the brand strength of the clubs with which the Company is negotiating, the Directors intend to invest in detailed consumer, market and regulatory research in each country before committing to any binding commercial relationships.

2.2 Terms

Each contract entered into with the football clubs provides for the establishment of a joint venture company between each football club and the Company. From the commencement of each contract, each club's exclusive non-national digital audio rights are vested in the joint venture, as well as the exclusive right for each radio station to market itself as the "official" digital radio station of each football club. The rights of the contracts allow for a minimum twelve year period from the first day of broadcasting. The exclusive rights vested in the joint venture companies do not include the internet. The contract provides that the Company has the primary responsibility for funding the establishment of the football club radio station.

See also section 8 of this Part 1

3. Digital Radio

3.1 Listener Benefits

The world's major communication companies believe that major advancements in the way in which digital technology is used, particularly with regard to audio, data-text, graphics and interactivity, will create profound changes in the way radio is used. These changes will enhance the profile and usage of radio in the home and the car.

Already, digital radio receivers provide radio listeners with an attractive range of new benefits. First generation digital receivers provide consumers with improved sound quality, easy search and tuning facilities, personalised or general data, graphics and pictures. Radio stations may also use their digital bandwidth to "split" their sound streams. The Directors believe that future digital receivers will provide listeners with a range of additional benefits, such as pay-per-listen and print-out facilities for ticketing.

The Directors believe that Radio First's audience research, and extensive research elsewhere, clearly indicates that the driving force for consumer take-up of digital receivers will be the choice of fresh, new radio stations providing a raft of different radio programmes combined with popular existing radio services. Radio First, together with its joint venture partners, intend to be at the forefront of the new generation of choice.

3.2 Licensing

The Radio Authority issues two types of digital radio license with regard to regional/local digital radio:

(i) Local Digital Sound Programme License – for programme and/or text broadcasters

(ii) Digital Radio Multiplex Service License – for multiplex operators

Radio First's joint ventures will be sound and text broadcasters and will apply only for Local Digital Sound Programme Licenses ("LDSPL"). There is no regulatory time limit to a LDSPL.

Radio First will apply to the Radio Authority for LDSPLs on behalf of each of its joint ventures before agreeing contractual terms for digital broadcast access with those multiplex operators appointed by the Radio Authority in each transmission area. Each joint venture will hold its relevant LDSPL and multiplex contract.

Radio First has already obtained LDSPLs on behalf of its joint ventures in London and South Hampshire and the Directors are confident that the Company will be able to secure LDSPLs for all of its other joint ventures.

3.3 Existing Local Radio Rights Agreements

All of Radio First's football club partners have analogue rights agreements with regional or local radio stations. These agreements vary in nature and are separate to the agreement between The Premier League and national radio broadcasters. These regional/local analogue rights agreements are expected to continue until radio broadcasters can no longer justify the commercial fees payable for such rights.

Each joint venture holds the exclusive non-national digital audio rights belonging to the football club. Regional/local analogue radio stations will be unable to simulcast on their digital radio programme services any analogue match commentary involving a Radio First joint venture partner. In future, football clubs may take a commercial decision to vest in the joint ventures their analogue and digital non-national radio rights.

3.4 Consumer Uptake of Digital Radio

There are three credible forecasts for digital radio household penetration: BBC Fast, BBC Slow, and Digital One.

Radio First has used the most prudent forecast for its business plan, that of Digital One.

No account has been taken by Radio First for the possible switch-off of analogue radio frequencies which may compel all analogue radio stations to transfer to digital multiplexes.

There are approximately 100 million analogue radio sets in the United Kingdom today. Every year 12 million new receivers are purchased, ranging from portable transistors to hi-fi and in-car entertainment systems. Car radio specialists have been the primary retailer of audio equipment with 43 per cent. share of transactions by value. About 2 million new cars are registered in the UK annually and approximately 95 per cent. of all new cars have factory-fitted radios. In addition, about 1 million new radios are fitted to old cars each year.

Much of the research into the take-up of digital technology has focused on so-called "early adopters", those who are most likely to be the first to purchase digital radio receivers. Digital One says early adopters account for 7.7 million adults in the UK, a figure that according to NOP research may grow to 15.7 million, 34 per cent. of the UK population, in the next few years. Early adopters were identified by Digital One research as gadget-oriented males, between 25 and 44 years old, earning in excess of £25,000 per annum, with in-car compact disc players, hi-fis and computers at home. Digital One intends to concentrate, during the first four years of operations, on early adopters and aims to achieve a level of 70 per cent. awareness of digital radio, receiver products and programming strands amongst early adopters by 2003.

The BBC research also identified a high interest in digital technology among younger respondents. BMRB and the BBC's own research department produced an extensive research document in October 1997. In addition, the BBC produced further modelling with regard to digital radio take-up. This was published in June 1998. BBC/BMRB say that the early adopters of digital radio are likely to be male, aged 25-44 and in the upper income and social-economic groupings. In addition, consumers younger than 25 years, show a keen interest in digital radio.

The Directors believe that the profile of digital radio is growing rapidly. The BBC has invested in DAB technology for several years, and for the last four years has been broadcasting test digital sound and data streams. Poster and press advertising for BBC Radio's new digital services has been underway for several months, supplemented by promotion on the organisation's network television and radio services.

The Directors believe that the profile of digital radio will be enhanced further when commercial regional and local digital programme services begin broadcasting during the next twelve months.

3.5 Timetable

The timetable for digital commercial radio development is set by the Radio Authority. It relates to multiplex contracts only. The Radio Authority's latest schedule of multiplex development (which is subject to variation) for the broadcast areas of interest to Radio First is as follows:

Region Venture	**Multiplex License Advertisement**	**Multiplex License Award**	**Radio First On-Air Date**
Central Scotland	April 2000	November 2000	August 2001
The North-East	June 2000	January 2001	August 2001
The North-West	September 2000	April 2001	August 2001
Yorkshire	June 2001	January 2002	August 2002
The East Midlands	To be announced		
The West Midlands	August 2000	March 2001	August 2001
Greater London 1	January 1999	August 1999	
Greater London 2	August 1999	March 2000	August 2001
The South (South Hants)	October 2000	May 2001	August 2001

In digital multiplex areas, where there is a strong demand from programme and text providers for bandwidth, additional multiplex licenses may be advertised by the Radio Authority.

4. The Business

4.1 Audience Research

Radio First has started a programme of extensive consumer research to be undertaken in each proposed broadcast area.

The fieldwork is being conducted by Quotasearch Limited, and is based on face to face interviews with potential listeners aged between 15 and 55 years. The research is designed to test various radio formats and the propensity to purchase digital radio sets.The Directors have been encouraged by the results to date.

4.2 Branding

Each of the proposed radio stations will leverage the popular, informal branding of its football club partner.

The Directors believe that "shared" branding presents a unique marketing advantage with regard to attracting listeners, and local and national advertisers. Radio station names will endorse the "official" connection between the football club and radio station, whilst suggesting a broader appeal to listeners. The Directors believe that this common branding will generate instant listener recognition, media credibility and a strong emotional allegiance to the product, particularly amongst younger males, the group that industry consumer research identifies as the most likely "early adopters" of digital radio.

4.3 Programming

Radio First's joint venture radio stations will broadcast all day, every day.

Targeted at 15 to 40 year olds, the output of each radio station will comprise popular music, entertainment and football, bringing together three of Britain's biggest "popular" cultures.

Each of the radio stations will respond to a clear listener need. Each is committed to a programme format of today's best music and distinctive football coverage that is unashamedly populist and partisan, providing listeners with a new, distinctive radio choice. The style and tone of club coverage is intended to be different from any football coverage currently available on radio in the United Kingdom.

