

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and the action you should take you are recommended immediately to seek your own advice from a person duly authorised under the Financial Services and Markets Act 2000 who specialises in the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Existing Ordinary Shares in XecutiveResearch Group PLC or if prior to 14 April 2004 such a sale is effected, please send this document, together with the form of proxy, to the purchaser or transferee or to the stockbroker, bank or other agent.

This document, which comprises a prospectus has been drawn up in accordance with the Public Offer of Securities Regulations 1995 (as amended) and the AIM Rules.

A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales for registration pursuant to Regulation 4(2) of the POS Regulations.

The Directors and the Proposed Directors of XecutiveResearch Group PLC, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Proposed 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 makes no omission likely to affect the import of such information.

Persons receiving this document should note that Insinger Townsley, which is regulated by the Financial Services Authority, is acting exclusively for the Company and no-one else in connection with the Placing and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Insinger Townsley or providing advice in connection with the Placing and Admission. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Consolidated Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

XecutiveResearch Group PLC

(Registered in England No.4360804)

Proposed Acquisition of Accident Exchange Limited

Proposed 500 for 1 Consolidation of the Existing Ordinary Shares

Proposed Placing of 6,000,000 New Ordinary Shares of 5p each at 25p per share

Proposed change of name to Accident Exchange Group plc and

Admission to the Alternative Investment Market

**Nominated Adviser
Grant Thornton Corporate Finance**

**Stockbroker
Insinger Townsley**



Share Capital Following Admission

<i>Authorised</i>					<i>Issued</i>	
<i>Number</i>	<i>£</i>		<i>Number</i>	<i>£</i>		
87,485,500	4,374,275	Ordinary Shares of 5p each	61,620,000	3,081,000		
12,514,500	625,725	Deferred Shares of 5p each	12,514,500	625,725		

The New Ordinary Shares being issued pursuant to the Acquisition and the Placing will rank *pari passu* in all respects with the then existing issued ordinary shares of the Company and will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company. Application will be made for the whole of the ordinary share capital of XecutiveResearch Group PLC in issue and to be issued pursuant to the Placing and Acquisition to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not officially listed.

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 attention of persons receiving this document is drawn to the section headed "Risk Factors" contained in Part III of this document.

Grant Thornton Corporate Finance, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser in connection with the Admission of the Company's ordinary share capital to trading on AIM. Its responsibility as the Company's nominated adviser under the AIM Rules is owed solely to the London Stock Exchange and is not owed to the Company or to any Director or Proposed Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Grant Thornton Corporate Finance as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Grant Thornton Corporate Finance will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisitions of shares in the Company.

Notice of an Extraordinary General Meeting of XecutiveResearch Group PLC, to be held at the offices of Stringer Saul, 5th Floor, 17 Hanover Square, London W1S 1HU at 10 a.m. on 16 April 2004 is set out at the end of this document. To be valid, the enclosed Form of Proxy for use at the meeting should be completed in accordance with the instructions thereon, signed and returned so as to be received by the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event not later than 10 a.m. on 14 April 2004. Completion of the Form of Proxy will not preclude a shareholder from attending and voting at the meeting in person.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	David John Lees (Chairman) Michael Norman Bull (Non-Executive Director) Francis Edward ("Jock") Worsley OBE (Non-Executive Director) All of: 105 Piccadilly, London W1J 7NJ
Proposed Directors	The Rt. Hon. Lord Young of Graffham (Non-Executive Chairman) Stephen Anthony Evans (Chief Executive) Paul Edward Wildes (Finance Director) All of: Unit 1, Roman Park, Roman Way, Coleshill, West Midlands B46 1HG
Company Secretary and Registered Office	David Smith 5th Floor 17 Hanover Square London W1S 1HU
Nominated Adviser	Grant Thornton Corporate Finance Grant Thornton House Melton Street Euston Square London NW1 2EP
Broker	Insinger Townsley 44 Worship Street London EC2A 2JT
Solicitors to the Company	Stringer Saul 5th Floor 17 Hanover Square London W1S 1HU
Solicitors to Accident Exchange	DLA Victoria Square House Victoria Square Birmingham B2 4DL
Solicitors to the Placing	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
Reporting Accountants and Auditors	Grant Thornton Enterprise House 115 Edmund Street Birmingham B3 2HJ
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

