

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. The whole of the text of this document should be read. Your attention is drawn to the section entitled "Risk Factors" in Part II of this document.**

The Directors of Vindon Healthcare plc, whose names appear on page 8 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document has been drawn up in accordance with the Public Offers of Securities Regulations 1995, as amended (the "POS Regulations") and the rules of AIM, a market operated by the London Stock Exchange ("AIM"). A copy of this document, which comprises a prospectus under the POS Regulations, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

If you have sold or transferred all of your Existing Ordinary Shares please send this document, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

**Application will be made for admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM. It is expected that such admission will take place and that dealings in the Ordinary Shares will commence on 11 April 2005. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List of the United Kingdom Listing Authority or to any other recognised investment exchange.**

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

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# Vindon Healthcare plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with registered number 4730768)*

## Placing of up to 3,000,000 New Ordinary Shares at 10p per share

### Admission to trading on AIM

By

### Nominated Adviser and Broker

**W.H. Ireland Limited**

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#### SHARE CAPITAL IMMEDIATELY FOLLOWING COMPLETION OF THE PROPOSALS

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
120,000,000	£1,200,000	Ordinary Shares of 1p each	78,850,000	£788,500
50,000	£50,000	Redeemable Shares of £1 each	Nil	Nil

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The New Ordinary Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company after the date of this document and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

This document does not constitute an offer to sell, or a solicitation of an offer to buy Existing Ordinary Shares or New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The Existing Ordinary Shares and the New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the applicable securities legislation of any state of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan.

W.H. Ireland Limited ("W.H. Ireland"), which is regulated by the Financial Services Authority and is a member of the London Stock Exchange, is acting for Vindon Healthcare plc in connection with the Proposals and is not acting for any other person other than Vindon Healthcare plc and will not be responsible to any person other than Vindon Healthcare plc for providing the protections afforded to its customers or for providing advice to any other person in connection with the Proposals.

Zeus Capital Limited ("Zeus Capital"), which is regulated by the Financial Services Authority, is acting for Vindon Healthcare plc in connection with the Proposals and is not acting for any other person other than Vindon Healthcare plc and will not be responsible to any other person other than Vindon Healthcare plc for providing the protections afforded to its customers or for providing advice to any other person in connection with the Proposals.

Neither W.H. Ireland nor Zeus Capital have authorised the contents of any part of this document for the purposes of Regulation 13(1) (g) of the POS Regulations or otherwise and no liability whatsoever is accepted by W.H. Ireland or Zeus Capital for the accuracy of any information or opinions contained in this document or for the omission of any information, for which the Directors are solely responsible.

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## DEFINITIONS

The following words and expressions shall have the following meanings in this document, unless the context otherwise requires:

“Act”	the Companies Act 1985 (as amended);
“Acquisition”	the acquisition of the entire issued share capital of Vindon by the Company;
“Admission”	the admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM”	a market operated by the London Stock Exchange;
“AIM Rules”	the rules published by the London Stock Exchange from time to time governing the admission to and the operation of AIM;
“Articles”	the Company’s articles of association as amended from time to time;
“Board” or “Directors”	the directors of the Company as at the date of this document, whose names appear on page 8 of this document;
“Company” or “Vindon Healthcare”	Vindon Healthcare plc (registered in England and Wales under number 4730768);
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form operated by CRESTCo;
“CRESTCo”	CRESTCo Limited;
“Existing Ordinary Shares”	the 75,850,000 Ordinary Shares in issue at the date of this document;
“Group”	the Company and its subsidiary Vindon;
“London Stock Exchange”	London Stock Exchange plc;
“Offer for Subscription”	the offer for subscription made by the Company in the terms of the prospectus dated 2 February 2005;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company;
“Placing”	the conditional placing by W.H. Ireland of the Placing Shares at the Placing Price pursuant to the Placing Agreement;
“Placing Agreement”	the conditional placing agreement dated 23 March 2005 between the Company (1), W.H. Ireland (2) and the Directors (3) a summary of which is set out in paragraph 11.1.7 of Part VI of this document;
“Placing Price”	10p per Placing Share;
“Placing Shares” or “New Ordinary Shares”	the 3,000,000 New Ordinary Shares which are the subject of the Placing;
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended);
“Proposals”	the Placing and the Admission;
“Prospectus”	this document dated 23 March 2005;

“Redeemable Shares”	the 50,000 redeemable shares of £1 each in the capital of the Company;
“Shareholders” or “Members”	the holders of Existing Ordinary Shares;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as a competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, including, where the context so permits, any committee, employee or servant of such authority to whom any function of the UK Listing Authority may from time to time be delegated;
“US”	the United States of America;
“Vindon”	Vindon Scientific Limited (registered in England and Wales under number 878160);
“W.H. Ireland”	W.H. Ireland Limited (registered in England and Wales under number 2002044);
“Zeus Capital”	Zeus Capital Limited (registered in England and Wales under number 4417845); and
“Zeus” or “Zeus Partners”	Ian William Currie, Richard Ian Hughes and Keith William Salisbury trading as Zeus Partners.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<b>Prospectus publication date</b>	<b>23 March 2005</b>
<b>Admission and commencement of dealings in the Ordinary Shares</b>	<b>11 April 2005</b>
<b>CREST accounts credited</b>	<b>11 April 2005</b>
<b>Definitive share certificates despatched by no later than</b>	<b>18 April 2005</b>

## KEY STATISTICS

<b>Number of Existing Ordinary Shares</b>	<b>75,850,000</b>
<b>Placing Price</b>	<b>10p</b>
<b>Number of Placing Shares*</b>	<b>3,000,000</b>
<b>Placing Shares as a percentage of the enlarged issued share capital*</b>	<b>3.8%</b>
<b>Number of Ordinary Shares in issue immediately following completion of the Placing*</b>	<b>78,850,000</b>
<b>Market capitalisation at the Placing Price *</b>	<b>£7,885,000</b>
<b>Gross proceeds of the Placing*</b>	<b>£300,000</b>

\* assuming full subscription under the Placing

## **KEY INFORMATION**

**The following information is derived from, and should be read in conjunction with, the whole of this Prospectus including in particular the section headed Risk Factors in Part II of this document. Investors should read the whole of this document and not rely on key or summarised information.**

### **INTRODUCTION**

On 28 February 2005, Vindon Healthcare acquired the entire issued share capital of Vindon. The Company will seek admission of its entire issued share capital to trading on AIM and is seeking to raise £300,000 (before expenses) by way of a placing of the Placing Shares to fund the costs of the Proposals.

### **INFORMATION ON VINDON HEALTHCARE**

Vindon Healthcare raised £1.2 million (before expenses) by way of the Offer for Subscription which closed on 25 February 2005. The funds were raised in order to complete the due diligence on potential target businesses and, thereafter, to fund the Acquisition and to be used as working capital for the Company.

### **INFORMATION ON VINDON**

Vindon is a provider of environmental control products and services to pharmaceutical, life sciences and food sectors. Vindon provides products and services for the management of temperature, light and humidity controlled storage requirements. Vindon's product range includes controlled environment rooms ("CERs") and storage chambers, blood banks, refrigerators and freezers, ovens and plant growth chambers.

In recent years, Vindon has begun to provide an off-site controlled environment storage facility for its clients at its site in Diggle, Oldham.

Over the last 36 years, Vindon has built up a client portfolio of pharmaceutical companies including Glaxo SmithKline, AstraZeneca and Pfizer. Vindon has enjoyed repeat business with these customers and has continued to expand its product and service portfolio.

Historically, the majority of Vindon's revenues were derived from the design and manufacture of environmental control products. However, in recent years, Vindon has begun to increase the level of services available to provide solutions for the management of controlled temperature, humidity and light requirements.

### **FINANCIAL INFORMATION ON VINDON**

Financial information on Vindon is contained in Parts III, IV, and V of this Prospectus. In the twelve months ended 31 December 2004 Vindon had a turnover of £2,634,682 and a profit before tax of £757,325.

### **MARKET**

The demand for environmental control products in the pharmaceutical industry is led by the research into and development ("R&D") of new drugs and medicines. This industry is heavily reliant on the R&D process and UK pharmaceutical companies currently employ more than twenty-nine thousand technicians in the R&D process. The pharmaceutical industry is a major customer of these types of products.

Capital expenditure on CERs can be significant and, therefore, an "off-site" controlled environment storage facility at a low rental charge, with monitoring and data capture outsourced, is a cost-effective proposition.

## **DETAILS OF THE PLACING AND ADMISSION**

The Company is proposing to raise £300,000 (before expenses) by way of the Placing. The proceeds of the Placing will be utilised by the Company to cover the expenses of the Proposals. The Directors believe that Admission will raise the profile of the Group. Assuming full subscription, the Placing Shares will represent approximately 3.8 per cent. of the Company's entire issued share capital following Admission. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares.

Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that trading in the Ordinary Shares will commence on 11 April 2005.

The Placing is conditional, *inter alia*, upon Admission.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Martin Liam Ferguson ( <i>Chairman</i> ) Martin Henry Burrill ( <i>Finance Director</i> ) Richard Ian Hughes ( <i>Non Executive Director</i> )  all of Kiln Green Diggle Dobcross Oldham Lancashire OL3 5JY
<b>Company Secretary</b>	Martin Henry Burrill
<b>Registered Office</b>	Kiln Green Diggle Dobcross Oldham Lancashire OL3 5JY
<b>Nominated Adviser and Broker to the Company</b>	W.H. Ireland Limited 11 St James's Square Manchester M2 6WH
<b>Financial Adviser to the Company</b>	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT
<b>Auditors and Reporting Accountants</b>	Chadwick Chartered Accountants Television House 10/12 Mount Street Manchester M2 5NT
<b>Solicitors to the Company</b>	DWF Centurion House 129 Deansgate Manchester M3 3AA
<b>Solicitors to the Nominated Adviser and Broker</b>	Halliwells LLP St James's Court Brown Street Manchester M2 2JF
<b>Principal Bankers</b>	The Co-operative Bank Plc 1 Balloon Street Manchester M60 4EP
<b>Registrars</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
<b>Website</b>	<a href="http://www.vindon.co.uk">www.vindon.co.uk</a>

# PART I

## INFORMATION ON THE GROUP

### INTRODUCTION

Vindon Healthcare was formed in April 2003 as a cash shell to attract companies and businesses which are seeking admission to trading on AIM. By a prospectus dated 2 February 2005, the Company raised £1.2 million (before expenses) by way of the Offer for Subscription which closed on 25 February 2005. The funds were raised in order to complete the due diligence on potential target businesses and, thereafter, to fund the Acquisition and to be used as working capital for the Company.

In assessing potential acquisition and investment opportunities the Directors concentrated on businesses and companies which they considered had a good management team and operated in a market which had growth potential opportunities.

On 28 February 2005, Vindon Healthcare completed the Acquisition. To fund the costs of the Proposals the Company is now seeking to raise £300,000 (before expenses) by way of the Placing and will seek admission of the entire issued share capital of the Company to trading on AIM.

### INFORMATION ON VINDON

Vindon is a provider of environmental control products and services in the UK and Ireland to the pharmaceutical, life sciences and food sectors for the management of temperature, light and humidity controlled storage requirements. Vindon's product range consists of CERs and storage chambers, blood banks, refrigerators and freezers, ovens and plant growth chambers allowing Vindon to meet the needs of most environmental stability requirements. Vindon has built up a client base of pharmaceutical companies including Glaxo SmithKline, AstraZeneca and Pfizer and enjoys a consistent level of repeat business with these clients, whilst also continuing to expand its product and service portfolio. In recent years, Vindon has begun to provide off-site controlled environment storage facilities to its client base at its site in Diggle, Oldham.

Historically, the majority of Vindon's revenues were derived from the design and manufacture of environmental control products. However, in recent years, Vindon has begun to increase the level of services available to provide solutions to the management of controlled temperature, humidity and light requirements.

### HISTORY

Vindon was established in Diggle, Oldham in 1967 initially to manufacture a range of laboratory ovens and incubators. Vindon then added plant growth cabinets to its product range, which were followed by blood banks and environmental rooms. In recent years, Vindon has begun to offer validation services and stability storage facilities.

Vindon's business has experienced continued growth in recent years, largely by way of repeat business.

In 1991, Vindon registered a quality system that has been confirmed by independent assessors as complying with ISO 9001:2000.