Each station will provide listeners with guaranteed coverage of all of the football club's matches, including all commentaries that are within the gift of the club, and phone-ins that reflect the views of the supporters.

Supporters will also be able to access digital text information on their receivers regarding latest scores from other Premier League fixtures, team news, management quotes, and ticketing, travel and merchandising information. Occasional programme “windows” will be created in order to broadcast nationwide sports and music shows on all stations within The Fan Radio Network. Radio stations may opt to secure exclusive broadcast rights to other key regional sports in order to provide listeners with added value.

In addition, each radio station will cater for a wider audience with competitions and major prizes, regional and national news, general sports news, and travel and weather information.

All the radio stations are likely to be located within the football club stadia and their output will be executed locally.

It is the Directors’ intention that as well as providing an attractive and distinctive new sound stream, listeners will have access to relevant, up-to-the minute data, such as sports news headlines, latest scores or merchandising information, via the liquid display screen on their digital receivers.

4.4 Competition

Radio broadcasters recognise the importance of football in enhancing audience size. However, no permanent football-club branded radio stations exist in the United Kingdom and no football club in the United Kingdom owns its own radio station – apart from the occasional low-powered, medium wave, match-day special services that are licensed by the Radio Authority for only 28 days a season. Radio First will change the status quo.

The Directors believe that, historically, the regulatory framework and a fear of alienating listeners have compelled the broadcasting establishment towards balanced coverage. Furthermore, football is generally marginalised on “old technology” AM, and framed in a “middle-aged” radio environment, either “talk” or “gold” formats.

Competition for listeners will be from existing analogue radio stations and, to lesser extent, new digital radio services.

4.5 Human Resources

It is the Directors’ intention that the staff at each radio station will be multi-skilled and will number (initially) a minimum of six, rising to a maximum of fifteen. The staff at each unit and will comprise a Station Director, presenters, sports broadcasters and local advertising and promotions executives.

General management direction will be provided by Radio First and all joint ventures will share the cost of centralised operating support such as audience research and analysis, advertising inventory management, accounting and credit control, music management, national news and sport, and national sales and promotions.

5. Advertising

5.1 Local Sales

The Directors intend that each radio station will operate a local sales team charged with generating local advertising and sponsorship revenues. The Directors believe that the programme proposition, the audience delivery, the instantly recognisable branding, and the location of the radio studios within football club stadia will be powerful selling tools in the local advertising market.

5.2 The Fan Radio Network

In the national advertising market, each of the radio stations will be positioned under the generic marketing umbrella of The Fan Radio Network which the Directors believe will deliver a clear media proposition, an easy one-stop advertising buy, and sought-after young listeners.

The Company intends to outsource representation of The Fan Radio Network to an experienced, well-resourced national radio sales company.

6. Directors

The Directors of the Company are:

Keith Harris, aged 46, *Non-Executive Chairman*

Keith Harris has a first class degree in Business Economics and a PhD in Economics. He has worked in investment banking for more than twenty years and, until May 1999, he was chief executive of HSBC Investment Bank plc ("HSBC"). He resigned to develop a range of new activities in the sports and media sectors and remains an adviser to HSBC until April 2000.

Keith Harris has extensive international experience in all aspects of mergers and acquisitions, fund-raisings and securities, having previously worked in senior executive positions at Morgan Grenfell, Drexel Burnham Lambert and Apax and Co. Corporate Finance Limited in London and New York.

He also has a particular interest in the football industry and new technology. He has advised a number of leading Premier League football clubs and is non-executive chairman of Sports Internet plc and other private and public companies involved in the sports, new media and internet sectors.

John Aumonier, aged 48, *Chief Executive*

John Aumonier has been Radio First's Chief Executive since the Company's inception in 1995. His 25 years in commercial radio has been in sales and marketing, and general radio management.

John Aumonier was founding managing director of Radio Mercury Holdings Limited, a highly successful radio company over a sustained period. In 1992, he was invited to be the first managing director of the national rock station, Virgin 1215, but left after a difference with Virgin over strategy. In 1993, he conceived and launched Talk Radio UK Limited, the national commercial talk station. He managed the station for two years, leaving the company in 1995 just before the company was acquired by CLT.

During the eight years prior to launching Radio Mercury, he was employed principally as a regional sales director by the two leading radio sales houses. Based in London and Manchester, he managed sales teams and developed radio advertising and sponsorship campaigns with the several of the UK's leading companies and advertising agencies.

Rory McLeod, aged 48, *Managing Director*

Rory McLeod's 25 years experience in commercial radio has been in sports and news radio, music programming and general management. Recently, he wrote Beat 106's successful radio licence application for Central Scotland and he is a non-executive director of Beat FM Limited. He worked for Radio First as a consultant for two years before becoming Managing Director in May 1999.

Rory McLeod's began his career as a radio news journalist and sports producer. In 1982, Rory McLeod founded Southern Sound Plc in Brighton.

Under Rory McLeod's leadership, Southern Sound Plc expanded from a single station to a quoted group comprising eight separate stations in Hampshire, Sussex and Kent. Each FM radio station under his management was brand leader within its area and all his stations won awards for programming, news, promotions and community involvement.

In 1994, after Southern Radio Plc was acquired by Capital Radio, Rory McLeod managed the final months of LBC's two licences in London and remained to oversee the launch of the two new services proposed by the new licence, London Radio. He left London Radio to work full-time on digital radio.

Bruce Morrison ACA, aged 38, *Finance Director*

Bruce Morrison joined the Company full-time on 4 January 2000 as Finance Director and Company Secretary.

Until April 1999, Bruce Morrison was finance director of Wembley Stadium Limited, the company that owned and operated the Wembley complex, including the stadium, the arena and the conference and exhibitions centre. He resigned as a director following the successful completion of the sale of the stadium to Wembley National Stadium Limited, a subsidiary of the Football Association.

Prior to joining Wembley Stadium Limited, Bruce Morrison was an audit manager at KPMG, having trained and qualified as a chartered accountant with the same firm.

Peter Ross, aged 54, *Non-Executive Director*

Peter Ross is a chartered surveyor and a partner in Vail Williams, the commercial and industrial property agents. He started his career at Healey and Baker before joining the Taylor Woodrow Property Company. He then moved to Stiles Harold Williams and, subsequently, was closely involved in the sale of the company to the Alliance and Leicester Building Society in 1988. Following the sale, Peter became managing director and deputy chairman of Stiles Harold Williams. In 1995, Peter left Stiles Harold Williams and became a partner in Vail Williams.

7. Technical Advisers

In addition to the experience and expertise of the Board, the Company utilises the skill of a number of independent advisers who provide technical input into the development of the Company's business.

8. Additional Sound Distribution

During the early years of digital radio, Radio First and its joint venture partners intend to enhance the audience size of each radio station by supplementing each of the DAB radio stations with additional digital sound platforms.

Discussions are underway with major providers of digital carriage such as digital, cable and terrestrial television, and WAP telephone technology. The Directors are confident that, as a result of these discussions, additional sound carriage will be available to each joint venture.

The exclusive rights vested in each venture do not include the internet, and all decisions regarding the distribution of the radio station on digital sound platforms other than DAB will be taken by the board of directors of each joint venture.

9. New Technology

The Directors understand the convergence of media distribution and the rapid development of user-friendly access. However, new technology is based upon digitisation and the Directors are confident that digitisation will not be superseded during the next twelve years.

10. Share Option Arrangements

The Company has established a Share Option Scheme which will not be approved by the Inland Revenue and details of which are summarised in paragraph 6 of Part IV of this document. Options have been granted over 2,390,437 Ordinary Shares to each of John Aumonier and Rory McLeod at the acquisition price of 20 pence per share.