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

"Act"	the Companies Act 1985, as amended
"ABI"	Association of British Insurers
"ABI GTA"	Association of British Insurers General Terms of Agreement
"Accident Exchange"	Accident Exchange Limited
"Acquisition"	the proposed acquisition of the entire issued share capital of Accident Exchange Limited by the Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 23 March 2004 between the Company (1) and the Vendors (2) relating to the Acquisition, a summary of the principal terms of which is set out in paragraph 6(e) of Part IX of this document
"Admission"	admission of the Enlarged Consolidated Share Capital of the Company to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules relating to AIM published by the London Stock Exchange
"AMA"	Accident Management Association
"City Code"	the City Code on Takeovers and Mergers
"Combined Code"	the Principles of Good Governance and the Code of Best Practice included with the Listing Rules of the UKLA
"Company"	XecutiveResearch Group PLC
"Completion"	completion of the Acquisition of Accident Exchange Limited in accordance with the terms and conditions of the Acquisition Agreement
"Concert Party" or "Vendors"	the shareholders of Accident Exchange Limited at the date of this document, details of whom are set out in Part VIII of this document
"Consideration Shares"	54,229,500 Consolidated Shares to be issued as consideration for the Acquisition
"Consolidated Shares"	ordinary shares of 5 pence in the capital of the Company to be created pursuant to the Share Reorganisation
"CREST"	the system of paperless settlement of trades and the holding of uncertificated shares of which CRESTCo Limited is the operator
"Current Directors"	the directors of the Company at the date of this document whose names appear on page 3
"Deferred Shares"	the issued deferred shares of 5 pence each to be created pursuant to the Share Reorganisation, a summary of the rights attaching to which is set out in paragraph 5 of Part I of this document
"Directors" or "Board"	the Current Directors and the Proposed Directors
"EBT"	the XecutiveResearch Employee Benefit Trust Company Limited, as Trustee of the XecutiveResearch Employee Benefit Trust
"Enlarged Group"	the Company and its subsidiaries following the Acquisition

“Enlarged Consolidated Share Capital”	the issued ordinary share capital of the Company following the Share Reorganisation as enlarged by the Proposals, comprising the issued Consolidated Shares and the New Ordinary Shares
“Existing Ordinary Shares”	the ordinary shares of 0.1p each in the capital of the Company in issue at the date of this document, which upon the Share Reorganisation taking effect, will each be consolidated into one Consolidated Share and nine Deferred Shares on the basis set out in this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 10 a.m. on 16 April 2004 (or any adjournment thereof) notice of which is set out at the end of this document
“Form of Proxy”	the Form of Proxy enclosed with this document for use in connection with the EGM
“London Stock Exchange”	London Stock Exchange plc
“New Articles of Association”	the proposed Articles of Association of the Company details of which are set out in paragraph 4.3 of Part IX of this document
“New Board”	those of the Current Directors and Proposed Directors who will be directors of the Company on Admission
“New Ordinary Shares”	the Consideration Shares and the Placing Shares
“Panel”	the Panel on Takeovers and Mergers
“Placing Shares”	the 6,000,000 Consolidated Shares offered for subscription pursuant to the Placing
“Placing”	the conditional placing by Insinger Townsley, as agent for the Company
“Placing Price”	25p per Placing Share
“Placing Agreement”	the conditional agreement relating to the Placing details of which are set out in paragraph 6(f) of Part IX of this document
“Proposals”	the Acquisition, Share Reorganisation, proposed change of name, the Placing and the waiver of Rule 9 of the City Code described in this document
“Proposed Directors”	the persons whose names are set out on page 3 of this document who have conditionally agreed to become Directors of the Company on Admission
“Resolutions”	the resolutions of the Company to be proposed at the EGM, details of which are contained in the notice of EGM set out at the end of this document
“Shareholders”	holders of Existing Ordinary Shares
“Share Reorganisation”	the proposed consolidation of (a) every 500 issued existing ordinary shares of 0.1p each into one Consolidated Share and nine Deferred Shares and (b) every 50 unissued ordinary shares of 0.1p each into one Consolidated Share
“UKLA”	United Kingdom Listing Authority
“Unapproved Plan”	the Accident Exchange Unapproved Share Option Plan details of which are set out in paragraph 11 of Part IX of this document
“XecutiveResearch”	XecutiveResearch Group PLC

KEY INFORMATION

The following information is derived from and should be read in conjunction with the full text of this document. You should read the whole of this document and not just the key information set out below.