### PRODUCTS & SERVICES

Vindon provides certain environmental control products and services consisting of the following:

#### *Manufactured Products*

- CERs;
- Stability and Photostability Cabinets;
- Blood Banks;
- Plant Growth Chambers, Incubators and Ovens; and
- Refrigerators and Freezers.

CERs are the largest source of income for Vindon with values ranging from £600 for a “reach-in” room to £154,000 for a suite of rooms. Vindon’s pharmaceutical clients use CERs in the R&D process for new drugs and medicines.

The stability and photostability cabinets produced by Vindon are suitable for drug stability testing.

The blood banks produced by Vindon provide stable and reliable conditions necessary for the safe storage of whole blood and red cell components.

Vindon’s plant growth chamber has been designed to provide a cost effective, entry level facility that can be easily updated on site by the user. Vindon also designs and manufactures a range of ovens and incubators for various applications.

Vindon also produces a range of refrigerators and freezers for laboratory applications.

Each of the products manufactured by Vindon can be tailored to meet the specific needs of a particular client.

#### ***Non-Manufactured (Services)***

- Maintenance Service Contracts;
- Validation Services; and
- Off-Site Stability Storage.

Maintenance service contracts are available on Vindon products.

In order to meet the requirements of The International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (“ICH”), stability testing on new products requires validation to ensure that the correct parameters of heat and humidity are being met. Such validation is also required for drug development pursuant to the guidelines of the FDA (Food & Drug Administration - US) and the European Agency for the Evaluation of Medical Products (“EMA”).

Off-site stability storage affords clients the ability to store products at Vindon’s premises, for which Vindon can provide the in-house expertise to monitor the environment in which the products are held.

#### **MARKET AND COMPETITION**

The demand for environmental control products in the pharmaceutical industry is driven directly by the R&D process into new drugs and medicines. The industry is heavily reliant on the R&D process and the pharmaceutical industry is a major customer of these types of products.

The capital expenditure on a CER can be high and, therefore, the ability to store off-site at a low rental charge, with monitoring and data capture carried out by the customer, is a cost-effective proposition.

The UK pharmaceutical market remains amongst the top three in Europe. As this market continues to grow the requirement for compliance test equipment will expand in R&D, quality control and production. In recent years, Ireland has become a growing market for products due to the increasing concentration of pharmaceutical companies located there.

Vindon is currently the only UK company that has the skills not only to design and build CERs, but which also has the in-house expertise to monitor and validate temperature, light and humidity levels.

## FINANCIAL INFORMATION

The following information has been extracted from the accountants report on Vindon contained in Part III of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the key summarised information.

Further financial information on Vindon and the Company is provided in Parts III, IV and V of this document.

	Year ended December 2002	Year ended December 2003	Year ended December 2004
	£'000	£'000	£'000
Turnover	2,579	2,585	2,635
PBT	341	235	758

## CURRENT TRADING AND PROSPECTS

Turnover for the first two months of the current financial period is in line with budget and is above the level for the same period last year.

Vindon intends to expand its product portfolio and the services it offers to customers. With the benefit of Vindon's experience and the research it has undertaken, the Directors believe that Vindon and the markets in which it operates have strong potential for growth and look forward to the future with confidence.

## STRATEGY

The Directors intend that Vindon will continue to provide environmental control products for the pharmaceutical industry, life sciences and food sectors.

Vindon has begun to supply the Irish market. Potentially, any company with a R&D requirement or a controlled temperature, humidity, light storage and monitoring requirement could source a product or service from Vindon. These could include hospitals and universities, pharmaceutical companies and analytical companies.

The Directors have identified the potential to increase the sales operation, particularly in respect of Ireland and via an expansion into Europe.

The Directors believe that there is the potential to expand or relocate this service line to other sites in the UK. The Directors also believe that Vindon can increase its manufacturing business via strong emphasis on product development and enhancing existing product lines to maximise efficiency, control and monitoring capabilities.

## CUSTOMERS

Vindon has a diverse client base which includes blue chip and international companies. The majority of these are in the pharmaceutical industry and have been clients of Vindon for many years. Vindon's products are also purchased by businesses in other sectors that require environmental control systems to ensure constant temperature, light and humidity or a combination of these elements.

## DIRECTORS

### *Martin Liam Ferguson (aged 51) Chairman*

Martin qualified as a Chartered Accountant with Price Waterhouse (now PwC) where he spent 10 years specialising in management consulting, business strategy and viability assessments. Martin subsequently undertook a number of board appointments in industry as Group Finance Director or CEO for various technology engineering groups. He co-established an engineering design consultancy company in 1990 which was later sold in 2000 for approximately £18 million. Martin currently acts as a consultant for a number of technology based companies in the UK.

### *Martin Henry Burrill (aged 44) Finance Director*

Martin qualified as a Chartered Accountant in 1984. He was Finance Director of Holroyd Meek Limited from 1987 until shortly after its disposal to Booker plc in 1996. He then joined Millie's Cookies Limited as Finance Director and again held this position until the disposal of the company to Compass plc in 2004. Martin is a director of Zeus Capital Limited which is regulated by the Financial Services Authority.

***Richard Ian Hughes (aged 36) Non-executive Director***

Richard has over 15 years experience of corporate activity, including flotations, capital raisings and mergers and acquisitions for both public and private companies. He was, until recently, a managing director of Altium Capital Limited (formerly Apex Partners & Co. Corporate Finance Limited), having set up the Manchester office in 1996. Richard is a partner of Zeus Partners and a director of Zeus Capital Limited, which is regulated by the Financial Services Authority.

Further information on the Directors, including interests held by them in the share capital of the Company is given in Part VI of this document.

**SENIOR MANAGEMENT**

In addition to the above, the key members of the senior management team of Vindon are as follows:

***Ian Gordon (aged 45) Works Manager***

Ian qualified as a sheet metal engineer and with a background of numerous management roles in manufacturing environments. He joined Vindon 7 years ago as project manager and was subsequently appointed works manager in 1998. Having reported directly to Alan Roylance (the “Vendor”), Ian is responsible for ensuring that the company achieves its production schedules and delivery targets. Ian is the customers’ primary point of contact in all major projects. Since the Vendor’s move to part time working, Ian has taken on more direct responsibility and manages the entire manufacturing process, including technical, validation, quality and production. Ian is involved in all aspects of Vindon, other than finance and marketing. Ian is a member of the “stability storage” team and trained in Good Manufacture Practice (“GMP”).

***Pat Jackson (aged 53) Business Operations Director***

Pat is a qualified engineer who has been brought in to strengthen the management of Vindon, having over 20 years experience in project management and business development. Most recently he was project director at Vacmetal (UK) Ltd, a steel manufacturing plant, and was head of nuclear operations at Day & Zimmerman (process consultants and engineers). He will be primarily responsible for developing new markets both in the UK and overseas.

***Ian Walker (aged 46) Quality Manager***

A qualified production engineer, Ian spent five years with Ferranti before joining Vindon in 1990 as a draughtsman. He was subsequently appointed quality manager in 1996 and reports directly to the works manager and the managing director. Ian has responsibility for all aspects of quality control, health and safety and risk assessments. Ian is also a member of the stability storage team and trained in GMP.

***Andrew Hopkinson (aged 30) Validation Manager***

After obtaining a degree in electrical engineering, Andrew joined Vindon as a service engineer in 1995, and became Vindon’s first Validation Engineer in 1997, being promoted to the position of validation manager in 1999. Reporting directly to the works manager, he is responsible for scheduling work for the validation engineers and acting as the primary point of contact for all validation customers. Recently, Andrew has become more involved in the selling of Vindon service lines into its client base.

***Ian Baker (aged 49) Technical Manager***

Ian is a qualified electronics engineer and has been with Vindon for 17 years. He is responsible for design and technical specification for all Vindon’s products and processes. He also acts as the prime client contact for technical issues on capital projects.

## **DETAILS OF THE PLACING AND ADMISSION**

The Company is proposing to raise £300,000 (before expenses), by way of the placing of the Placing Shares at the Placing Price. The Directors believe that Admission will raise the profile of the Group. Assuming full subscription, the Placing Shares will represent approximately 3.8 per cent. of the Company's issued share capital following Admission. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares.

Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that trading in the Ordinary Shares will commence on 11 April 2005.

The Placing is conditional, *inter alia*, upon Admission.

## **CREST**

The Directors have arranged with CRESTCo for the New Ordinary Shares and the Existing Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly settlement of transactions in the Ordinary Shares following Admission may take place within CREST, if the relevant Shareholders so wish. CREST is a paperless settlement procedure, which allows securities to be evidenced without a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under CREST.

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

## **USE OF FUNDS**

The total funds raised from the Placing will be utilised by the Company to cover the expenses of the Proposals.

## **TAX RELIEFS AVAILABLE TO INVESTORS**

For UK resident Shareholders who are individuals, taper relief will apply depending on the length of ownership so that the effective rate of capital gains tax on any gain on a disposal by an individual Shareholder will be reduced the longer the Ordinary Shares are held. Indexation allowance no longer applies in the case of individual Shareholders. For corporate Shareholders an indexation allowance based on the cost of the shares (not taper relief) will be available on a disposal in respect of the subscription cost of the Ordinary Shares. An indexation allowance cannot be used to create or increase a loss for tax purposes. The Directors believe that following the acquisition of Vindon on 28 February 2005, the shares will qualify for relief under the Enterprise Investment Scheme ("EIS"). Further information concerning UK taxation in relation to the Placing and Admission is set out in paragraph 10 of Part VI of this document.

## **CORPORATE GOVERNANCE**

The Board recognises the importance of sound corporate governance whilst taking into account the size and nature of the Group. As the Group grows, the Directors intend that the Company should develop policies and procedures which reflect the Principles of Good Governance and Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code") and which are appropriate for a company of its size. The Board will take such measures, so far as is practicable, to comply with the Combined Code.

The Company has, subject to Admission, established an audit committee and a remuneration committee. The audit committee will meet at least twice per annum and is responsible for ensuring the integrity of the financial information reported to Shareholders and the systems of internal controls. This committee will provide an opportunity for reporting by the Company's auditors. The remuneration committee will meet at least twice per annum to determine the terms of employment and total remuneration of the executive Directors, including the granting of any share options and the administration of any incentive schemes. The objective of this committee will be to attract, retain and motivate executives capable of delivering the Company's objectives. Both these committees will consist of the Chairman and the other non-executive Directors.

The Company will ensure, in accordance with Rule 19 of the AIM Rules, that the Directors and applicable employees do not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by the Directors and applicable employees.

## **LOCK-IN ARRANGEMENTS**

Certain of the Shareholders (the “Locked-in Shareholders”) have agreed that they will not (save in certain specific circumstances) dispose of any Existing Ordinary Shares for a period of one year following Admission. To the extent that any Placing Shares are being issued to persons other than Locked-in Shareholders, such Placing Shares will not be subject to any lock-in arrangements.

The lock in arrangements above shall not prevent the Locked-in Shareholders making disposals in *inter alia* the following circumstances:

- (a) in acceptance of a general offer made to Shareholders to acquire all of the Ordinary Shares (other than any such shares which are already owned by the person making such offer or any person(s) acting in concert with it) and made in accordance with The City Code on Takeovers and Mergers (“the Code”) that is either:
  - (i) unconditional as to acceptances; or
  - (ii) recommended by the Board; or
  - (iii) pursuant to the provision of an irrevocable undertaking to accept such an offer or a sale of Ordinary Shares to an offeror or a person acting in concert with an offeror (within the meaning of the Code) during an offer period (as defined in the Code) in respect of such an offer;
- (b) (where applicable) for a disposal by the personal representatives of a Shareholder if he or she shall die during the period of such restrictions provided that the sale of any shares in the Company by such personal representatives pursuant to this sub-paragraph during such period shall be effected in accordance with the reasonable requirements of the Company so as to ensure an orderly market in the Company’s shares;
- (c) for a disposal pursuant to any compromise or arrangement under section 425 of the Act (as amended) providing for the acquisition by any person (or group of persons acting in concert) of 50 per cent. or more of the issued share capital of the Company and which compromise or arrangement has been sanctioned by the Court; or
- (d) for any scheme of reconstruction under section 110 of the Insolvency Act 1986 in relation to the Company.