In addition, 2,390,437 Ordinary Shares have been placed under a separate option deed for the benefit of Keith Harris. The acquisition price for Keith Harris is 20 pence per share and the terms of the options are substantially the same as the terms of the Share Option Scheme.

These Options are exercisable at any time from 10 June 2000 until 9 June 2009.

Bruce Morrison has been granted two options under the Share Option Scheme. The first is over 318,725 Ordinary Shares, at the acquisition price of 68 pence per share exercisable from 10 June 2000 until 9 June 2009. The second option is over 318,725 Ordinary Shares exercisable during the same period but at an acquisition price of £2.025 and conditional upon the earlier of Admission or the Company entering into its fourth joint venture contract with a UK football club, which ever shall occur first.

The remuneration committee is responsible for the granting of any future options under the Share Option Scheme.

11. Current Trading and Prospects

Since the disposal of AML in September 1998 and the reversal of the option to acquire four AM radio stations from GWR Group PLC (which was completed in December 1998), the Board has focused on digital radio and the establishment of The Fan Radio Network.

The Directors anticipate that the interest in digital radio stations, tied with football clubs and providing a high quality mix of popular music and sports related content, will have significant interest to both potential listeners and to advertisers. The Directors also believe that the strong affinity supporters have with their particular football team and the strength of the brands will help the Company to establish a loyal audience.

Radio First's development strategy centres on the exploitation of the advanced user-facilities of second and third generation digital receivers.

In addition, the Company intends to conclude similar agreements with leading football clubs on the Continent, in particular countries in which there is a momentum towards digital radio. The Directors believe that each country must be treated as a discrete market and that certain countries, such as the Netherlands and Spain, should be priorities.

12. Additional Funding

In order to establish The Fan Radio Network, significant investment will be required in setting up each radio station. The Directors therefore envisage that the Company will need to raise further funds.

13. Corporate Governance

Whilst the Company does not comply with the Committee on Corporate Governance ("The Combined Code"), the Board is committed to the principles of openness, integrity and accountability contained therein. The Board has established a remuneration committee comprising Keith Harris and Peter Ross. The Board does not consider it appropriate to appoint an audit committee as the auditors have the opportunity to address the full Board on any issues which they consider should be brought to the attention of the Directors.

The Group has established a system of internal financial controls to control and monitor the Group's business. It is intended that these will be further strengthened as the Company expands its operations.

The Company has adopted the Model Code for AIM companies.

14. Dividend Policy

The Company is at an early stage in its development and it is therefore inappropriate to give an indication of the likely level of any future dividends.

15. Taxation

Your attention is drawn to paragraph 9 of Part IV of this document.

16. Further Information

Your attention is drawn to Parts II to IV of this document.

17. CREST

The Company's Articles of Association permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 1995. Application has been made for the Ordinary Shares to be admitted to CREST.

PART II

RISK FACTORS

In addition to the usual risks associated with an investment in a business at an early stage of development, the Directors believe that, in particular, the following risks should be considered:

Digital Radio

Digital radio is still in its infancy and widespread acceptance as a popular medium for listening to radio has not yet been established.

Competition

The Company may face competition from other media.

Licensing

The regulatory authorities in the United Kingdom have discretion in the granting, renewing and cancellation of digital radio licences and require such licences to be renewed periodically.

Multiplex

Access to multiplexes will be a matter of commercial negotiation between the joint ventures and those multiplex operators appointed by the Radio Authority.

Football

The popularity of football as a spectator sport may decline from its current high level, which may adversely impact on the level of interest in the proposed Radio First radio stations. In addition, the football clubs that have entered into contracts with Radio First for the establishment of a digital radio station may be relegated, which may adversely impact the appeal of that football club.

Requirement for Further Funds

In order to establish a digital radio network, the Company will be required to invest a significant amount in equipment and associated infrastructure. The Directors therefore envisage that the Company will need to raise additional funds.

Joint Venture Contracts

Each joint venture contract contains certain conditions which need to be fulfilled before the joint venture contract becomes operative. Should these conditions not be met the objectives of the Company may not be achieved.

The Group's Objectives may not be fulfilled

The Company does not presently carry on any trading activities. The value of an investment in the Company is dependent upon future events which the Directors consider reasonable, but which are subject to uncertainty and variations. There can be no certainty that the objectives will be fulfilled or that the outcome of the Company's strategy will be as expected.

Suitability

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult an investment adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

PART III

FINANCIAL INFORMATION ON RADIO FIRST PLC

KPMG

KPMG Audit Plc
1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT
United Kingdom

The Directors
Radio First Plc
Suite 25
Brighton Media Centre
9-12 Middle Street
Brighton
BN1 1AL

The Directors
Seymour Pierce Limited
29/30 Cornhill
London
EC3V 3NF

The Directors
Ellis & Partners Limited
Jubilee Walk
Three Bridges
Crawley
West Sussex
RH10 1LQ

13 March 2000

Dear Sirs

Radio First Plc

Basis of preparation

The financial information set out in pages 18 to 27 is based on the audited consolidated financial statements of Radio First Plc ('the Company') and of its subsidiary undertakings (collectively referred to as 'the Group') for the three years ended 30 September 1999 to which no adjustments were considered necessary.

Responsibility

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

The directors of the Group are responsible for the contents of the listing particulars dated 13 March 2000 in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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 listing particulars, a true and fair view of the state of affairs of Radio First Plc as at the dates stated and of its results and cash flows for the years then ended.

We consent to the inclusion in the admission document dated 13 March 2000 of this report and accept responsibility for this report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

Consolidated profit and loss accounts

The audited consolidated profit and loss accounts for the three years ended 30 September 1997, 1998 and 1999 are set out below:

		1997		1998		1999	
	Notes	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Turnover - discontinued operations							
- other		233		704		29	
- acquisitions		333		–		–	
			566		704		29
Cost of sales - discontinued operations							
- other		(9)		(467)		(26)	
- acquisitions		(317)		–		–	
			(326)		(467)		(26)
Gross profit			240		237		3
Administrative expenses							
- continuing operations		(190)		(168)		(721)	
- discontinued operations		(314)		(256)		–	
			(504)		(424)		(721)
Operating loss							
Continuing operations		(190)		(168)		(721)	
Discontinued operations - other		(90)		(19)		3	
- acquisitions		16		–		–	
			(264)		(187)		(718)
Profit on sale of discontinued operations	4		–		787		–
Net interest and similar charges	6		(6)		(13)		59
(Loss)/profit on ordinary activities before taxation	2		(270)		587		(659)
Tax on (loss)/profit on ordinary activities	7		–		(25)		–
(Loss)/profit for the financial period retained			(270)		562		(659)
(Loss)/earnings per share	8		(1.68)p		3.14p		(3.44)p

There were no gains or losses recognised during any of the above periods except those included in the consolidated profit and loss account.