Accident Exchange was formed in 2001 to provide car hire on credit to motorists involved in accidents where they are not at fault. Accident Exchange seeks to recover its charges from the insurer of the "at fault" driver. Accident Exchange has targeted the prestige vehicle end of this market and operates a fleet in excess of 200 vehicles comprising most major prestige marques.

Accident Exchange is a subscriber to the ABI GTA. The ABI GTA is a non-contractual set of protocols, agreed by the credit hire industry and the insurance industry, which seek to limit disputes between credit hire companies and insurers in relation to the calculation of the level of hire charges recoverable by a non-fault party from the "at fault" party's insurer.

Accident Exchange has been profitable at the operating level since formation in 2001.

Placing proceeds

The placing proceeds will be used to provide additional working capital for Accident Exchange's business.

Strategy

The strategic objectives of Accident Exchange are two-fold:

- to continue to position Accident Exchange as a supplier of services to accident victims in co-operation with insurers, vehicle manufacturers and larger motor dealer groups; and
- to identify and generate additional revenue streams from the development of new insurance-related products which aim to reduce the cost of claim handling.

Key strengths

- an experienced management team.
- profitable at the operating level since inception.
- rapid growth with further significant growth potential in a large and growing market.
- experienced and well motivated workforce.
- established technology competencies.
- highly developed Information Technology systems which assist in delivering commercial efficiency.
- strong relationships with leading dealer groups and insurance companies.
- a commitment to delivering high levels of customer satisfaction.
- operates through established protocols with ABI insurers.

EXPECTED TIMETABLE

Despatch of this document	24 March 2004
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	10 a.m. on 14 April 2004
Share Reorganisation Record Date	5 p.m. on 14 April 2004
Extraordinary General Meeting	10 a.m. on 16 April 2004
Completion of the Acquisition	19 April 2004
Admission effective and dealings expected to commence on AIM	8 a.m. on 19 April 2004
Expected date of dispatch of definitive share certificate and CREST accounts credited with Placing Shares by	21 April 2004

STATISTICS

Number of Consolidated Shares represented by Existing Ordinary Shares	1,390,500
Number of Consideration Shares	54,229,500
Number of Placing Shares	6,000,000
Number of Consolidated Shares in issue following Admission	61,620,000
Consideration Shares as a percentage of the Enlarged Consolidated Share Capital on Admission	88.02
Market capitalisation of the Company on Admission at the Placing Price	£15,405,000

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY

XECUTIVERESEARCH GROUP PLC

(Incorporated in England and Wales with Registered No. 4360804)

Registered office:
5th Floor
17 Hanover Square
London W1S 1HU

Directors

David John Lees (Chairman)
Francis Edward (Jock) Worsley OBE (Non-Executive Director)
Michael Francis Bull (Non-Executive Director)

24 March 2004

To the holders of Ordinary Shares and, for information only, the holders of options under the Share Option Plans.

Dear Shareholder

Proposed Acquisition of Accident Exchange Limited
Proposed 500 for 1 Consolidation of the Existing Ordinary Shares
Proposed Placing of 6,000,000 New Ordinary Shares
of 5p each at 25p per Share
Proposed change of name to Accident Exchange Group plc
And
Admission to the Alternative Investment Market

1. INTRODUCTION

The Company announced today that it has entered into the Acquisition Agreement relating to the proposed Acquisition of the entire issued share capital of Accident Exchange for a consideration to be satisfied by both the issue and allotment, credited as fully paid, of 54,229,500 Consolidated Shares in the capital of the Company and the payment of cash of £50,000 to the Vendors. Based on the Placing Price of 25p per share, this values the entire issued share capital of Accident Exchange at approximately £13.61 million. To reflect the change in the nature of the Company's business, which would arise from the implementation of the Proposals, it is proposed that the name of the Company be changed to Accident Exchange Group plc.