## **SHARE OPTIONS**

The Directors believe that the commitment of employees can be enhanced by the use of share options. The Company therefore intends to establish a share option scheme at the appropriate time.

## **DIVIDEND POLICY**

It is expected that any cash generated by the Group’s operations in the short to medium term will be devoted to funding the Group’s planned development. The Board, however, will continue to review the appropriateness of its dividend policy as the Group develops.

## **FURTHER INFORMATION**

Your attention is drawn to the remainder of this document, which provides additional information on the matters set out in Part I of this document.

## PART II

### RISK FACTORS

In addition to the other relevant information set out in this document, the following specific risk factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a business, the Directors consider that the factors and risks described below are the most significant and should be carefully considered, together with all other information contained in this document, prior to investing in the Ordinary Shares. It should be noted that the risks described below are not the only risks faced by the Company; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware.

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

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Group's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in the Company than in a company whose shares are quoted on the Official List.

In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

#### **Requirement for further funds**

It may be necessary for the Company to raise further funds in the future, which may be by way of the issue of further Ordinary Shares on a non pre-emptive basis which could result in a dilution of the interests of the Shareholders at the time of such issue. There can be no guarantee that such a further fundraising would be successful.

#### **Investment risk**

Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, is likely to be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all his/her investment. The Ordinary Shares therefore may not be suitable as a short term investment.

#### **Economic, political, judicial, administrative, taxation or other regulatory matters**

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters.

#### **Competition**

There can be no guarantee that the Group will be able to respond to competitive challenges effectively, particularly if an organisation with substantial financial resources decides to enter the market.

### **Attraction and retention of key employees**

The Group depends on its Directors and other key employees and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the Directors or other key employees could damage the Group's business.

Equally the ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.

### **Trading history**

The Group's future success will depend on the Directors ability to implement their objectives and strategy. Whilst the Directors are optimistic about the Group's prospects, there is no certainty that anticipated revenues or growth can be achieved.

### **Management of growth projections**

There can be no guarantee that the Group will achieve the level of business anticipated.

### **Forward looking statements**

Certain statements within this document, including those in Part I of this document, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, competition, changes in development plans and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward looking statements are correct only as at the date of this document. Neither the Company nor the Directors have undertaken any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances occurring after the date of this document except as required by law or by regulatory authority.

### **Intellectual Property**

Whilst registration indicates the existence of such rights, registration does not equate to validity. Hence, if registered trade marks are not used commercially for a period of five years they become open to attack for non-use which can result in their removal from the relevant trade mark register. The Directors cannot comment that wherever trade marks have been used in the business, they have been used in a suitable or sufficient manner or in relation to the goods for which they have been registered.

### **Reliance on Major Customers**

The Group's customer base largely comprises major international pharmaceutical companies. Although a significant percentage of turnover is generated directly from contracts and orders from these companies, a number of these companies have been customers of Vindon for a period exceeding 10 years in which time relationships have been established. Whilst the Directors are confident that trading with major customers will continue, they cannot give any firm guarantees that this will be the case and that profits would not be affected should the major customers cease orders from Vindon.

### **Regulatory Matters**

Any product in operation that is needed to meet the requirements of the ICH requires a yearly validation service to ensure that certain parameters are being met. As a result the products and services that Vindon supply are directly driven by regulations drawn up by various governing bodies. The Directors are unable to give firm guarantees that major changes in regulations would not have an impact on the ability of the company to remain profitable, or as a going concern.

### **General**

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

## PART III

### ACCOUNTANTS REPORT ON VINDON SCIENTIFIC LIMITED



23 March 2005

The Directors  
Vindon Healthcare plc  
Kiln Green  
Diggle  
Dobcross  
Oldham  
Lancashire  
OL3 5JY

The Directors  
W H Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

Dear Sirs

**VINDON SCIENTIFIC LIMITED (“Vindon” or “the company”)**

#### **1 INTRODUCTION**

- 1.1 We report on the financial information set out in paragraphs 2 to 6 below. This financial information has been prepared for inclusion in the Prospectus dated 23 March 2005 (“the Prospectus”) of Vindon Healthcare plc.

#### **Basis of preparation**

- 1.2 The financial information set out in paragraphs 2 to 6 below is based on the audited financial statements of Vindon Scientific Limited for the three years ended 31 December 2002, 2003 and 2004.
- 1.3 The financial statements have been prepared on the basis set out in note 2.1, after making such adjustments as we considered necessary.

#### **Responsibility**

- 1.4 The financial statements for the three years ended 31 December 2002, 2003 and 2004 are the responsibility of the director of Vindon Scientific Limited who approved their issue.
- 1.5 The directors of Vindon Healthcare plc are responsible for the contents of the Prospectus in which this report is included.
- 1.6 It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

- 1.7 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 recorded by the auditors

who audited 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.

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

### Opinion

- 1.9 In our opinion the financial information gives, for the purposes of the Prospectus, a true and fair view of the profits and cash flows of the company for the three years ended 31 December 2002, 2003 and 2004 and of the state of affairs of the company at the end of each of those periods.

### Consent

- 1.10 We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## 2. PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 31 December		
		2002 £'000	2003 £'000	2004 £'000
<b>Turnover</b>	<b>6.1</b>	2,579	2,585	2,635
Cost of sales		(1,203)	(1,121)	(1,084)
<b>Gross profit</b>		<u>1,376</u>	<u>1,464</u>	<u>1,551</u>
Distribution costs		(248)	(272)	(260)
Administrative expenses		(797)	(968)	(539)
<b>Operating profit</b>	<b>6.2</b>	<u>331</u>	<u>224</u>	<u>752</u>
Interest receivable		10	11	18
Interest payable and similar charges		-	-	(12)
<b>Profit on ordinary activities before taxation</b>		<u>341</u>	<u>235</u>	<u>758</u>
Tax on profit on ordinary activities	<b>6.4</b>	(68)	(58)	(196)
<b>Profit for the financial year</b>		<u>273</u>	<u>177</u>	<u>562</u>
Dividends		(105)	(500)	-
<b>Profit/(loss) transferred to reserves</b>	<b>6.13</b>	<u><u>168</u></u>	<u><u>(323)</u></u>	<u><u>562</u></u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	Year ended 31 December		
		2002 £'000	2003 £'000	2004 £'000
<b>Profit for the financial year</b>		273	177	562
Revaluation	<b>6.13</b>	-	-	101
<b>Total recognised gains and losses relating to the period</b>		<u><u>273</u></u>	<u><u>177</u></u>	<u><u>663</u></u>

### 3. BALANCE SHEETS

	Notes	31 December		
		2002	2003	2004
		£'000	£'000	£'000
<b>Fixed assets</b>				
Tangible assets	6.5	393	446	753
<b>Current assets</b>				
Stocks	6.6	132	107	172
Debtors	6.7	627	582	482
Investments	6.8	35	35	-
Cash at bank and in hand		637	811	859
		1,431	1,535	1,513
<b>Creditors : amounts falling due within one year</b>	6.9	(573)	(1,048)	(640)
<b>Net current assets</b>		858	487	873
<b>Total assets less current liabilities</b>		1,251	933	1,626
<b>Provision for liabilities and charges</b>	6.10	(9)	(15)	(45)
<b>Accruals and deferred income</b>	6.11	(6)	(5)	(5)
<b>Net assets</b>		1,236	913	1,576
<b>Capital and reserves</b>				
Called up share capital	6.12	3	3	3
Revaluation reserve	6.13	143	136	224
Profit and loss account	6.13	1,090	774	1,349
<b>Shareholders' funds</b>	6.14	1,236	913	1,576

#### 4. CASH FLOW STATEMENTS

	Notes	Year ended 31 December		
		2002 £'000	2003 £'000	2004 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6.15</b>	(78)	499	891
<b>Returns on investments and servicing of finance</b>				
Interest received		10	11	18
Interest paid		-	-	(12)
<b>Net cash inflow from returns on investments and servicing of finance</b>		10	11	6
<b>Taxation</b>		(56)	(59)	(53)
<b>Capital expenditure</b>				
Purchase of tangible assets		(88)	(144)	(340)
Disposals of tangible assets		23	18	53
Disposals of investments		-	-	29
<b>Net cash outflow from capital expenditure</b>		(65)	(126)	(258)
Dividends paid		-	(105)	(500)
Increase/(decrease) in cash	<b>6.16</b>	(189)	220	86

#### 5. ACCOUNTING POLICIES

##### 5.1 Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002). The principal accounting policies of the company are set out below.

DTE Business Advisory Services Limited, Chartered Accountants, of DTE House, Hollins Mount, Bury, Lancashire, were the auditors of the company for the three years ended 31 December 2002, 2003 and 2004.

##### 5.2 Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax. Turnover includes income relating to annual service contracts which are invoiced in advance at the inception of the agreements. It is the company's policy to defer a portion of the income as each contract has an element of associated costs which are incurred throughout the contract's life.

##### 5.3 Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Freehold property	- 5% on valuation
Plant and machinery	- 15% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 20% on reducing balance

#### 5.4 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overhead.

#### 5.5 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

#### 5.6 Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

#### 5.7 Government grants

Government grants are disclosed in the balance sheet as deferred income and credited to the profit and loss account in accordance with the period over which the company is expected to benefit from the related expenditure.

#### 5.8 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

#### 5.9 Current asset investments

Current asset investments are stated at cost.

### 6. NOTES TO THE FINANCIAL INFORMATION

#### 6.1 Turnover

During the year ended 31 December 2004 10.0% of the company's turnover was attributable to geographical markets outside the United Kingdom (years ended 31 December 2003 - 18.6%, 2002 - 14.7%).

#### 6.2 Operating profit

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

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation	50	74	102
Profit on disposal of fixed assets	(10)	-	(21)
Loss on disposal of investments	-	-	6
Bad debt	97	-	-
Auditors' remuneration	4	5	8
Pension costs	4	1	1
	<u>4</u>	<u>1</u>	<u>1</u>

### 6.3 Director and employees

Staff costs (including the director) during the periods were as follows:

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	981	1,208	845
Social security costs	120	117	82
Other pension costs	4	1	1
	<u>1,105</u>	<u>1,326</u>	<u>928</u>

The average number of employees, including the director, during the periods was as follows:

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>
Average number of employees	<u>35</u>	<u>35</u>	<u>32</u>

Emoluments of the director (including benefits in kind) in each period were:

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Director's emoluments	284	467	63
Director's pension contribution to money purchase schemes	<u>1</u>	<u>-</u>	<u>-</u>

### 6.4 Taxation

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporation tax	59	53	166
Deferred tax	9	6	30
Adjustment in respect of prior years	-	(1)	-
	<u>68</u>	<u>58</u>	<u>196</u>

## 6.5 Tangible fixed assets

	Freehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2002	225	147	208	15	595
Additions	-	63	25	-	88
Disposals	-	-	(57)	-	(57)
At 31 December 2002	225	210	176	15	626
Additions	-	101	29	14	144
Disposals	-	-	(27)	-	(27)
At 31 December 2003	225	311	178	29	743
Additions	71	229	40	-	340
Disposals	-	(62)	(42)	-	(104)
Surplus on revaluation	79	-	-	-	79
At 31 December 2004	375	478	176	29	1,058
<b>Depreciation</b>					
At 1 January 2002	-	118	97	12	227
Additions	11	14	25	-	50
Disposals	-	-	(44)	-	(44)
At 31 December 2002	11	132	78	12	233
Additions	11	27	32	3	73
Disposals	-	-	(9)	-	(9)
At 31 December 2003	22	159	101	15	297
Additions	19	54	26	3	102
Disposals	-	(41)	(31)	-	(72)
Revaluation adjustment	(22)	-	-	-	(22)
At 31 December 2004	19	172	96	18	305
<b>Net book value</b>					
At 31 December 2002	214	78	98	3	393
At 31 December 2003	203	152	77	14	446
At 31 December 2004	356	306	80	11	753
Cost or valuation is represented by:					
Valuation in 2002	112	-	-	-	112
Valuation in 2004	79	-	-	-	79
Cost	184	478	176	29	867
At 31 December 2004	375	478	176	29	1,058

The freehold property was valued on an open market basis on 23 January 2002 by Ryder & Dutton, Chartered Surveyors. The same firm carried out a further valuation on 13 September 2004 on the same basis and that valuation was incorporated into the financial statements at 31 December 2004.