Consolidated balance sheet

The audited consolidated balance sheets of the group as at 30 September 1997, 1998 and 1999 are set out below:

	Note	*1997* *£000*	*1998* *£000*	*1999* *£000*
Fixed assets				
Intangible assets	9	300	75	–
Tangible assets	10	23	2	3
		323	77	3
Current assets				
Debtors	11	73	54	12
Cash at bank and in hand		–	1,101	813
		73	1,155	825
Creditors: amounts falling due within one year	12	(234)	(192)	(95)
Net current (liabilities)/assets		(161)	963	730
Total assets less current liabilities		162	1,040	733
Net assets		162	1,040	733
Capital and reserves				
Called up share capital	13	357	365	478
Share premium account	14	627	633	872
Goodwill reserve	14	(302)	–	–
Profit and loss account	14	(520)	42	(617)
Equity shareholders' funds	15	162	1,040	733

Consolidated cash flow statement

The audited consolidated cash flow statements of the group for the years ended 30 September 1997, 1998 and 1999 are set out below:

	Note	*1997* *£000*	*1998* *£000*	*1999* *£000*
Net cash outflow from operating activities	17	(321)	(180)	(699)
Net cash (outflow)/inflow from returns on investment and servicing of finance	19	(6)	(13)	59
Net cash outflow for capital expenditure and financial investment		(6)	–	–
Net cash (outflow)/inflow from acquisitions and disposals	19	(305)	1,346	–
Net cash (outflow)/inflow before financing		(638)	1,153	(640)
Net cash inflow from financing	19	588	–	352
(Decrease)/increase in cash		(50)	1,153	(288)
Reconciliation of net cash flow to movement in net debt	18			
(Decrease)/increase in cash in the period		(50)	1,153	(288)
Cash outflow from decrease in debt and lease financing		(1)	–	–
Change in net debt resulting from cash flows		(51)	1,153	(288)
Overdrafts disposed of with subsidiary		–	30	–
Movement in net debt in the period		(51)	1,183	(288)
Net debt at the start of the period		(31)	(82)	1,101
Net (debt)/funds at the end of the period		(82)	1,101	813

Notes to the financial information

The following notes have been extracted from the audited consolidated financial statements for the year ended 30 September 1999 and, where applicable, previous years.

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Going concern

As shown in the consolidated profit and loss account, following the disposal of Mellow, the group has discontinued all of its previous operations and embarked on a new strategy to exploit the opportunities provided by the introduction of digital radio. The directors have prepared detailed projected cash flow information for the period to 31 May 2001. On the basis of the cash flow information the directors consider that the group will continue to operate within the current funds available for that period. Furthermore the directors intend to make an application for the company to be listed on the Alternative Investment Market providing opportunities to raise additional funds required to fund the company's new strategy. Whilst there can be no certainty in relation to these matters, the directors believe it appropriate for the accounts to be prepared on a going concern basis.

Basis of consolidation

The group accounts consolidate the accounts of Radio First Plc and its subsidiary undertakings. These accounts are made up to 30 September annually.

The acquisition method of accounting has been adopted. Under this method, the results of a subsidiary acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Purchased goodwill arising on consolidation in respect of acquisitions before 5 April 1997, when FRS 10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal. Any purchased goodwill arising on consolidation in respect of acquisitions after 5 April 1997, is capitalised. Positive goodwill is amortised to nil by equal instalments over its estimated useful life. Any negative goodwill arising in respect of acquisitions after 5 April 1997, will be included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Intangible assets

Radio licences are amortised over the initial life of the licence to write off the cost less the estimated residual value.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets as follows:

Studio equipment	-	12.5% per annum on cost
Motor vehicles	-	25% reducing balance
Office equipment	-	20% per annum on cost

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the period.

	1997	*1998*	*1999*
	£000	*£000*	*£000*
(Loss)/profit on ordinary activities before taxation is stated after charging			
Directors' remuneration	75	74	158
Auditors' remuneration	7	8	8
Depreciation and other amounts written off tangible fixed assets:			
Owned	3	9	–
Leased	3	–	–

The auditors received £45,000 (1998: £15,000; 1997: £22,000) in respect of non-audit fees.

3 Remuneration of directors

	1997	*1998*	*1999*
	£000	*£000*	*£000*
Directors' emoluments:			
Salaries/fees	75	73	121
Pension costs	–	1	7
Compensation	–	–	30
	75	74	158

4 Profit on sale of discontinued operations

	1997	*1998*	*1999*
	£000	*£000*	*£000*
Net proceeds received	–	1,261	–
Net assets disposed of	–	(172)	–
Goodwill on acquisition	–	(302)	–
	–	787	–

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during 1999 was 3 (1998: 6; 1997: 7).

The aggregate payroll costs of these persons were as follows:

	1997	*1998*	*1999*
	£000	*£000*	*£000*
Wages and salaries	146	128	121
Social security costs	7	12	13
Other pension costs	2	1	7
	155	141	141

6 Net interest and similar charges

	1997	*1998*	*1999*
	£000	*£000*	*£000*
On bank loans, overdrafts and other loans wholly repayable within five years	9	15	–
Bank interest receivable	(3)	(2)	(59)
	6	13	(59)

7 Taxation

	1997	*1998*	*1999*
	£000	*£000*	*£000*
Corporation tax on profits at 31%	–	25	–

There are no amounts provided or unprovided in respect of deferred taxation for any period.

The tax charge in 1998 was reduced by the availability of tax losses.

8 (Loss)/earnings per share

The (loss)/earnings per share has been based on the loss after taxation of £659,000 (1998: profit £562,000; 1997: loss £270,000) and 19,166,052 (1998: 17,889,745; 1997: 16,069,513) ordinary shares of 2p, the weighted average of the number of shares in issue.

Under FRS 14 the share options in existence during each period would not cause a dilution of the basic (loss)/earnings per share figures disclosed.

9 Intangible assets

	Radio Licences
	£000
Cost and net book value	
At 1 October 1997	300
Disposals	(225)
At 30 September 1998	75
Cost and net book value	
At 1 October 1998	75
Disposals	(75)
At 30 September 1999	–

10 Tangible fixed assets

	Motor vehicles £000	Fixtures, fittings and studio equipment £000	Total £000
Cost			
At 30 September 1997	9	24	33
Additions	–	2	2
Disposals	(9)	(24)	(33)
At 30 September 1998	–	2	2
Additions	–	1	1
At 30 September 1999	–	3	3
Depreciation			
At 30 September 1997	5	5	10
Charge for period	–	9	9
On Disposal	(5)	(14)	(19)
At 30 September 1998	–	–	–
Charge for period	–	–	–
At 30 September 1999	–	–	–
Net book value			
At 30 September 1998	–	2	2
At 30 September 1999	–	3	3

11 Debtors

	1998 *£000*	*1999* *£000*
Amounts falling due within one year		
Unpaid share capital	14	–
Trade debtors	37	–
Prepayments	–	1
Other debtors	3	11
	54	12

There are no debtors falling due after more than one year.

12 Creditors falling due within one year

	1998 *£000*	*1999* *£000*
Trade creditors	8	–
Corporation tax	25	–
Other taxation and social security	5	7
Other creditors	75	–
Accruals and deferred income	79	88
	192	95

13 Called up share capital

	1998 £000	1999 £000
Authorised		
50,000,000 Ordinary shares of 2p each	1,000	1,000
Allotted, called up and fully paid		
23,904,372 (1998:18,233,923) Ordinary shares of 2p each	365	478

Options

The following options on Ordinary Shares of the Company were granted/(lapsed) and exercised as set out below:

Date of grant	*Price*	*Granted*	*(Lapsed)*	*Exercised*	*Outstanding at 30 September 1999*
2 November 1995	2.0p	350,000	–	350,000[1]	–
18 March 1996	4.5p	600,000	–	600,000[1]	–
21 October 1996	6.5p	5,998,595	(903,146)	5,095,449[1]	–
10 June 1999[2]	20.0p	7,171,311	–	–	7,171,311

[1] During 1998, share options were exercised resulting in the issue of 375,000 Ordinary Shares for an aggregate consideration of £14,000. During 1999 share options were exercised resulting in the issue of 5,670,449 Ordinary Shares for an aggregate consideration of £352,000.

[2] 7,171,311 of the options are exercisable at the sole discretion of the option holder at any time from 10 June 2000 until 9 June 2009. 567,537 of the options which were awarded to KR Harris are subject to shareholder approval.