The Current Directors have been considering for some time the most appropriate way to enhance shareholder value. On 17 March 2003 the Company's only subsidiary, XecutiveResearch Limited, was allowed to go into liquidation. Since that time the Company has been a non trading shell company. The Current Directors reviewed several acquisition targets. On 22 January 2004 they applied to have dealings in the Existing Ordinary Shares suspended pending today's announcement of the proposed Acquisition of Accident Exchange Limited and the other Proposals enclosed in this document.

Under the AIM Rules, the Acquisition is subject to Shareholder approval, due to its size and the fact that its implementation will change the nature of the Company's business. If the Resolutions are duly passed at the EGM (to be held on 16 April 2004), then it is anticipated that dealings on AIM in the Existing Ordinary Shares will be cancelled and dealings in the Enlarged Consolidated Share Capital will commence on 19 April 2004.

The Board also announced today that it proposes to raise approximately £1.5 million (before expenses) by way of a Placing of 6,000,000 Consolidated Shares at the Placing Price. The Placing is conditional, *inter alia*, upon the Company obtaining approval from its Shareholders to increase the authorised share capital of the Company, to disapply the statutory pre-emption rights and to grant the Current Directors authority to allot

the New Ordinary Shares. The Placing, which has been arranged by Insinger Townsley pursuant to the terms of the Placing Agreement, is also conditional upon Admission. The Placing proceeds will be used to fund the expenses of the Proposals and working capital requirements of the Enlarged Group. Further details of the proposed use of proceeds are set out in paragraph 10 below.

The purpose of this document is to provide you with information on the Proposals and to seek your approval for them at the EGM.

2. INFORMATION ON THE COMPANY

The Group's initial business was established in June 2000 to provide an alternative to the time-consuming and often costly methods of traditional executive search, whilst at the same time offering a research-driven alternative to advertised selection. The economic climate in this particular market sector was particularly unfavourable to the end of 2002. In early 2003 the directors of the Company decided that there was no sign of a rapid improvement in the Group's fortunes and therefore withdrew financial support from its trading subsidiary, XecutiveResearch Limited, which went into liquidation on 17 March 2003.

3. ACQUISITION OF ACCIDENT EXCHANGE

As set out above, the Company has entered into the Acquisition Agreement, to acquire the entire issued share capital of Accident Exchange. The consideration for the Acquisition will be satisfied by the issue and allotment credited as fully paid of 54,229,500 Consideration Shares, representing 88.02 per cent of the Enlarged Consolidated Share Capital and the payment of a cash element of £50,000. The Acquisition Agreement is conditional *inter alia* on the approval of Shareholders and on Admission. The due date for completion of the Acquisition is 19 April 2004. Further details of the terms of the Acquisition Agreement are set out in paragraph 6(e) of Part IX of this document and details of Accident Exchange are set out in Part II of this document.

4. PROPOSED CHANGE OF NAME AND NEW ARTICLES OF ASSOCIATION

The Current Directors propose that the name of the Company be changed from XecutiveResearch Group PLC to Accident Exchange Group plc to reflect more appropriately the Enlarged Group's new activities. A special resolution to effect the proposed change of name will be proposed at the EGM.

In addition it is proposed to adopt New Articles of Association. A summary of the existing articles of association and the proposed changes is set out in paragraphs 4.2 and 4.3 of Part IX of this document. A special resolution to adopt the New Articles of Association will be proposed at the EGM.

5. SHARE REORGANISATION

The Company is proposing to consolidate every 500 Existing Ordinary Shares of 0.1 pence each in the capital of the Company into one Consolidated Share of 5 pence and nine Deferred Shares of 5 pence and every 50 unissued ordinary shares of 0.1 pence each in the capital of the Company into one Consolidated Share of 5 pence. Upon completion of the Share Reorganisation existing Shareholders will hold one Consolidated Share and nine Deferred Shares for every 500 Existing Ordinary Shares that they currently hold.

Fractions arising from the Share Reorganisation (if any) will be aggregated and sold in the market and the net sale proceeds will be retained and applied for the benefit of the Company as it is expected that the costs of sale will exceed the value of any resulting fractions due to each Shareholder.