If freehold property had not been revalued it would have been included at the following historical cost:

	2002 £'000	2003 £'000	2004 £'000
Cost	113	113	184
Aggregate depreciation	44	50	59

<b>6.6 Stocks</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Raw materials	118	74	139
Work in progress	14	33	33
	<u>132</u>	<u>107</u>	<u>172</u>
	<u><u>132</u></u>	<u><u>107</u></u>	<u><u>172</u></u>
<b>6.7 Debtors</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	599	554	476
Other debtors and prepayments	28	28	6
	<u>627</u>	<u>582</u>	<u>482</u>
	<u><u>627</u></u>	<u><u>582</u></u>	<u><u>482</u></u>
<b>6.8 Fixed asset investments</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Listed investments at cost	35	35	-
Market value	23	28	-
	<u>23</u>	<u>28</u>	<u>-</u>
	<u><u>23</u></u>	<u><u>28</u></u>	<u><u>-</u></u>
<b>6.9 Creditors: amounts falling due within one year</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank overdraft	84	38	-
Trade creditors	131	88	154
Unpaid director's fees	-	100	-
Social security and other taxes	55	80	95
Proposed dividend	105	500	-
Advance corporation tax	1	-	-
Corporation tax	59	53	144
Accruals and deferred income	138	189	247
	<u>573</u>	<u>1,048</u>	<u>640</u>
	<u><u>573</u></u>	<u><u>1,048</u></u>	<u><u>640</u></u>
<b>6.10 Provision for liabilities and charges</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred tax	9	15	45
	<u>9</u>	<u>15</u>	<u>45</u>
	<u><u>9</u></u>	<u><u>15</u></u>	<u><u>45</u></u>
Movement in the period:			
Opening balance	-	9	15
Provided during the year	9	6	30
	<u>9</u>	<u>6</u>	<u>30</u>
	<u><u>9</u></u>	<u><u>6</u></u>	<u><u>30</u></u>
Closing balance	9	15	45
	<u>9</u>	<u>15</u>	<u>45</u>
	<u><u>9</u></u>	<u><u>15</u></u>	<u><u>45</u></u>
The deferred tax provision is made up as follows:			
Accelerated capital allowances	9	15	45
	<u>9</u>	<u>15</u>	<u>45</u>
	<u><u>9</u></u>	<u><u>15</u></u>	<u><u>45</u></u>

No provision has been made for deferred tax on the revaluation surplus arising on the company's freehold property. At 31 December 2004 the amount of unprovided deferred tax was £66,000.

### 6.11 Accruals and deferred income

	2002 £'000	2003 £'000	2004 £'000
Deferred government grants	6	5	5
Movement in the period:			
Opening balance	6	6	5
Provided during the year	-	1	-
Closing balance	6	5	5

### 6.12 Share capital

	2002 £	2003 £	2004 £
<b>Authorised</b>			
3,600 Ordinary £1 shares	3,600	3,600	3,600
<b>Allotted, issued and fully paid</b>			
3,000 Ordinary £1 shares	3,000	3,000	3,000

### 6.13 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2002	151	914
Transfer to profit and loss account	(8)	8
Retained profit for the year	-	168
At 31 December 2002	143	1,090
Transfer to profit and loss account	(7)	7
Retained profit for the year	-	(323)
At 31 December 2003	136	774
Arising on revaluation of property	101	-
Transfer to profit and loss account	(13)	13
Retained profit for the year	-	562
At 31 December 2004	224	1,349

**6.14 Reconciliation of movements in shareholders' funds**

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Profit for the period	273	177	562
Dividends	(105)	(500)	-
Revaluation	-	-	101
	<hr/>	<hr/>	<hr/>
Net increase in shareholders' funds	168	(323)	663
Opening shareholders' funds	1,068	1,236	913
	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	<u>1,236</u>	<u>913</u>	<u>1,576</u>

**6.15 Net cash inflow/(outflow) from operating activities**

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating profit	331	224	752
Depreciation	50	74	102
Profit on disposal of fixed assets	(10)	-	(21)
Loss on disposal of investments	-	-	6
Decrease/(increase) in stock	15	25	(65)
Decrease/(increase) in debtors	(267)	45	78
(Decrease)/increase in creditors	(197)	131	39
	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>(78)</u>	<u>499</u>	<u>891</u>

**6.16 Analysis of changes in net cash**

	<b>1 January</b>	<b>Cash flow</b>	<b>31 December</b>
	<b>2002</b>		<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	827	(190)	637
Bank overdraft	(85)	1	(84)
	<hr/>	<hr/>	<hr/>
	<u>742</u>	<u>(189)</u>	<u>553</u>

	<b>1 January</b>	<b>Cash flow</b>	<b>31 December</b>
	<b>2003</b>		<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	637	174	811
Bank overdraft	(84)	46	(38)
	<hr/>	<hr/>	<hr/>
	<u>553</u>	<u>220</u>	<u>773</u>

	<b>1 January</b>	<b>Cash flow</b>	<b>31 December</b>
	<b>2004</b>		<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	811	48	859
Bank overdraft	(38)	38	-
	<hr/>	<hr/>	<hr/>
	<u>773</u>	<u>86</u>	<u>859</u>

**6.17 Capital commitments**

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contracted but not provided for in the financial statements	54	-	-
	<u>54</u>	<u>-</u>	<u>-</u>

**6.18 Related party transactions**

Throughout the period and the previous years the company was under the control of A Roylance by virtue of his majority holding of the ordinary issued share capital of the company.

Yours faithfully

**CHADWICK**

**Chartered Accountants**

Registered Auditor

## PART IV

### ACCOUNTANTS' REPORT ON VINDON HEALTHCARE PLC



23 March 2005

The Directors  
Vindon Healthcare plc  
Kiln Green  
Diggle  
Dobcross  
Oldham  
Lancashire  
OL3 5JY

The Directors  
W H Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

Dear Sirs

#### **VINDON HEALTHCARE PLC (“the Company”)**

We report on the financial information set out in paragraph 2 below which has been prepared for inclusion in the prospectus of the Company dated 23 March 2005 (“the Prospectus”) relating to the proposed placing of up to 3,000,000 ordinary shares in the Company and application for Admission to trading on AIM.

#### **1. Introduction**

The Company was incorporated in England and Wales on 11 April 2003 with company number 4730768 under the name WC CO (19) Limited. On 8 July 2003 the name of the Company was changed to Quick Trader Limited. On 6 October 2004 the Company re-registered as a public limited company and changed its name to Didsbury Progress plc. On 15 March 2005 the name of the Company was changed to Vindon Healthcare plc.

On incorporation the Company had authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was issued.

On 20 September 2004 the Company sub-divided each of its existing authorised ordinary shares, whether issued or unissued, into 20,000 ordinary shares of 0.005p each. The authorised share capital was then increased to £250,000 by the creation of 3,980,000,000 ordinary shares of 0.005p each and 50,000 redeemable shares of £1 each.

On 20 September 2004 the Company issued 50,000 redeemable shares of £1 each (one quarter paid).

On 1 February 2005 the Company consolidated every 2 of its authorised ordinary shares of 0.005p, whether issued or unissued, into one ordinary share of 0.01p. The authorised share capital was then increased to £1,250,000 by the creation of 10,000,000,000 ordinary shares of 0.01p each.

On 1 February 2005 the Company issued 124,990,000 ordinary shares of 0.01p each at par.

On 25 February 2005 the Company issued and allotted 60,000,000 ordinary shares of 0.01p each at 2p per share under an offer for subscription.

On 26 February 2005 the Company made a bonus issue of 40 ordinary shares of 0.01p for every ordinary share of 0.01p held by each member. On the same date the Company consolidated every 100 ordinary shares of 0.01p each into one ordinary share of 1p and redeemed the redeemable shares for cash at par.

Other than referred to below and entering into agreements to pay certain expenses and costs in respect of the preparation of the Prospectus and entering into contracts for the services of the directors of the Company and other contracts referred to in Part VI of the Prospectus the Company's activities up to the present date have been minimal.

### **Basis of Preparation of Financial Information**

The financial information set out below is based upon the statutory financial statements for the period from 11 April 2003 to 30 April 2004, the eight month period from 1 May 2004 to 31 December 2004 and the non statutory accounts prepared by the Directors for the purpose of the Prospectus which cover the period from 1 January 2005 to 26 February 2005.

As there has been no trading activity nor dividends paid from the date of incorporation to 26 February 2005, profit and loss accounts have not been presented.

### **Responsibility**

The financial statements which form the basis of the financial information in this report are the responsibility of the Directors and have been approved by them.

The Directors are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the financial information set out in this report and to form an opinion on the financial information and 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. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company'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 set out below gives for the purpose of the Prospectus a true and fair view of the state of affairs of the Company as at 30 April 2004, 31 December 2004 and 26 February 2005.

### **Consent**

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

## 2. FINANCIAL INFORMATION ON THE COMPANY FOR THE PERIOD 9 APRIL 2003 TO 26 FEBRUARY 2005

### 2.1 Balance Sheets

	30 April 2004 £	31 December 2004 £	26 February 2005 £
<b>Current Assets</b>			
Debtors	-	37,500	-
Cash at bank	1	12,501	1,212,500
Creditors	-	-	(100,000)
	<hr/>	<hr/>	<hr/>
<b>Net Assets</b>	<u>1</u>	<u>50,001</u>	<u>1,112,500</u>
<b>Capital and Reserves</b>			
Called up share capital	1	50,001	758,500
Share premium account	-	-	354,000
	<hr/>	<hr/>	<hr/>
<b>Shareholders' Funds</b>	<u>1</u>	<u>50,001</u>	<u>1,112,500</u>

### 2.2 Notes to the Financial Information

#### 2.2.1 Accounting Policies

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

Champion Chartered Accountants, of 1 Worsley Court, High Street, Worsley, Manchester, were the auditors of the Company for the period ended 30 April 2004. Chadwick, Chartered Accountants, of Television House, 10-12 Mount Street, Manchester, were auditors of the Company for the period ended 31 December 2004.

#### 2.2.2 Share Capital

	30 April 2004 £	31 December 2004 £	26 February 2005 £
<b>Authorised</b>			
1,000 ordinary shares of £1 each	1,000	-	-
12,000,000,000 ordinary shares of 0.005p each	-	200,000	-
120,000,000 ordinary shares of 1p each	-	-	1,200,000
50,000 redeemable shares of £1 each	-	50,000	50,000
	<hr/>	<hr/>	<hr/>
	<u>1,000</u>	<u>250,000</u>	<u>1,250,000</u>
<b>Allotted and called up</b>			
1 ordinary share of £1 each	1	-	-
20,000 ordinary shares of 0.005p each	-	1	-
75,850,000 ordinary shares of 1p each	-	-	758,500
50,000 redeemable shares of £1 each	-	50,000	-
	<hr/>	<hr/>	<hr/>
	<u>1</u>	<u>50,001</u>	<u>758,500</u>

On incorporation the Company had authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was issued.

On 20 September 2004 the Company sub-divided each of its existing authorised ordinary shares, whether issued or unissued, into 20,000 ordinary shares of 0.005p each. The authorised share capital was then increased to £250,000 by the creation of 3,980,000,000 ordinary shares of 0.005p each and 50,000 redeemable shares of £1 each.

On 20 September 2004 the Company issued 50,000 redeemable shares of £1 each (one quarter paid).

On 1 February 2005 the Company consolidated every 2 of its authorised ordinary shares of 0.005p, whether issued or unissued, into one ordinary share of 0.01p. The authorised share capital was then increased to £1,250,000 by the creation of 10,000,000,000 ordinary shares of 0.01p each.

On 1 February 2005 the Company issued 124,990,000 ordinary shares of 0.01p each at par.

On 25 February 2005 the Company issued and allotted 60,000,000 ordinary shares of 0.01p each at 2p per share under an offer for subscription.

On 26 February 2005 the Company made a bonus issue of 40 ordinary shares of 0.01p for every ordinary share of 0.01p held by each member. On the same date the Company consolidated every 100 ordinary shares of 0.01p each into one ordinary share of 1p and redeemed the redeemable shares for cash at par.