14 Reserves

	Share premium account £000	*Goodwill reserve £000*	*Profit and loss account £000*
At 30 September 1997	627	(302)	(520)
Profit retained for period	–	–	562
Goodwill write back on disposal	–	302	–
Shares issued in year	6	–	–
At 30 September 1998	633	–	42
Loss retained for period	–	–	(659)
Shares issued in year	239	–	–
At 30 September 1999	872	–	(617)

15 Reconciliation of movements in shareholders' funds

	1998	*1999*
	£000	*£000*
Profit/(loss) for the financial period	562	(659)
Net equity share capital subscribed	14	352
Goodwill written back on acquisitions	302	–
Net increase/(decrease) in shareholders' funds	878	(307)
Opening shareholders' funds	162	1,040
Closing shareholders' funds	1,040	733

16 Commitments

The group and company has the following operating lease commitments:

	1998	*1999*
	£000	*£000*
Plant and equipment		
On leases terminating between two and five years	–	10

The group has no capital commitments either contracted for or authorised but not contracted for any of the years shown.

17 Reconciliation of operating loss to net cash outflow from operating activities

	1998	*1999*
	£000	*£000*
Operating loss	(187)	(718)
Depreciation charge	9	–
(Increase)/decrease in debtors	(43)	42
Increase/(decrease) in creditors	41	(23)
Net cash outflow from operating activities	(180)	(699)

18 Analysis of the net debt

	At 1 Oct 1997	*Cash flow*	*Disposals*	*At 1 Oct 1998*	*Cash flow*	*At 30 Sept 1999*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cash in hand	–	1,101	–	1,101	(288)	813
Overdrafts	(82)	52	30	–	–	–
	(82)	1,153	30	1,101	(288)	813

19 Analysis of cashflows

	1998 £000	1999 £000
Returns on investment and servicing of finance		
Interest received	2	59
Interest paid	(15)	–
	(13)	59
Acquisitions and disposals		
Sale of businesses	1,346	–
Financing		
Issue of ordinary share capital	–	113
Share premium	–	239
	–	352

20 Purchase of subsidiary undertakings

Year ended 30 September 1997

The company purchased four companies each with a radio licence for an initial consideration of £300,000 with a further £700,000 payable on the second anniversary of the acquisition. Costs of £24,000 were incurred.

The contract for this purchase included an option whereby the companies could be resold to vendors for £300,000 prior to the second anniversary of the acquisition. This option was exercised during 1998 and as a result, the deferred consideration was not payable.

On acquisition, the radio licences were considered to have a fair value of £300,000. The acquired companies had no other assets or liabilities at acquisition.

Prior to acquisition, the radio stations were part of a larger group and separate trading information was not available.

Yours faithfully

KPMG Audit Plc

PART IV

ADDITIONAL INFORMATION

1. The Company and its Subsidiaries

1.1 The Company was incorporated in England and Wales on 20 October 1995 under the Act as a public limited company with the registered number 3118359. The principal legislation under which the Company operates is the Act and the regulations made thereunder.

1.2 The Company is a member of a group of which it is the holding company. The subsidiaries of the Company, which are incorporated in England and Wales and which are wholly owned by the Company, are:

		Issued and Fully Paid Share Capital	
Company	*Activity*	*Number*	*Nominal value*
Radio First (Cheltenham and Gloucester) Limited	Dormant	2	£2
Radio First (Northants) Limited	Dormant	2	£2
Radio First (Hereford and Worcester) Limited	Dormant	2	£2
Radio First (Peterborough) Limited	Dormant	2	£2
The Fan Radio Network Limited	Dormant	2	£2

1.3 The Company also has a 50 per cent. interest in the following:

		Issued and Fully paid Share capital	
Company	*Activity*	*Number*	*Nominal Value*
Chelsea Village Radio Limited	Dormant	2	£2
Brandstrand Limited	Dormant	2	£2
Exceptburst Limited	Dormant	2	£2

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

2. Capital Structure

2.1 The authorised and issued share capital of the Company as it is at the date of this document is set out below:

Authorised Ordinary Shares of 2p each		*Issued Ordinary Shares of 2p each*	
Number	*Nominal Value*	*Number*	*Nominal Value*
50,000,000	£1,000,000	23,904,372	£478,087

2.2 At the annual general meeting of the Company held on 10 March 2000 resolutions were passed:

(a) to authorise the directors in substitution for all other authorities generally and unconditionally pursuant to section 80 of the Act to exercise all powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £521,913, such authority to expire on 10 March 2005; and

(b) to empower the directors in substitution for all other powers pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority referred to in paragraph 2.2(a) above as if sub-section 1 of section 89 of the Act did not apply to such allotment, provided that the power is limited to:

(i) the allotment of equity securities in connection with a rights issue;

(ii) the grant to Keith Harris of an option in respect of 567,537 Ordinary Shares; and

(iii) the allotment otherwise than pursuant to sub-paragraphs (i) and (ii) above of equity securities for cash up to an aggregate nominal amount of £521,913

provided such power shall expire on the earlier of the conclusion of the annual general meeting of the Company to be held in 2001 and 10 June 2001.

2.3 Save as disclosed in sub-paragraph 2.2 (b) above, the provisions of Section 89(1) of the Act, which, to the extent not disapplied to Section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash (other than in respect of an allotment to employees under an employees' share scheme), apply to the authorised but unissued share capital of the Company.

2.4 The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

2.5 Save as set out in paragraph 4 and the issue of the Warrants set out in paragraph 7 below, no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.

2.6 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

2.7 Save in respect of options granted as set out in paragraph 4, the Company has no present intention to issue any of the authorised but unissued share capital of the Company.

3. Memorandum and Articles of Association

3.1 Memorandum of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry the business as managers of and investors in sound broadcasting services and related media and communications. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association.

3.2 Articles of Association

The Articles of the Company contain provisions, inter alia, to the following effect:

(a) Voting Rights

(i) Subject to disenfranchisement, which can arise in the event of non-compliance with the statutory requirements regarding the disclosure of interests in shares referred to in sub-paragraph (b) below and to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote and on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.

(ii) In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the register of members.

(b) Restrictions on Share Rights

(i) No member shall, unless the directors otherwise determine, be entitled in respect of any share held by him to vote (either in person or by representative or by proxy) at any general meeting or at any separate meeting of the holders of any class of shares or to exercise any right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in the shares has being given a notice under section 212 of the Act ("a Section 212 Notice") and has failed to give the Company the information thereby required within 28 days of the date of the Section 212 Notice.

(ii) No member holding shares representing one quarter of one per cent. or more in nominal value of the issued shares of any class of capital in the Company shall, unless the directors otherwise determine, be entitled:

(1) in respect of any such shares, to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares, or to exercise any other right conferred by membership in relation to any such meeting; or

(2) to receive payment of any dividend or other distribution payable in respect of any such shares; or

(3) to transfer any such shares otherwise than:

(a) pursuant to acceptance of a take-over offer;

(b) through a recognised investment exchange or other recognised market; or

(c) in any other manner which the directors are satisfied is bona fide and at arm's length

(in each case hereinafter referred to as an "arm's length sale")

if he or any person appearing to be interested in such shares has been given a Section 212 Notice and has failed to give the Company the information thereby required within 14 days from the date of the Section 212 Notice, provided that upon registration of a transfer thereof pursuant to any arm's length sale or upon all information required by the Section 212 Notice being given, such restrictions shall cease to apply in respect of such shares and any divided withheld shall be paid.

(c) Return of Capital on Winding-Up

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, 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, and for that purpose may value any assets and determine how the division shall be carried out as between the members or different classes of members.