Other than the change in nominal value, the rights and obligations attached to the Consolidated Shares under the Articles of Association will carry equivalent rights to the Existing Ordinary Shares.

The Deferred Shares will carry no right to dividend or to attend or vote at a general meeting of the Company and on a return of capital, the right only to receive the amount paid up thereon after the holders of Consolidated Shares have received the aggregate amount paid up thereon plus £100,000 per Consolidated Share. Consequently the Deferred Shares will, effectively, be valueless.

It is intended that new share certificates will be sent to Shareholders who currently hold their Existing Ordinary Shares in certificated form on 21 April 2004. These new share certificates will set out the number of Consolidated Shares owned by a Shareholder on completion of the Share Reorganisation and will replace Shareholders' existing certificates which should, on receipt of the new certificate, be destroyed. It is not intended to despatch share certificates in respect of the Deferred Shares.

The Share Reorganisation will be effected by reference to Shareholders and their holdings of Existing Ordinary Shares on the Register as at the close of business on 14 April 2004. Subject to the resolutions contained in the notice of EGM (set out at the end of this document) being passed and becoming unconditional:

- it is anticipated that dealings in Consolidated Shares will commence on 19 April 2004;
- for Shareholders currently holding their Existing Ordinary Shares in certificated form, new share certificates will be despatched (at the risk of the addressee) in respect of Consolidated Shares on 21 April 2004. Transfers made after 14 April 2004 and before the date of despatch of such share certificates will be certified against the Register if required; and
- for Shareholders holding their Existing Ordinary Shares in uncertificated form, the relevant number of Consolidated Shares will be credited to the shareholders' existing stock accounts on 21 April 2004.

6. INFORMATION ON ACCIDENT EXCHANGE LIMITED

For detailed information on Accident Exchange Limited please refer to Part II of this document.

7. CURRENT TRADING, INTERIM ACCOUNTS AND PROSPECTS

The results of the Company for the year ended 31 July 2003 are set out in Part V of this document. The audited interim results for the 6 months ended 31 January 2004 are set out in Part VI of this document.

8. DETAILS OF THE PLACING

The Company proposes to raise approximately £1.5 million (before expenses) by the issue of 6 million Placing Shares at the Placing Price pursuant to the Placing. This Placing has been arranged by Insinger Townsley. The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the Consolidated Shares and the Consideration Shares.

Insinger Townsley has agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for the Placing Shares.

The Placing is conditional upon, *inter alia*, the Resolutions being passed at the Extraordinary General Meeting to be held at 10 a.m. on 16 April 2004, the Placing Agreement becoming unconditional (other than in relation to the completion of the Acquisition Agreement) and not being terminated in accordance with its terms, and on Admission occurring by not later than 8 a.m. on 19 April 2004 (or such later date as Insinger Townsley and the Company may decide).

Further details of the Placing Agreement are set out in paragraph 6(f) of Part IX of this document.

Application will be made to the London Stock Exchange for Admission of the Enlarged Consolidated Share Capital to trading on AIM and it is expected that trading will commence in the Enlarged Consolidated Share Capital on 19 April 2004.

In accordance with the AIM Rules and pursuant to the Placing Agreement, the New Board have agreed not to dispose of any Consolidated Shares held by them for a period of twelve months from the date of Admission, other than in the event of an intervening court order, a takeover offer open to all the holders of the Enlarged Consolidated Share Capital becoming or being declared unconditional or the death of the relevant Director and for a further period of 12 months only to effect any such sale through the Company's brokers from time to time and with their reasonable consent. Otherwise there are no restrictions on the free transferability of the Shares.

Director's intentions regarding the Placing

The Current Directors, including myself, whether in their personal capacity or through persons connected with them (within the meaning of the Section 346 of the Act) are intending to participate in the Placing, as follows:

Name	Placing Shares
Francis Edward Worsley	60,000
Transmear Limited ¹	200,000
SBJ Preference Personal Pension Plan ²	800,000

Notes

1. A company owned by Michael Francis Bull
2. A pension plan the beneficiary of which is Mr Lees

9. DIRECTORS AND PROPOSED DIRECTORS

On Completion, Michael Bull will resign as a director of the Company and The Rt Hon Lord Young of Graffham, Steve Evans and Paul Wildes will join the Company as Directors. I will become a Non-Executive Director and Jock Worsley will remain as a Non-Executive Director.