### **2.2.3 Share Premium Account**

	£
At 11 April 2003, 30 April 2004 and 31 December 2004	-
Arising on issue of shares on 26 February 2005	1,194,000
Costs of issue	(100,000)
Bonus issue	(740,000)
	<hr/>
At 26 February 2005	354,000
	<hr/> <hr/>

### **2.2.4 Post Balance Sheet Events**

On 28 February 2005 the Company acquired the whole of the issued share capital and voting rights of Vindon Scientific Limited, a company registered in England and Wales.

Yours faithfully

**CHADWICK**

**Chartered Accountants**

Registered Auditor

## PART V

### ILLUSTRATIVE PRO FORMA STATEMENT OF COMBINED NET ASSETS

The following unaudited pro forma statement of combined net assets of the Group is prepared for illustrative purposes only and may not, because of its nature, give a true picture of the financial position of the Group after the proposed Placing. It has been prepared to illustrate the effect on the net assets of the Placing as if they had taken place on 31 December 2004.

	<b>The Company (i) £'000</b>	<b>Vindon Scientific (ii) £'000</b>	<b>Adjustments (iii) £'000</b>	<b>Pro forma Net Assets £'000</b>
<b>Fixed assets</b>				
Intangible	-	-	2,574	2,574
Tangible	-	753	-	753
	-	753	2,574	3,327
<b>Current assets</b>				
Stocks	-	172	-	172
Debtors	-	482	-	482
Cash at bank and in hand	1,213	859	(1,800)	272
	1,213	1,513	(1,800)	926
<b>Creditors: amounts falling due within one year</b>	(100)	(640)	(575)	(1,315)
<b>Net current assets/(liabilities)</b>	1,113	873	(2,375)	(389)
Creditors: amounts falling due after more than one year	-	(5)	(2,075)	(2,080)
Provision for liabilities and charges	-	(45)	-	(45)
<b>Net assets</b>	<u>1,113</u>	<u>1,576</u>	<u>(1,876)</u>	<u>813</u>

#### Notes to the pro forma statement of net assets

- (i) The net assets of Vindon Healthcare plc have been extracted from the audited balance sheet of the Company as at 26 February 2005 as set out in the Accountants' Report in Part IV of this document.
- (ii) The aggregated net assets of Vindon Scientific Limited have been extracted from the aggregated audited balance sheet of Vindon Scientific as at 31 December 2004 as set out in the Accountants' Report on Vindon Scientific Limited in Part III of this document.
- (iii) Adjustments have been made to reflect:
  - (a) The Placing
  - (b) The receipt of bank loans of £2.3 million of which £1.7 million is repayable over 5 years and £600,000 is repayable over 10 years
  - (c) The acquisition of Vindon Scientific Limited
  - (d) Combined costs of the Placing and the Acquisition

The adjustments made are summarised below:

	Adjustment to intangible fixed assets	Adjustment to cash at bank and in hand	Adjustment to creditors due within one year	Adjustment to creditors due in more than one year
	£'000	£'000	£'000	£'000
<b>(a) Placing</b>				
Net proceeds of the placing	-	300	-	-
<b>(b) Receipt of bank loan</b>	-	2,300	(400)	(1,900)
<b>(c) Acquisition</b>	2,574	(3,800)	(175)	(175)
Goodwill arising, calculated by reference to the fair value of the consideration given (£4.15 million) compared to the fair value of the assets acquired (£1.576 million).				
<b>(d) Combined costs</b>	-	(600)	-	-
	<u>2,574</u>	<u>(1,800)</u>	<u>(575)</u>	<u>(2,075)</u>

- (iv) No adjustment has been made for any event since 26 February 2005 (in respect of the Company) or 31 December 2004 (in respect of Vindon Scientific Limited) save as disclosed above, and in particular the pro forma statement of net assets does not take into account any trading or working capital movements arising since those dates.

## PART VI

### ADDITIONAL INFORMATION

#### 1. The Company and the Group

- 1.1 The Company was incorporated and registered in England and Wales as a private limited company under the Act on 11 April 2003 with registered number 4730768 with the name WC CO (19) Limited. The liability of the members of the Company is limited.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made under the Act.
- 1.3 The registered office of the Company is situated at Kiln Green, Diggle, Dobcross, Oldham, Lancashire OL3 5JY.
- 1.4 On 8 July 2003 the Company changed its name to Quick Trader Limited.
- 1.5 On 6 October 2004, the Company re-registered as a public limited company and changed its name to Didsbury Progress plc.
- 1.6 On 15 March 2005, the Company changed its name to Vindon Healthcare plc.

#### 2. Subsidiary

- 2.1 The Company is the holding company of the following subsidiary which is wholly owned and which was incorporated in England and Wales:

Name	Company Number	Nature of Business	Date of incorporation	Issued Share Capital (fully paid)
Vindon Scientific Limited	878160	Provider of environmental control products and services	29 April 1966	£3,000

- 2.2 The registered office of Vindon is situated at Kiln Green, Diggle, Dobcross, Oldham, Lancashire, OL3 5JY.

#### 3. Share Capital

- 3.1 At the date of its incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was in issue, fully paid.
- 3.2 On 20 September 2004 the subscriber share was transferred to Ian William Currie.
- 3.3 Since the incorporation of the Company, the following charges have occurred in the authorised and issued share capital of the Company:
  - (a) on 20 September 2004:
    - (i) each of the existing issued and each of the existing un-issued ordinary shares of £1 each in the capital of the Company were sub-divided into 20,000 ordinary shares of 0.005p each; and
    - (ii) the authorised share capital of the Company was increased from £1,000 to £250,000 by the creation of 3,980,000,000 ordinary shares of 0.005p each identical in all respects with the existing ordinary shares in the capital of the Company and 50,000 redeemable shares of £1 each.
  - (b) on 20 September 2004 the Company issued 50,000 redeemable shares of £1 each, one quarter paid to Zeus Partners of which Richard Ian Hughes is a partner.
  - (c) on 1 February 2005:
    - (i) each 2 issued and each 2 un-issued ordinary shares of 0.005p each in the capital of the Company were consolidated into 1 ordinary share of 0.01p each; and
    - (ii) the authorised share capital of the Company was increased from £250,000 to £1,250,000 by the creation of 10,000,000,000 ordinary shares of 0.01p each identical in all respects with the existing ordinary shares in the capital of the Company.

- (iii) the Directors were generally and unconditionally authorised (in substitution for the authority conferred on them by the existing Articles of Association of the Company) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount equal to the nominal amount of the authorised but unissued share capital of the Company immediately following the passing of the resolution PROVIDED THAT such authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the date which is five years after the date of passing the resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred had not expired; and
  - (iv) the Directors were empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment.
- (d) On 1 February 2005, at an extraordinary general meeting of the Company it was resolved that:
- (i) conditional on the Offer for Subscription being subscribed in full and the shares which are the subject of the Offer for Subscription being allotted and issued to the appropriate subscriber the sum of £740,000 being part of the share premium account of the Company be capitalised and appropriated as capital to the holders of the ordinary shares in paying up 40 ordinary shares of 0.01p each for each one ordinary share of 0.01p each held by each holder; and
  - (ii) conditional on the bonus issue referred to in paragraph 3.3 (d) (i) of this Part VI every 100 ordinary shares of 0.01p each in the authorised and issued share capital of the Company be consolidated into 1 ordinary share of 1p.
- (e) On 1 February 2005 the Company issued 124,990,000 ordinary shares of 0.01p for cash at par.
- (f) On 25 February 2005 the Company issued 60,000,000 ordinary shares of 0.01p at 2p per share under the Offer for Subscription;
- (g) On 26 February 2005:
- (i) the Company made a bonus issue of 40 ordinary shares of 0.01p for every ordinary share of 0.01p held by each member allotting in aggregate a total of 7,400,000,000 ordinary shares of 0.01p each fully paid;
  - (ii) the Company consolidated every 100 ordinary shares of 0.01p each into 1 ordinary shares of 1p each; and
  - (iii) following the Redeemable Shares each being paid up, the Company redeemed the Redeemable Shares for cash at par value and subsequently cancelled them.

3.4 The Proposals will entail the Company allotting a further 3,000,000 ordinary shares of 1p each (assuming full subscription under the Placing).

3.5 The following table shows the authorised and issued share capital of the Company at the date of this document and on Admission:

	<i>Ordinary Share Capital</i>			
	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
At the date of this document	120,000,000	1,200,000	75,850,000	758,500
On Admission	120,000,000	1,200,000	78,850,000	788,500

  

	<i>Redeemable Share Capital</i>			
	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
At the date of this document	50,000	50,000	Nil	Nil
On Admission	50,000	50,000	Nil	Nil

3.6 Save as disclosed in paragraphs 3, 5 and 11 of this Part VI:

- (a) no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued fully or partly paid, for cash or any other consideration or has been purchased by the Company;
- (b) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital; and
- (c) no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

#### 4. Directors

4.1 Other than their directorships or proposed directorships of the Company and Vindon, the current directorships and partnerships of the Directors and directorships and partnerships held by them over the previous five years are as follows:

##### Directorships and Partnerships

Name	Age	Current	Previous
<b>Martin Liam Ferguson</b> <i>Chairman</i>	51	HQC (Holdings) Ltd	Business Link Central Lancashire Limited
		Innomet Ltd	Business Link Lancashire Limited
		Made Up North Productions Limited	Chorley Local Enterprise Agency Limited
		Marwell Consulting Limited	LAWTEC Limited
		North West Projects Ltd	M.B. Faber Design Limited
		TPMI (Tradings) Limited	Management TV International Limited
			Marwell Developments Limited
			Mersey Welding & Engineering Company Limited
			Motherwell Bridge Investments Limited
			N.I.S. Limited
	N.I.S. Holdings Limited	NIS Invotec Limited	
		N.I.S. Space Limited	
		NSG Environmental Limited	
		Petrie Technologies Limited	
		Phosphor Technology Limited	
		The Manufacturing Institute	
		Walker Fabrications Limited	
<b>Martin Henry Burrill</b> <i>Finance Director</i>	44	Active Motto plc	Beva-Leach Logistics Limited
		Clear Marketing Communications Limited	Cookie Jar Limited
		Crucial Plan plc	HM Group Limited
		Green Symbol Limited	Lestright Limited
		Hillview Contracts Limited	Lexicon Group (UK) Limited
		Zeus Capital Holdings Limited	Millies Limited
		Zeus Capital Limited	Millie's Cookies (Franchise) Limited
			Millie's Cookies (Retail) Limited
			Millie's Cookies Limited
			Ringley Chase Management Company Limited
	The Original Cookie Company Limited		
		Ulpha Trading Limited [Struck off]*	
		Wasdale Limited	

\* Ulpha Trading Limited was a shell company which never traded. It was struck off the Companies Register rather than leave it as a dormant non-trading shell company.

<b>Name</b>	<b>Age</b>	<b>Current</b>	<b>Previous</b>
<b>Richard Ian Hughes</b> <i>Non-Executive Director</i>	<b>36</b>	1st Health Solutions Limited Alchemy Venture Partners Limited Cityblock plc Compass Finance Group plc Dakarts Limited Education Solutions Speke Limited Equity Solutions (Manchester) Limited Equity Solutions LIFT Investments Limited Equity Solutions GP Limited Eternal Time Limited Little Duty Limited Primary Care Properties Limited Primary Care Properties Bloxwich Limited Trade Flair plc Wise Image Limited Zeus Capital Limited Zeus Capital Holdings Limited Zeus Partners Limited Zeus Partners Investments Limited Zeus Management Services Limited Zeus Partners Zeus Property Investments Limited Zeus Securities Limited	Altium Capital Limited Christy Home Textiles Limited Crucial Plan plc Equity Solutions GP Limited Floors2Go plc Frenkel Topping Group plc Hallco 131 Limited Healthcare Communications Group plc Platinum Shield plc Stepquick plc Titan Move plc Westech Instrument Holdings Plc

4.2 The business address of each of the Directors is Kiln Green, Diggle, Dobcross, Oldham, Lancashire OL3 5JY.

4.3 Save as disclosed in this document, as at the date of this document, none of the Directors has:

4.3.1 any unspent convictions in relation to indictable offences; or

4.3.2 been declared bankrupt or made any individual voluntary arrangement; or

4.3.3 been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or

4.3.4 been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or

4.3.5 had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or

4.3.6 been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **5. Directors' and Other Interests**

5.1 The interests of the Directors in the share capital of the Company, all of which are beneficial unless otherwise stated, as notified to the Company pursuant to section 324 or 328 of the Act, as they appear or will appear in the register of directors' interests required pursuant to section 325 of the Act, or which are interests of persons connected with the Directors, within the meaning of section 346 of the Act, as at the date of this document and immediately upon Admission (assuming full take-up of the Placing) are and will be as follows:

<b>Directors</b>	<b>As at the date of this document</b>		<b>On Admission *</b>	
	<b>Number of Ordinary Shares</b>	<b>Percentage of issued Ordinary Share capital</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of issued Ordinary Share capital</b>
<b>Richard Ian Hughes</b>	37,226,205**	49.08	37,226,205**	47.21
<b>Martin Liam Ferguson</b>	4,025,000	5.31	4,150,000	5.26
<b>Martin Henry Burrill</b>	300,000	0.40	300,000	0.38

\* These numbers and percentages are calculated assuming that the Placing is fully taken-up.