(d) Variation of Class Rights and Alteration of Capital

(i) Subject to the Act, all or any of the special rights attached to any class of shares may be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares. The special rights conferred upon the holders of any shares or class of shares shall not (unless otherwise expressly provided in the rights attached to or the terms of issue of such shares) be deemed to be altered by the creation or issue of shares ranking pari passu therewith.

(ii) Subject to the Act and to any special rights conferred on the holders of any shares or class of shares, any shares may with the sanction of a special resolution be issued which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder.

(iii) The Company may by ordinary resolution consolidate and divide all or any of its shares into shares of a larger amount.

(iv) The Company may by ordinary resolution sub-divide its shares, or any of them, into shares of a smaller amount and the resolution may determine that, as between the holders of the shares resulting from the sub-division, one or more of the shares shall have any such preferred or other special rights over or may have such deferred 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.

(v) Subject to the provisions of the Act, the Company may by special resolution reduce its authorised or issued share capital, any capital redemption reserve and any share premium account in any way. The Company may also by ordinary resolution cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(e) Transfer of Shares

(i) The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not a fully paid share or of a share on which the Company has a lien.

(ii) The directors may also decline to recognise an instrument of transfer unless:

(1) it is lodged duly stamped at the registered office of the Company or 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 reasonably require to show the right of the transferor to make the transfer;

(2) it is in respect of only one class of share; and

(3) it is in favour of not more than four transferees;

(f) Dividends

(i) Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends to be paid to members in accordance with the respective rights and their interests in the profits available for distribution, but no dividend shall exceed the amount recommended by the directors.

(ii) Except as provided by the rights attached to the terms of issue of shares, all dividends shall be declared and paid according to the amounts paid-up on the shares in respect whereof the dividend is paid otherwise than in advance of calls. Subject as aforesaid all dividends shall be apportioned and paid proportionately to the amounts paid-up on the shares during any portion or portions of the period in respect of which the dividend is paid.

(iii) The directors may pay interim dividends if it appears to them that they are justified by the profits available for distribution.

(iv) All unclaimed dividends, or other sums payable on or in respect of a share, may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for twelve years from the due date for payment shall be forfeited and shall revert to the Company.

(v) The directors may deduct from any dividend or other monies payable to any member on or in respect of any share any monies presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.

(vi) A general meeting declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of any other company.

(vii) The directors may, with the sanction of an ordinary resolution of the Company, offer holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend.

(g) Broadcasting Act Restrictions

The articles contain provisions which empower the directors to prevent the Company, as a licence holder, infringing the prohibition on ownership of licences by disqualified persons, the quantitative restrictions and the restrictions on cross-media ownership, set out in the Broadcasting Act 1990.

(i) Information

The directors may give notices to any member or controller of such member for the purpose of ascertaining whether or not:

(1) the member's shares may be voted in accordance with another person's instructions;

(2) the member or controller is an associate of another member;

(3) the member, person having control of the member or persons having an interest in the Ordinary Shares held by any of them is a participant who would cause the Company to be a disqualified person under the Broadcasting Act 1990 or is a participant having more than a 5 per cent. interest in the Company.

(4) the member, its controller or any other person is a person regulated by the quantitative or cross-media restrictions of the Broadcasting Act 1990; and/or

(5) the member, its controller or any other person is subject to circumstances which might cause the Radio Authority to revoke or decline to renew or extend any radio licences held by the Company or decline to grant or consent to the transfer of any radio licences.

(ii) Non-compliance

Failure to comply with a notice from the Company after 14 days together with failure within 14 days to comply with a further notice disqualifies any such member from receiving notice of, or attending or voting at, any general meetings of the Company (other than in respect of such of the shares as the directors are satisfied do not require disposal as described in sub-paragraph (iii) below) until such failure is remedied to the satisfaction of the directors.

(iii) Compulsory Disposal

(1) If the directors reasonably believe that the Company has or will become a disqualified person as a result of the holding by a disqualifying participant (as described in sub-paragraph (i) (3) above), the directors may serve a notice on a member (a "Disposal Notice") requiring disposal of the shares which have given rise to the disqualification.

(2) If the directors, having consulted with the Radio Authority, reasonably believe that the Radio Authority will revoke, decline to renew or not grant or extend any licences held by the Company or other licences as a result of the holding of shares by a person regulated by the quantitative or cross-media restrictions of the Broadcasting Act, the directors may serve a Disposal Notice requiring the disposal of those shares which give rise to such circumstances.

(3) The Disposal Notice will require disposal within a specified period being not less than 21 days. If such notice is not complied with, the directors shall dispose of the shares subject to the Disposal Notice at the best price reasonably obtainable (unless dealing is prohibited by any dealing code adopted by the directors or required by the London Stock Exchange) without liability.

(4) No member who has been served with a Disposal Notice is entitled to receive notice of, or attend and vote at, any general meeting in respect of the shares subject to the Disposal Notice.

4. Directors' and Other Interests

4.1 The interests (all of which are beneficial) in the issued share capital of the Company of the Directors (as required to be notified by each Director pursuant to Section 324 or 328 of the Act and required to be shown in the register of Directors' interests maintained under Section 325 of the Act) and of persons connected with the Directors (within the meaning of Section 346 of the Act), the existence of which is known to or could, with reasonable diligence, be ascertained by a Director (and which would, if such connected persons were directors of the Company, be required to be notified as stated above) are as follows:

Director	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Ordinary Shares under Option*	*Percentage of enlarged issued share capital under Option*
KR Harris	–	–	2,390,437*	7.5%
JM Aumonier	1,870,000	7.82	2,390,437**	7.5%
RJS McLeod (1)	150,000	0.63	2,390,437**	7.5%
B Morrison (1)	6,000	0.03	318,725†	1.0%
B Morrison	–	–	318,725††	1.0%
PGL Ross	1,159,069	4.85	–	–

Notes:

(1) The beneficial shareholdings of RJS McLeod and B Morrison are each registered in the name of Pershing Keen Nominees Limited.

* Granted by a deed prior to Admission exercisable on substantially the same terms as if granted under the Share Option Scheme at an acquisition price of 20p per share.

** Granted under the Share Option Scheme at an acquisition price of 20p per share.

† Granted under the Share Option Scheme at an acquisition price of 70p per share.

†† Granted under the Share Option Scheme at an acquistion price of £2.025 per share conditional, *inter alia*, upon Admission.

4.2 In addition to the Directors above, the following have an interest in 3 per cent. or more of the issued share capital of the Company:

	Number of Ordinary Shares	*Percentage of issued share capital*
Pershing Keen Nominees Limited	6,427,550	26.89%
RBSTB Nominees Limited	1,408,000	5.89%
Westover Nominees Limited	800,000	3.35%

4.3 The Company is not aware of any person (other than those referred to in paragraph 4.1 and 4.2 above) who has an interest in 3 per cent. or more of the issued share capital of the Company.

4.4 The Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

4.5 The Directors' current directorships and partnerships, and directorships and partnerships held during the previous 5 years are set out below:

Name	*Current*	*Previous*
KR Harris	Radio First Plc Benfield Greig Group PLC Jamies Bars plc Sports Internet Group plc First Britannia Mezzanine N.V First Britannia Mezzanine B.V. CLS Holdings plc F.C. Fortune (South Africa) S.A. The New Morfa Stadium Company Limited Oxygen Holdings plc CJ Harris Farming Partnership Keith Harris & Associates Limited Keith Harris Partnership Limited Cronar & Hackett Limited Powerchannel Inc. Powerchannel Europe Limited Powerchannel Limited The Unique Broadcasting Company Limited	HSBC Investment Bank plc HSBC Investment Bank Holdings plc HSBC Investments in Latin America Limited London Mortgage Trust Limited HSBC Private Equity Limited Samuel Montagu & Co Limited Samuel Montagu Holdings Limited HSBC London Limited

Name	*Current*	*Previous*
JM Aumonier	Radio First Plc Exceptburst Limited Radio First (Cheltenham & Gloucester) Limited Radio First (Northants) Limited Radio First (Peterborough) Limited Radio First (Hereford & Worcester) Limited Chelsea Village Radio Limited The Fan Radio Network Limited Brandstrand Limited	Radio Mercury Holdings Limited Onmid Limited Mellow FM Radio Limited Mellow 1557 Limited Talk Radio UK Limited Mayflower FM Limited MEI Europe Limited
RJS McLeod	Radio First Plc Beat FM Limited Athol Media Limited Chelsea Village Radio Limited The Fan Radio Network Limited Brandstrand Limited	Brighton FM (Brighton & Hove Broadcasting) Limited Ecotype Limited London Radio Limited Southern Radio Plc
BA Morrison	Radio First Plc	Oak Films Limited Wembley International Limited Knavemode Limited Discobrook Limited Clifton Thornbury Limited Clifton Promotional Concepts Limited Clifton Nominees Limited Clifton Marquees Limited Wembley (London) Limited Wint Limited Clifton Leisure (Holdings) Limited Wembley Leisure Limited Wembley Holdings Limited The Wembley Charitable Foundation Vinca Systems Limited Lutehigh Limited GG Barnums Limited
PGL Ross	Radio First Plc Radio First (Cheltenham & Gloucester) Limited Radio First (Northants) Limited Radio First (Peterborough) Limited Radio First (Hereford & Worcester) Limited Vail Williams	Audio Management Limited Mellow 1557 Limited Stiles Harold Williams

4.6 Save as disclosed in paragraph 4.7 below, none of the Directors:

(a) is currently a partner in a partnership or has been a partner in a partnership within the 5 years immediately preceding the date of this document; or

(b) has any unspent convictions for any indictable offences or has been declared bankrupt or has made any voluntary arrangement with his creditors; or

(c) has been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration or voluntary arrangement of that company or any composition or arrangement with its creditors generally or any class of creditors; or

(d) has been a partner in a partnership at the time of or within the twelve months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership; or

(e) has had any asset which has been subject to a receivership or has been a partner in a partnership at the time of or within the twelve months preceding an asset of the partnership being subject to a receivership; or

(f) has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a Court from acting as a director of, or in the management or conduct of the affairs of, any company.

4.7 Keith Harris was a director of the investment bank Drexel Burnham Lambert Holdings Limited ("DBL") until 12 April 1990 and Drexel Burnham Lambert Securities Limited ("DBLS") until 12 April 1990. In February 1990 their United States ultimate holding company Drexel Burnham Lambert Group Inc. filed a petition under Chapter 11 of the Federal bankruptcy code. This was followed by DBL, the holding company of most of Drexel Burnham Lambert Group Inc's. United Kingdom interests, filing administrative petitions in the United Kingdom. Subsequently DBL went into Creditors Voluntary Liquidation and was subsequently liquidated solvently with a net surplus of funds arising on liquidation. DBLS also filed administrative petitions and subsequently went into a Creditors Voluntary Liquidation and was subsequently liquidated solvently with a net surplus of funds arising on liquidation.

5. Arrangements with Directors

5.1 Save as set out in this paragraph 5, there are no existing or proposed service agreements between any of the Directors and any member of the Group or any existing or proposed consultancy agreements pursuant to which the services of any Director are to be provided and which are not terminable by the Company or a member of the Group, without the payment of compensation (other than statutory compensation), within one year.

5.2 By an agreement dated 2 November 1995 the Company appointed John Aumonier as Chief Executive of the Company. The agreement provided for a salary which is currently £80,000 per annum payable monthly in arrears and is terminable by either party on giving to the other twelve months' notice in writing.

5.3 By an agreement dated 29 September 1999 the Company appointed Keith Harris as Non-Executive Chairman of the Company. The agreement provided for a fee of £35,000 per annum payable quarterly in arrears and is terminable by either party on giving to the other twelve months' notice in writing.

5.4 By an agreement dated 2 March 2000 the Company appointed Rory McLeod as Managing Director of the Company. The agreement provided for a salary of £80,000 per annum payable monthly in arrears and is terminable by either party on giving to the other twelve months' notice in writing.

5.5 By an appointment dated 4 January 2000 the Company appointed Bruce Morrison as Finance Director of the Company with effect from 4 January 2000. The agreement provided for a salary of £60,000 per annum monthly in arrears and is terminable by either party on giving to the other twelve months' notice in writing.

5.6 Peter Ross is a Non-Executive Director and is paid a fee of £5,000 per annum.

5.7 The aggregate remuneration paid and benefits in kind granted to the Directors during the year ended 30 September 1999 was £146,000. The aggregate remuneration payable (including benefits in kind) to the Directors in respect of the year ending 30 September 2000, under the arrangements in force as at the date of this document, is expected to amount to approximately £289,000.

6A. Share Option Scheme

6.1 Introduction

The Share Option Scheme ("the Scheme") was adopted on 15 February 2000. It is not designed for Inland Revenue approval.

6.2 Administration and Eligibility

(a) The Scheme will be administered by the Board or the remuneration committee.

(b) Options may be granted to employees and full-time directors of the Company or any of its subsidiaries selected at the absolute discretion of the Board or the remuneration committee.

References to the Board in this section includes the remuneration committee where it has been given authority to act.

6.3 Grant of Options

After the Ordinary Shares are traded on AIM, the Scheme provides for options to be granted during the period of 42 days following any of:

(a) the Company's announcement of its full year or interim results or the issue of documents containing equivalent information;

(b) the Company's approval of any amendment to the Scheme; and

(c) any amendment to the applicable tax legislation.

The Board will also be able to grant options in such exceptional circumstances as, in its opinion, justify the making of grants outside those periods.

6.4 Acquisition Price

The price payable on the exercise of an option granted will be determined by the Board but shall not be lower than the nominal value.

6.5 Exercise of Options

(a) In normal circumstances, an option will only be exercisable by an individual who remains an employee or director with the Company or a participating subsidiary. The Board will determine the period during which the option may be exercised between the grant and the tenth anniversary of the date on which the option was granted. Early exercise of an option may be permitted under the Scheme if an individual dies, retires, leaves on account of ill-health, injury or disability, or redundancy or, if the remuneration committee decides, in other exceptional circumstances.

(b) The Scheme permits the imposition of a performance target or other objective conditions on exercise.

(c) In the event of a takeover of the Company, options may be exercised shortly thereafter. Alternatively, with the concurrence of the acquiring company, option holders may exchange their options under the Scheme for options to acquire shares in the acquiring company or its parent company.

(d) If a resolution is proposed for the voluntary winding-up of the Company, options may be exercised within six months of the passing of such resolution. Options may also be exercised in the event of a demerger.

(e) When options are exercised, the Company will make a PAYE or National Insurance contribution deduction for the income tax or National Insurance due on the option gain by the option holder in accordance with relevant regulations. Option holders authorise the Company to sell sufficient Ordinary Shares to meet this liability.

6.6 *Overall Limit*

In any 10 year period not more than twenty five per cent. of the Company's issued ordinary share capital (as increased by the Ordinary Shares then under option for subscription or to be placed under option for subscription) may be put under option under the Scheme when added to the options granted by deed to Keith Harris on 15 February 2000. Options over Ordinary Shares already in issue and lapsed options are disregarded.