\*\* This number represents 35,778,553 Ordinary Shares which are registered in the names of Richard Ian Hughes (15,200,349 Ordinary Shares), Ian William Currie (17,200,349 Ordinary Shares) and Keith William Salisbury (3,377,855 Ordinary Shares) who are connected persons being partners of Zeus Partners, and 1,447,652 Ordinary Shares registered in the name of Zeus Capital Holdings Limited, a company in respect of which Richard Ian Hughes is a director.

5.2 Zeus Partners (a partnership in which Richard Ian Hughes, a director of the Company, is a partner) have been granted the following options over Ordinary Shares by various shareholders in the Company which will all lapse on Admission:

<b>Name of Shareholder (Grantor of the option)</b>	<b>Number of Ordinary Shares</b>	<b>Exercise price (total)</b>	<b>Date of grant</b>	<b>Exercise period</b>
Martin Liam Ferguson	3,000,000*	£731.71	25 February 2005	01/04/05-31/12/06
Thomas Patrick Jackson	3,000,000*	£731.71	25 February 2005	01/04/05-31/12/06
Andrew Jones	250,000*	£60.98	1 February 2005	01/04/05-31/12/06
John Sheen	250,000*	£60.98	1 February 2005	01/04/05-31/12/06
Martin Coyne	250,000*	£60.98	1 February 2005	01/04/05-31/12/06
Sam Allardyce	50,000*	12.20	25 February 2005	01/04/05-31/12/06
Colin Hendry	50,000*	12.20	25 February 2005	01/04/05-31/12/06
Ian Battersby	100,000*	24.39	25 February 2005	01/04/05-31/12/06

\* The number of option shares will also include any further shares in the capital of the Company which are derived from the option shares or which are distributed by the Company in respect of the option shares for the time being representing the same by reason of any alteration in the share capital of the Company or any amalgamation, re-organisation or reconstruction of the Company.

5.3 Zeus Partners (a partnership in which Richard Ian Hughes, a director of the Company, is a partner) have been granted options by each of Martin Liam Ferguson and Thomas Patrick Jackson in respect of each of their individual holdings of 3,000,000 Ordinary Shares. The options are exercisable by Zeus Partners at any time within the period of one year following Martin Liam Ferguson or Thomas Patrick Jackson (as the case maybe) ceasing to hold office as a director or ceasing to be an employee of the Group within the two year period ending on 28 February 2007 (other than in circumstances where Martin Liam Ferguson and Thomas Patrick Jackson are deemed to be good leavers pursuant to the terms of the option agreements) (the "Transfer Event"). The price payable by Zeus Partners for the option shares upon the exercise of the options shall be:

- (a) 0.01p per option share in the event the Transfer Event occurs between 1 March 2005 and 31 August 2006; or
- (b) in any other case 10p per option share (unless Martin Liam Ferguson and Thomas Patrick Jackson are in breach of any restrictive covenants in their letter of appointment/service agreement with the relevant member of the Group when it shall be 0.01p per option share).

The number of option shares will also include any further shares in the capital of the Company which are derived from the option shares or which are distributed by the Company in respect of the option shares for the time being representing the same by reason of any alteration in the share capital of the Company or any amalgamation, re-organisation or reconstruction of the Company.

- 5.4 As far as the Company is aware as at 23 March 2005 the latest practicable date before the publication of this document and immediately upon Admission (assuming full subscription under the Placing), the following persons had and will have interests (other than Directors' and their immediate families' interests) within the meaning of Section 208 of the Act in the issued ordinary share capital of the Company which, directly or indirectly, represent or will represent, on Admission, 3 per cent. or more of the issued Ordinary Share capital of the Company:

	<i>As at the date of this document</i>		<i>On Admission *</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
<b>Directors</b>				
Ian William Currie	37,226,205**	49.08	37,226,205**	47.21
Keith William Salisbury	37,226,205**	49.08	37,226,205**	47.21
Richard Matthewman	3,377,855	4.45	3,377,855	4.28
Thomas Patrick Jackson	3,000,000	3.96	3,000,000	3.80
John Geoffrey Bolitho	3,075,000	4.05	3,450,000	4.38

\* *These numbers and percentages are calculated assuming that the Placing is fully taken-up.*

\*\* *This number represents 35,778,553 Ordinary Shares which are registered in the names of Richard Ian Hughes (15,200,349 Ordinary Shares), Ian William Currie (17,200,349 Ordinary Shares) and Keith William Salisbury (3,377,855 Ordinary Shares) who are connected persons being partners of Zeus Partners, and 1,447,652 Ordinary Shares registered in the name of Zeus Capital Holdings Limited, a Company in respect of which Ian William Currie and Keith William Salisbury are directors.*

Save as disclosed above and in paragraph 5.1 of this Part VI, the Directors are not aware of any person who, directly or indirectly, is or will be following the Placing, interested in 3 per cent. or more of the Company's issued Ordinary Share capital.

- 5.5 Save as disclosed above, the Directors are not aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to the Company pursuant to section 324 or section 328 of the Act and would be required to be entered in the register of directors' interests pursuant to section 325 of the Act.
- 5.6 Save as disclosed in this paragraph 5, the Company is not aware of any person who immediately following Admission will, directly or indirectly, be interested in 3 per cent. or more of the share capital of the Company or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 5.7 Save as disclosed above, none of the Directors have any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 5.8 Save as disclosed in this document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of the Group.
- 5.9 There are no outstanding loans granted by the Group to any of the Directors, nor are there any guarantees provided by the Group for their benefit.
- 5.10 W.H. Ireland is interested in 1,206,000 Ordinary Shares at the date of this document.

## **6. Memorandum of Association**

The principal objects of the Company are set out in clause 4 of the Company's memorandum of association and are to carry on the business of a general commercial company.

## **7. Articles of Association**

The Articles contain, *inter alia*, provisions which are summarised below. The summary does not purport to be complete and is qualified in its entirety by the full terms of the Articles and the Act.

## **7.1 *Rights attaching to the Ordinary Shares***

### **7.1.1 *Voting***

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held, every member present in person at any general meeting shall, upon a show of hands, have one vote and every member present in person or by proxy shall, upon a poll, have one vote for each share held by him. Unless the board otherwise determines, voting rights may not be exercised by a member who has not paid to the Company all calls and other sums then payable by him in respect of shares in the Company.

Where there are joint holders of a share, any one of them may vote at any meeting either personally or by proxy in respect of the share as if he were solely entitled to it, but if more than one joint holder is present at a meeting either personally or by proxy, that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote in respect of it.

### **7.1.2 *Dividends***

Subject to the Act and any special rights attaching to shares (of which there are none at present), the holders of the Ordinary Shares are entitled, proportionately amongst themselves, to the profits of the Company available for distribution and resolved by ordinary resolution to be distributed (up to the amount recommended by the directors) according to the amounts paid up on the Ordinary Shares held by them. The directors may pay interim dividends if profits are available for distribution. No dividends payable in respect of an Ordinary Share shall bear interest. The directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid (or other specific assets) instead of cash in respect of all or part of a dividend (“a scrip dividend”). The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares (or other specific assets) instead of that dividend.

The Company or the board may fix any date as the record date for a dividend. A dividend unclaimed after a period of 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

### **7.1.3 *Return of Capital***

If the Company is wound up the liquidator may, with the authority of an extraordinary resolution of the Company 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, whether or not the assets consist of property of one kind or properties of different kinds, and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the same authority, vest the whole or any part of the whole of the assets in trustees on trusts for the benefit of the members as he with the same authority thinks fit, but no member shall be compelled to accept any assets on which there is a liability.

### **7.1.4 *Allotment, Redemption and Pre-emption***

Subject to the provisions of the Act and the Articles the power of the Company to allot any new shares shall be exercised by the board. The current unissued share capital of the Company may be issued in accordance with the resolutions summarised at paragraph 3.3 (iii) and (iv) of this Part VI.

Subject to the provisions of the Act and to any rights for the time being attached to any existing shares, shares may be issued on terms that they are, or at the option of the Company or the holder are to be liable, to be redeemed. There are no pre-emption rights on transfer attaching to the shares in the capital of the Company.

### **7.1.5 *Alteration of share capital***

The Company may by ordinary resolution increase, consolidate or sub-divide its share capital or cancel any shares which have not, at the date of the ordinary resolution, been taken or agreed to be taken by any person and, subject to the Act, diminish the amount of its share capital by the

nominal amount of shares so cancelled. Subject to any provision of law and to any rights for the time being attached to any share the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner.

#### 7.1.6 *Purchase of Own Shares*

The Company may purchase its own shares (including any redeemable shares) in accordance with the Articles and the Act.

### 7.2 ***Rights attaching to the Redeemable Shares***

#### 7.2.1 *Voting*

The Redeemable Shares shall not entitle the holders thereof to receive notice of and to attend and vote at any general meeting of the Company.

#### 7.2.2 *Dividends*

The Redeemable Shares shall rank *pari passu* in all respects with the Ordinary Shares.

#### 7.2.3 *Return of Capital*

The Redeemable Shares shall rank *pari passu* in all respects with the Ordinary Shares.

#### 7.2.4 *Redemption*

Subject to the provisions of the Act the Company may at any time redeem all (but not part) of the Redeemable Shares in issue by giving prior written notice to the holders.

### 7.3 ***Forfeiture and Lien***

#### 7.3.1 *Notice on failure to pay a call*

Where a member fails to pay the whole or any part of any call or instalment of a call on or before the day fixed for payment, the Board may, at any time thereafter during such time as the whole or any part of such call or instalment remains unpaid, serve a notice in writing on him, or any person entitled to the shares by transmission, requiring payment of so much of the call or instalment as is unpaid, together with any accrued interest and any costs, charges and expenses incurred by the Company by reason of the non-payment. The notice shall state that in the event of non-payment in accordance with such notice, the shares on which the call was made will be liable to be forfeited.

#### 7.3.2 *Lien on partly paid shares*

The Company shall have a first and paramount lien on each of its shares which is not fully paid for all amounts (whether presently payable or not) called on payable to the Company in respect of such shares.

#### 7.3.3 *Sale of shares subject to a lien*

The Company may sell in such manner as the Board determines any shares on which the Company has a lien, fourteen days after a notice in writing demanding payment of the sum presently payable and giving notice that if the sum presently payable is not paid the shares may be sold.

### 7.4 ***Directors***

#### 7.4.1 *Directors' Remuneration*

The remuneration of the directors for their services as directors shall be determined by the board or a committee of the board formed for the purpose of determining director's fees and remuneration. In addition, the directors are entitled to be reimbursed for all reasonable expenses incurred in connection with their duties as directors, including attendance at board meetings, committee meetings, general meetings or otherwise in connection with the business of the Company. A director may be appointed by the board to any employment or executive office with the Company for such period (subject to the provisions of the Act) on such terms and at such remuneration as the board may determine.

#### 7.4.2 *Retirement of Directors by Rotation*

At every annual general meeting of the Company, one-third of the directors who are subject to retirement by rotation (or, if their number is not a multiple of three, the number nearest to but not more than one third) shall retire from office by rotation.

#### 7.4.3 *Number of Directors*

Unless otherwise determined by ordinary resolution the directors shall not be less than two in number but shall not be subject to any maximum.

#### 7.4.4 *Age Limit*

There shall not be any age limit for directors and sub-sections (1) to (6) of section 293 of the Act shall not apply to the Company.