6.7 *Voting, dividend, transfer and other rights*

(a) Until options are exercised, option holders have no voting or dividend rights in respect of the Ordinary Shares covered by their options.

(b) Ordinary Shares issued and allotted under the Scheme following the exercise of an option will rank pari passu in all respects with the then existing Ordinary Shares of the same class of the Company, with the exception of rights attaching by reference to a record date on or before the date of allotment. The Company will notify the London Stock Exchange to enable such shares to be traded on AIM.

(c) Options are non-transferable.

6.8 *Amendments*

Amendments to the Scheme may be made by Board (but not remuneration committee) resolution if the amendments do not adversely affect existing rights of option holders and do not affect the basic principles of the Scheme.

6.9 *Variation of Capital*

In the event of a rights issue, bonus issue, share split or other alteration of the share capital of the Company, the Board may make such adjustments as it considers appropriate, and the auditors of the Company confirm as being fair and reasonable, to the number of Ordinary Shares subject to options and the price payable on exercise of options.

6.10 *Termination*

The Scheme may be terminated at any time by the Company in general meeting or by the Board and, in any event, shall terminate on the tenth anniversary of the approval of the Scheme by the Company. In either case the options then subsisting will remain exercisable.

6.11 The rights under the Scheme are not pensionable.

6B. Further Option

Further options were granted to Keith Harris under an Option Deed ("the Further Option") dated 15 February 2000 to subscribe for 567,537 Ordinary Shares of 2p each at an acquisition price of 20p per share. This Further Option may be exercised from 10 June 2000 to 9 June 2009.

7. Warrants

7.1 On 13 March 2000 the Company adopted a warrant instrument ("Warrant Instrument") and constituted 134,522 warrants to subscribe for Ordinary Shares at £2.025 ("Warrants").

On 13 March 2000 the Company issued Warrants as follows:

Names	*No. of Warrants*
Seymour Pierce	119,522
Memery Crystal	10,000
The New Media Foundry Limited	5,000

The principal terms of the Warrant Instrument are as follows:

(a) Each Warrant will entitle the holder thereof to subscribe for one Ordinary Share at a price of £2.025 per share which may be exercised at any time commencing one year from the date on which the

Ordinary Shares are first admitted to trading on AIM and ending on the date which is five years from the date of grant of the Warrants;

(b) Ordinary Shares issued on the exercise of the Warrants will not rank for any dividends or other distribution declared, made or paid in respect of any financial year or other period earlier than that current at the date of exercise but, subject to this, will rank in full for dividends declared, made or paid in the financial year of exercise. In all other respects the Ordinary Shares issued on the exercise of the Warrants shall rank *pari passu* with the Ordinary Shares then in issue;

(c) The Warrant Instrument contains provisions for appropriate adjustment of the number of Ordinary Shares issued on the exercise of the Warrants and subscription price upon a capitalisation of reserves, a rights issue or on a sub-division or consolidation of share capital;

(d) The rights and privileges of the holders of the Warrants may be altered or abrogated with the sanction of an extraordinary resolution of the Warrant holders:

(e) Warrants, which will be registered, will be transferable in whole or in part by instrument of transfer in the usual or common form or on CREST;

(f) So long as any of the subscription rights under the Warrants remain exercisable, the Company will not without the sanction of an extraordinary resolution of the Warrant holders:

  (i) issue any securities by way of capitalisation or reserves, or profits other than Ordinary Shares credited as fully paid up;

  (ii) make any distribution out of capital profits or capital reserves otherwise than by way of a capitalisation of such profits or reserves in the form of fully paid Ordinary Shares;

  (iii) issue or create any new class of shares which as regards rights to voting, dividends or capital have more favourable rights than those attached to the Ordinary Shares;

  (iv) modify the rights attached to the Ordinary Shares or to any class of shares other than the Ordinary Shares so that they have more favourable rights than those attached to the Ordinary Shares;

  (v) issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves if as a result the Company would on any subsequent exercise of the Warrants be obliged to issue Ordinary Shares at a discount to nominal value; and

  (vi) reduce its share capital (except for a reduction not involving any payment to, or release of, shareholders or on a redemption of redeemable shares or for purchases of shares in accordance with the Act) or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by the Act) any share premium account or capital redemption reserve.

8. Working Capital

8.1 The Company is of the opinion that, having made due and careful enquiry, the working capital available to the Group will, from Admission, be sufficient for its present requirements, that is for at least the next 12 months.

9. United Kingdom Taxation on Dividends

9.1 Dividends received by individual shareholders who are resident in the United Kingdom for tax purposes will carry a tax credit equal to one-ninth of the amount of the dividend. If the shareholder's income, including the dividend and the associated tax credit, net of allowances and reliefs, does not exceed the higher rate threshold (£28,000 in 1999/2000), the tax credit will satisfy the individual's income tax liability, but cannot be reclaimed even if it exceeds his or her liability to income tax. The income tax liability on United Kingdom dividends for higher-rate payers is 32.5 per cent. of the aggregate of the dividend and the tax credit.

9.2 Beneficiaries of discretionary or accumulation and maintenance trusts who receive as income distributions from such a trust which result from the receipt of United Kingdom dividends by the trust are taxed more heavily than if they had received the dividends personally. Dividends received by such trusts, as with other shareholders, carry a tax credit equal to one-ninth of the dividend, but such trusts are liable to income tax at 25 per cent. on the aggregate of the dividend and the tax credit.

9.3 There is, however, a further income tax liability to be recognised if a distribution is made to a beneficiary from such a source. If a beneficiary liable to income tax at the basic rate receives as income a distribution from the trust reflecting the dividend, he or she will retain after tax 77 per cent. of the trustees' actual dividend received (rather than 100 per cent. of it if it were to have been received direct). If he or she is a higher rate taxpayer, the amount retained after tax is only 60 per cent. of the actual dividend received by the trustees, rather than 67.5 per cent. if it had been received direct.

9.4 A United Kingdom resident corporate shareholder will not, generally, be liable to United Kingdom corporation tax on any dividend received and will normally be able to treat any dividend together with the associated tax credit as franked investment income.

The above paragraphs are as a general guide only and are not exhaustive. If you are in any doubt as to your taxation position you should consult an appropriate professional adviser without delay.

10. Litigation

10.1 There are no legal or arbitration proceedings, active, pending or threatened against, or being brought by, any company in the Group which are having or may have a significant effect on the financial position of the Group.

11. General

11.1 Save as disclosed in paragraph 7 of this Part IV, no person (other than professional advisers disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company or any member of the Group, within the twelve months immediately preceding the date of this document or has entered into contractual arrangements to receive, directly or indirectly, from the Company or any member of the Group on or after admission:

(a) fees totalling £10,000 or more;

(b) securities in the Company with a value of £10,000;

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

11.2 The total expenses payable by the Company in connection with Admission are estimated to amount to approximately £130,000 (exclusive of value added tax). No commission is payable.

11.3 KPMG Audit Plc has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it appears.

11.4 Seymour Pierce 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.

11.5 Ellis & Partners 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.

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

11.7 Save as disclosed in this document, there are no significant investments in progress.

11.8 No exceptional factors have influenced the Company's activities.

11.9 Save as disclosed in Part III of this document, there has been no significant change in the trading or financial position of the Company since 30 September 1999, being the date to which the last audited financial statements of the Company were prepared.

12. Availability of Documents

12.1 Copies of this document will be available free of charge during normal business hours on any weekday (public holidays excepted) at the Company's registered office and at the offices of Seymour Pierce, 29/30 Cornhill, London EC3V 3NF for a period of 14 days from the date of Admission.

Dated: 13 March 2000.

sterling financial print 27759