#### 7.4.5 *Directors' Interests*

A director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the board concerning any contract, arrangement or other proposal in which he is, to his knowledge, directly or indirectly, materially interested other than by virtue of his interests in shares or debentures or other securities of or in or otherwise through the Company.

The prohibition will not apply to the following:

- 7.4.5.1 an arrangement for giving a guarantee, security or indemnity to him in respect of money lent or obligations undertaken by him for the benefit of the Company (or any of its subsidiaries) or in respect of a debt or obligation of the Company (or any of its subsidiaries) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- 7.4.5.2 a proposal concerning an offer of securities by the Company (or any of its subsidiary undertakings) in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- 7.4.5.3 a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent., or more either of any class of its equity share capital or of its voting rights;
- 7.4.5.4 certain arrangements for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award the director a privilege or benefit not awarded to the employees to whom the arrangement relates;
- 7.4.5.5 a proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or in subject to and conditional upon approval by the board of the Inland Revenue for taxation purposes; or
- 7.4.5.6 a proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons who include directors.

Subject to the provisions of the Act and provided he has disclosed to the directors the nature and extent of his interest, a director may contract with the Company and the contract shall not be avoided on the grounds of his interest or benefit and the director is not liable to account to the Company for any profit realised as a result of the contract.

Where proposals are under consideration concerning the appointment of two or more directors, a separate resolution may be put in relation to each director. In each case, each director (if not otherwise debarred from voting) is entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

### 7.5 *Transfer of Shares*

Any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system. The following provisions apply to uncertificated shares as if the reference therein to the date on which the transfer was lodged with the Company was a reference to the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the facilities and requirements of the relevant system.

The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers shall be effected by instrument in writing in the usual common form or any other form which the directors may approve. The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The directors may likewise refuse to register any transfer in favour of more than four persons jointly. The directors may decline to recognise any instrument of transfer unless it is lodged, duly stamped, with the Company, accompanied by the relevant certificate and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, and unless the instrument is in respect of only one class of share. The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, refuse to register the transfer of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice. The directors may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the relevant system or The Uncertificated Securities Regulations 2001.

#### **7.6 *Variation of Rights***

The rights attaching to the shares in the Company may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

#### **7.7 *Borrowing Powers***

The directors may exercise all the powers of the Company to borrow money, and to mortgage or charge all or any part of its undertaking, property and assets (both present and future), including its uncalled capital and, subject to the Act, to issue debentures, loan stock and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to ensure (or, as regards subsidiaries, so far as they can so ensure) that the aggregate principal amount (after adjustments provided for in the Articles) at any one time owing by the Company and all its subsidiaries in respect of monies borrowed and owing to persons outside the Group shall not at any time without the previous sanction of the Company in general meeting exceed an amount equal to 3 times the amount paid up or credited as paid up on the issued share capital of the Company and the amount standing to the credit of the consolidated reserves of the Company and its subsidiaries and including (without limitation) share premium account, capital redemption reserve and credit balance on profit and loss account but after deducting any debit balance on profit and loss account and subject to such adjustments as are specified in the Articles.

#### **7.8 *Electronic communication***

Any requirement for the Company to send, circulate or despatch notices or documents to its members shall be deemed to have been complied with in relation to any member where the Company and the member have agreed to use electronic communication to send such notices or documents, where the notices or documents are notices or documents to which the agreement applies and copies of the notices or documents are sent by electronic communication to the address, number or other location notified by the member to the Company for that purpose, or where the Company and the member have agreed to the member having access to notices or documents on a website and the member is notified of the publication of the notices or documents on the website, the address of the website, the place on the website where the notices or documents can be accessed and how they can be accessed and the period of time for which the notices or documents will be available on the website.

The period of time for which the notices or documents must be available on a website must not be less than 21 days from the date of notification or, if later, until the conclusion of any general meeting to which the notices or documents relate. If the notices or documents are published on the website for a part only of this period of time, they will be treated as being published throughout the period if the failure to publish throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.

Where the Company sends notices or documents to Shareholders by electronic communication, it must also make the notices or documents available to members in printed form and free of charge on request during normal business hours for a period of not less than 21 days from the date of communication or notification or, if later, until the conclusion of any general meeting to which the notices or documents relate. The printed copies must be made available in sufficient numbers to satisfy demand from its members and be made available at the Company's registered office and also at the offices of any of the Company's paying agents in the United Kingdom.

## **7.9 Capitalisation of profits and reserves**

7.9.1 The Board may with the authority of the Company in general meeting capitalise all or any part of the profits of the Company arising from the appreciation in capital assets of the Company (whether realised by sale or ascertained by valuation) or any amounts for the time being standing to the credit of any of the Company's reserve accounts or to any sum standing to the credit of the profit and loss account.

7.9.2 Such capitalisation shall be effected by appropriating the profits to be capitalised to the members in proportion to their holdings of Ordinary Shares and applying such sum on their behalf in or towards paying up the amounts, if any, for the time being unpaid on any such shares held by such members respectively or in paying up in full unissued shares.

## **8. Directors and Letters of Appointment**

8.1 The Company has entered into a letter of appointment with Zeus Partners dated 1 February 2005 with a commencement date of 1 February 2005 under which Zeus has agreed to provide the Company with services of Ian William Currie as non-executive chairman of the Company and specifically to monitor the performance of the Company from a shareholder perspective. The services are provided on a non-exclusive, "ad hoc" basis for an annual fee of £36,000 (exclusive of value added tax) and payable in twelve equal monthly instalments. In addition, the Company pays Zeus an annual fee of £24,000 payable in 12 equal monthly instalments (exclusive of value added tax), for use of office accommodation and secretarial services. In the event that the share capital of the Company is admitted to trading on AIM or a market operated by OFEX plc the Company will pay an additional fee of £195,000 (plus value added tax if applicable) to Zeus. The terms of the letter of appointment will continue until terminated by either party giving the other at least twelve months' written notice.

8.2 On 25 February 2005 the Company and Zeus Partners varied the agreement referred to in paragraph 8.1 above to provide for the provision of the services of Richard Ian Hughes as non-executive director of the Company instead of Ian William Currie as non-executive chairman for an annual fee of £20,000. All other terms and conditions of the agreement referred to in paragraph 8.1 remained unchanged.

8.3 By a letter dated 23 March 2005 the Company paid Zeus Partners a sum of £60,000 (plus value added tax) in consideration of the cessation of the services of Ian William Currie as non-executive chairman as referred to in paragraph 8.2 above. The payment of £60,000 (plus value added tax) is without prejudice to the fee of £195,000 (plus value added tax if applicable) payable by the Company to Zeus in the event that the share capital of the Company is admitted to trading on AIM or a market operated by OFEX plc as referred to in paragraph 8.1 above.

8.4 Acceleris Corporate Ventures Limited entered into a letter of appointment with the Company dated 1 February 2005 with a commencement date of 1 February 2005 in respect of Norman Molyneux's services as an executive director of the Company. The appointment was for an initial term of six months from 1 February 2005 and was terminable at any time by six months' written notice by either party, expiring at any time after the initial term. Norman's role included the identification of appropriate target businesses. Under the letter of appointment, Acceleris Corporate Ventures Limited was entitled to an annual fee of £10,000 exclusive of value added tax and reimbursement of reasonable expenses but no other remuneration.

8.5 On 25 February 2005 the Company and Acceleris Corporate Ventures Limited entered into an agreement to terminate the agreement referred to in paragraph 8.4 above with effect from 25 February 2005. In consideration of the termination the Company has agreed to pay Acceleris Corporate Ventures Limited the sum of £2,500 on Admission.

- 8.6 The Company has entered into a letter of appointment with Martin Henry Burrill dated 28 February 2005 with a commencement date of 28 February 2005 in respect of his appointment as Finance Director and Company Secretary of the Company. The services are provided on an “ad hoc” basis for an annual fee of £15,000 subject to appropriate deductions for tax and national insurance contributions. The appointment is terminable by either party on six months’ written notice to expire at any time.
- 8.7 The Company has entered into a letter of appointment with Martin Liam Ferguson dated 28 February 2005 with a commencement date of 28 February 2005 in respect of his appointment as Chairman of the Company. The services are provided on an “ad hoc” basis for an annual fee of £20,000 subject to appropriate deductions for tax and national insurance contributions. The appointment is terminable by either party on six months’ written notice to expire at any time.
- 8.8 The aggregate remuneration including salaries, fees, pension contributions and bonus payments and benefits in kind of the directors including amounts paid from all members of the Group in respect of the financial year ended 31 December 2004 was nil.
- 8.9 The aggregate remuneration including salaries, fees, pension contributions and bonus payments and benefits in kind of the Directors including amounts paid from all members of the Group in respect of the current financial year ended 31 December 2005 under the arrangements in force at the date of this document is estimated to be £46,000.

## 9. Registered Office and Premises

- 9.1 The registered office of the Company is Kiln Green, Diggle, Dobcross, Oldham, Lancashire, OL3 5JY.
- 9.2 Vindon occupies freehold premises comprising 1,562 sq. metres at a single site in Diggle, Oldham

## 10. Taxation

### 10.1 Introduction

**The information in this section is based on the Directors’ understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.**

On issue, the Ordinary Shares will not be treated as either “listed” or “quoted” securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM) and assuming that the Company remains a trading company or the holding company of a trading group for UK tax purposes, the Ordinary Shares should continue to be treated as unquoted securities qualifying for certain reliefs from UK taxation.

**The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.**

### 10.2 Capital Gains Tax (“CGT”)

#### 10.2.1 Disposals

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the “pooling” of shares (i.e. treating them as one asset) no longer applies. Generally, any disposal of shares is treated on a last in, first out basis for the purposes of calculating gains which are chargeable to tax.

#### 10.2.2 Taper Relief

On 5 April 1998, “taper relief” was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a “business” or “non-business” asset. The scale of relief is enhanced for those assets which qualify as “business” assets.

Business assets include shares in qualifying unquoted trading companies or holding companies of trading groups. For these purposes, prospective Investors should note that companies admitted to trading on AIM are regarded as unquoted.

Since the acquisition of Vindon on 28 February 2005 the Directors believe the Company is the holding company of a trading company or group and satisfies the relevant criteria to qualify as a business asset, with the associated accelerated scales of taper relief applicable. In these circumstances, the taper relief will be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

### 10.3 *Inheritance Tax (“IHT”)*

Shares in qualifying trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes. The Directors believe the Company qualifies for business property relief following the acquisition of Vindon on 28 February 2005. Business property relief applies to shares in an AIM company if that company is a trading company or holding company of a trading group.

### 10.4 *Income Tax*

#### 10.4.1 *Taxation of Dividends*

- 10.4.1.1 The statements that follow assume that no dividends paid by the Company will be treated as foreign income dividends pursuant to the provisions of the Finance Act 1997. Since 1999 the Company cannot elect to pay any foreign income dividends under the provisions contained in the Finance Act 1994.
- 10.4.1.2 Under current UK tax legislation, no tax is now withheld from dividends paid by the Company. Advance Corporation Tax (“ACT”) has been abolished since 6 April 1999.
- 10.4.1.3 UK resident individual Shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder’s lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual Shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. i.e. an effective rate of 25 per cent. on the amount of the dividend. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.
- 10.4.1.4 Prior to 6 April 1999, in appropriate cases, individuals and charities were able to reclaim all or part of the tax credit attaching to a dividend in cash from the Inland Revenue. From 6 April 1999 they are no longer able to do so. Over a transitional period to 2003/04, charities (but not individuals) will be able to claim a compensatory payment calculated as a percentage payment of their dividend income.
- 10.4.1.5 A UK resident (for tax purposes) corporate Shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.
- 10.4.1.6 A UK pension fund, as defined in Section 231A Income and Corporation Taxes 1988, is restricted from claiming a repayment of the tax credit.
- 10.4.1.7 Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm’s length terms). By virtue of double taxation agreements between the UK and other countries, some overseas Shareholders are able to claim payment of all or part of the tax credits carried by the dividends they receive from UK

companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

#### 10.4.2 *Loss Relief:*

If a loss arises on the arms length disposal of shares in a qualifying trading company or a holding company of a trading group, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year (with priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income may be available for relief against capital gains in either the current or subsequent years.

#### 10.5 *Stamp duty and stamp duty reserve tax (“SDRT”)*

Transfers or sales of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 50p per £100 or part thereof rounded up to the nearest £5) and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at that rate). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

#### 10.6 *Enterprise Investment Scheme (“EIS”)*

Following the acquisition of Vindon on 28 February 2005 the Directors believe that the Company meets the requirements of a qualifying company under the EIS so that a subscription for new Ordinary Shares would have certain tax advantages for investors.

**The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.**

### 11. **Material Contracts**

Other than as set out below and in paragraph 8 of this Part VI there are no contracts (not being in the ordinary course of business) entered into by the Company since the Company’s incorporation or entered into by Vindon within the two years preceding the date of this document which are or may be material or which contain any provision under which the Company or Vindon has any obligation or entitlement which is material to the Company or Vindon as at the date of this document.

#### 11.1 **Vindon Healthcare**

11.1.1 By a letter of engagement dated 2 February 2005 the Company appointed W.H. Ireland as financial adviser in connection with the Offer for Subscription, Admission and any related fundraising at the time of Admission. W.H. Ireland received pursuant to the engagement, a fee of £2,500 (exclusive of VAT) together with a commission at the rate of 3 per cent. of the aggregate value of such new Ordinary Shares at the subscription price which were the subject of the Offer for Subscription and for which W.H. Ireland has procured subscribers.

11.1.2 By a sale and purchase agreement dated 28 February 2005 made between the Vendor (1) and the Company (2), the Vendor agreed to sell and the Company agreed to purchase the entire issued share capital of Vindon for an initial cash consideration of £3,800,000. In the event that the profits before tax for the year ended 31 December 2005 (“2005 Accounts Period”) shown in the Company’s audited accounts for the year ended 31 December 2005 equal or exceed £800,000 the Company shall pay the Vendor the sum of £175,000 in cash by way of additional consideration for the shares in the capital of Vindon. In the event that the profits before tax for the year ended 31 December 2006 (“2006 Accounts Period”) shown in the Company’s audited accounts for the year ended 31 December 2006 equal or exceed £800,000 the Company shall pay to the Vendor the sum of £175,000 in cash by way of additional consideration for the shares in the capital of Vindon. If in either the 2005 Accounts Period or the 2006 Accounts Period the profits before tax shown in the

audited accounts for either the year ended 31 December 2005 or for the year ended 31 December 2006 are less than £800,000 but at the end of the two year period commencing on 1 January 2005 and ending on 31 December 2006 the profits before tax for the two year period commencing on 1 January 2005 and ending on 31 December 2006 when added together equal or exceed £1,600,000, then the Vendor shall be entitled to the sum of £350,000 in cash to the extent not already paid. The Vendor gives various warranties to the Company in respect of Vindon under the agreement.

11.1.3 The following agreements have been entered into by the Group in respect of the provision of bank funding:-

- (a) a facility agreement dated 28 February 2005 between the Company (1) and The Co-operative Bank plc (“Co-op”) (2), pursuant to which Co-op agreed to make available to the Company a term loan facility of up to £2,300,000, to assist the Company to fund the acquisition of the entire issued share capital of Vindon; and
- (b) an overdraft and ancillary facilities letter dated 28 February 2005 between the Company (1), Vindon (2) and Co-op (3) pursuant to which Co-op agreed to make available to the Company and Vindon an overdraft facility of up to £300,000 and an ancillary facility (comprising a business Visa card) of up to £10,000.

These facilities are secured by debentures executed by the Company and Vindon in favour of Co-op, comprising fixed and floating charges over all of the assets and undertaking of the Company and Vindon respectively. The debenture executed by Vindon includes a legal charge over a property at Ceramyl Works, Kiln Green, Diggle, Oldham.

The Company and Vindon have also entered into a composite guarantee in favour of Co-op, which provides that each of the Company and Vindon will guarantee the obligations of the other to Co-op.

Under the facility agreement referred to at (a) above, Co-op has the right to require the Company to put in place keyman life assurance on the life of any key individual, and to assign the benefit of any such policy to Co-op by way of security.

11.1.4 The Company and Vindon have entered into an intra-group loan agreement dated 28 February 2005 pursuant to which Vindon agreed to lend to the Company such sums as the Company considers necessary to allow the Company to (i) fund part of the consideration payable for the acquisition of the entire issued share capital of Vindon, (ii) repay to Co-op the term loan, (iii) meet its working capital and other funding requirements as they fall due, and (iv) pay the costs incurred by it in connection with the Acquisition. The loan(s) made available by Vindon to the Company do not bear interest, are unsecured and repayable on demand.

11.1.5 By an agreement dated 23 March 2005 made between the Company (1) and W.H. Ireland (2), the Company appointed W.H. Ireland to act as Nominated Adviser to the Company for the purposes of the AIM Rules. The Company agreed to pay W.H. Ireland a fee of £15,000 plus VAT per annum for a minimum period of two years, save that for the initial twelve months period the fee payable will be nil. The Nominated Adviser agreement is subject to termination at any time after the initial two year period.

11.1.6 By an agreement dated 23 March 2005 made between the Company (1) and W.H. Ireland (2), the Company appointed W.H. Ireland to act as Broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay W.H. Ireland a fee of £15,000 plus VAT per annum which shall form part of the advisory fee payable to W.H. Ireland pursuant to the nominated adviser agreement set out in paragraph 11.1.5 above, save that for the initial twelve months period the fee payable will be nil. The Broker Agreement is subject to termination at any time after the initial two year period. In addition, the Company will pay W.H. Ireland a commission at the rate of 3 per cent. over the aggregate value of such new Ordinary Shares at the Placing Price which are the subject of the Placing and for which W.H. Ireland has procured subscribers.

11.1.7 By a Placing Agreement dated 23 March 2005 made between the Company (1) R Hughes (2) and W.H. Ireland (3), W.H. Ireland has agreed to use its reasonable endeavours to procure subscribers on behalf of the Company for the Placing Shares at the Placing Price. W.H. Ireland is under no obligation to subscribe for any Placing Shares for which it is unable to procure subscribers. The Company and each of the Directors have given certain warranties and an indemnity to W.H. Ireland as to the accuracy of information contained in this document and other matters in relation

to the Group and its business. The Placing Agreement is conditional *inter alia* upon certain documents specified in the Placing Agreement being delivered to W.H. Ireland and Admission taking place not later than 9 a.m. on 11 April 2005 or such later date as is agreed in writing. Under the Placing Agreement the Company has agreed to pay W.H. Ireland for its services a fee of £57,500 and commissions calculated at the aggregate value of the Placing Shares issued at the Placing Price. The Company has also agreed to indemnify W.H. Ireland against all costs and expenses in connection with the application for Admission save for W.H. Ireland legal costs and commissions payable by it. The Placing Agreement is terminable in certain circumstances by W.H. Ireland before Admission.

11.1.8 By an agreement dated 14 February 2005 made between the Company (1) and Zeus Capital (2) the Company appointed Zeus Capital to act as financial advisor to the Company. The Company has agreed to pay Zeus Capital a fee of £55,000 plus VAT upon Admission and £20,000 plus VAT per annum thereafter.

## 11.2 Vindon

There are no contracts not being in the ordinary course of business entered into by Vindon, within 2 years immediately preceding the date of this document, which are or may be material or which contain any provision under which Vindon has any obligation or entitlement which is material to the Company or Vindon as at the date of this document.

## 12. Litigation

Neither the Company nor Vindon is engaged in any legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or Vindon which are having or may have a significant effect on the Company or Vindon's financial position.

## 13. Intellectual Property Rights

Other than the UK registered trade mark for the word mark "TRANSTHERM" of which Vindon is the proprietor, there are no patents or intellectual property rights, licenses or particular contracts which are of fundamental importance to the Group's business.

## 14. Investments

Save as set out in this document there are no investments in progress which are significant.

## 15. Working Capital

The Directors are of the opinion that, taking into account the proceeds of the Placing and having made due and careful enquiry, the working capital available to the Group will, from the time the Ordinary Shares are admitted to AIM, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 16. Information Relating to the Placing

There is no minimum amount which, in the opinion of the Directors, must be raised by the Company pursuant to the Placing in order to provide the sums required pursuant to paragraph 21 of Schedule 1 of the POS Regulations.

## 17. General Information

17.1 The Company's accounting reference date is 31 December each year. The Company's current accounting reference period will end on 31 December 2005.

17.2 The total proceeds of the Placing are expected to be £300,000. The estimated amount of the expenses of the Proposals which are payable by the Company (including professional fees, printing costs and commissions), is approximately £300,000 (including VAT). The net proceeds of the Placing for the Company will be approximately nil.

- 17.3 In the Directors' opinion the minimum amount to be raised pursuant to the Placing for the purposes set out in paragraph 21(a) of Schedule 1 to the Regulations is £300,000 which will be applied as follows:
- |       |   |          |
|-------|---|----------|
| (i)   | purchase price of property                                    | £nil     |
| (ii)  | commissions and expenses payable under the Placing            | £300,000 |
| (iii) | repayment of monies borrowed in respect of (i) and (ii) above | £nil     |
| (iv)  | working capital   | £nil     |
- There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the Placing or from the Company's existing resources.
- 17.4 W.H. Ireland, whose registered office is at St James's Square, Manchester, M2 6WH, has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which they appear.
- 17.5 Zeus Capital, whose registered office is at 3 Ralli Courts, West Riverside, Manchester, M3 5FT has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which they appear.
- 17.6 Chadwick of Television House, 10/12 Mount Street, Manchester, M2 5NT has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports in Parts III and IV (for which they take responsibility accordingly) and of references to its name in the form and context in which they appear.
- 17.7 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act.
- 17.8 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since the date on which the financial statements contained in Parts III, IV and V of this document were made up.
- 17.9 Of the Placing Price 1p represents the nominal value of each Placing Share and 9p represents the premium.
- 17.10 Save in connection with the application for Admission, none of the Ordinary Shares have been admitted to dealings on a recognised investment exchange and no application for such admission has been made.
- 17.11 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the placing letters issued by W.H. Ireland until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 30 April 2005 application monies will be refunded to applicants at their risk without interest.
- 17.12 The Existing Ordinary Shares are and the New Ordinary Shares will be, in registered form and will be in uncertificated form in CREST. Definitive share certificates are not expected to be despatched to those placees who have elected to receive Ordinary Shares in uncertificated form if, and only if, that person is a "system member" (as defined in the Uncertificated Securities Regulations 1995) in relation to CREST. For those placees who elect to receive Ordinary Shares to be issued pursuant to the Placing in certificated form, share certificates are expected to be despatched to such applicants by post at their own risk within seven days of Admission. Temporary documents of title will not be issued in connection with the Placing.
- 17.13 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade supplier dealing with members of the Group) has:
- (a) received, directly or indirectly, from any member of the Group within the twelve months preceding the Company's application for Admission; or
  - (b) entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Group on or after Admission any of the following:
    - (i) fees totalling £10,000 or more;
    - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
    - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.14 This Prospectus is published on 23 March 2005.

**18. Availability of Prospectus**

Copies of this Prospectus will be available free of charge to the public at the offices of W.H. Ireland, 11 St James's Square, Manchester, M2 6WH and at the offices of DWF, Centurion House, 129 Deansgate, Manchester, M3 3AA from the date of this document until one month after Admission.

**19. Documents Available for Inspection**

19.1 Copies of the following documents may be inspected at the offices of DWF, Centurion House, 129 Deansgate, Manchester, M3 3AA during the usual business hours on any week day (weekends and public holidays excepted) for the period of fourteen days following the date of Admission:-

19.1.1 the Memorandum and Articles of Association of the Company;

19.1.2 the Memorandum and Articles of Association of Vindon;

19.1.3 the accounts of the Company for the period ended 31 December 2004;

19.1.4 the audited accounts of Vindon for the period ended 31 December 2004;

19.1.5 the accountants reports by Chadwick on Vindon and Vindon Healthcare reproduced in Parts III and IV respectively of this document;

19.1.6 the pro forma statement of consolidated net assets appearing in Part V of this document;

19.1.7 the Directors' service agreements and letters of appointment, referred to in paragraph 8 above;

19.1.8 the material contracts referred to in paragraph 11 above; and

19.1.9 the written consents referred to in paragraphs 17.4, 17.5 and 17.6 above.

23 March 2005