CURRENT DIRECTORS OF THE COMPANY

David John Lees (retiring Chairman and proposed Non-Executive Director) aged 56

I am a Chartered Accountant qualified in Australia with KPMG. I have extensive experience in the management and promotion of public companies having raised significant funds as a co-founder of Griffiths Brothers Limited, Medeva Plc, Flare Group Plc and Skyepharma Plc. I am currently chairman of Deal Group Media Plc, Metis Biotechnologies Plc, Network Estates Limited and NamesCo Limited and finance director of Triple Plate Junction Plc.

Michael Bull (retiring Non-Executive Director) aged 65

Michael Bull has spent over thirty years in the information technology business. His career has encompassed senior manager positions with Honeywell Corporation and General Electric and he was a founding director and chief executive of Trident Computer Services Plc.

Francis Edward (Jock) Worsley OBE, FCA (Non-Executive Director) aged 63

Jock Worsley was president of the Institute of Chartered Accountants in England and Wales, a founder of the Financial Training Company, and its Executive Chairman from 1972 until 1993. He was Deputy Chairman of Lautro, a member of the Building Societies Commission and Independent Complaints Commissioner for SIB and the Financial Services Authority. He was Chairman of Cancer Research UK. He is the Non-Executive Chairman of Lloyds Members Agency Services Ltd and a Non-Executive Director of stockbrokers Brewin Dolphin Holdings PLC

PROPOSED DIRECTORS

Lord Young of Graffham (Proposed Non-Executive Chairman) aged 72

The Rt. Hon Lord Young of Graffham is a qualified solicitor and serial entrepreneur who served in the Thatcher government for ten years and as Secretary of State for Trade and Industry. On retiring from the Cabinet he became Executive Chairman of Cable and Wireless plc, President of the Institute of Directors, and is today Chairman and major shareholder of Young Associates Limited, a private equity house specialising in technology companies. He is also Chairman of Pixology PLC, an AIM listed technology company which was floated in December 2003.

Stephen Anthony Evans (Proposed Chief Executive) aged 45

Steve Evans is the founder and Chief Executive of Accident Exchange Limited. Steve was formerly Chief Executive of Accident Assistance Limited and is an entrepreneur with a proven start up track record. Accident Assistance Limited, which specialised in handling insurance claims on behalf of the victims of road traffic accidents was sold in 1997.

He is also former Group Marketing Director of the United Kenning Rental Group.

Steve has 19 years' commercial experience in developing fast growth entrepreneurial businesses with a key focus on technology, automotive, claim handling and customer service delivery.

In 2003 Steve was listed in the AM Power List as one of the hundred people that Automotive Management believed would drive change in the automotive industry in 2003.

Paul Edward Wildes (Proposed Finance Director) aged 28

Paul is a qualified accountant with a strong commercial track record.

His most recent position was as Finance and Commercial Director at Sixt Kenning Ltd, a £65 million turnover car rental and leasing group. Paul was brought into the business after Kenning was sold to Sixt GmbH. He reported to the main Board in Germany but had overall responsibility for sales and all financial and strategic activities in the UK.

10. USE OF PROCEEDS

The proceeds of the Placing being £1.5 million (before expenses) will primarily be used by the Enlarged Group to fund the expansion of Accident Exchange's existing business. The New Board estimates that the costs of Admission will be approximately £471,000 excluding VAT.

11. INFORMATION ON THE CONCERT PARTY

Information in relation to the Concert Party is set out in Part VIII of this document.

12. CITY CODE

The Proposals give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford are described below.

The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by both government and other regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the United Kingdom should conduct themselves in matters relating to takeovers in accordance with best business standards and, therefore, according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). The Company is such a company and its shareholders are entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code, when a person or a group of persons acting in concert acquires shares in a company which is subject to the City Code, and such shares (when taken together with shares already held) would result in such person or persons holding shares carrying 30 per cent or more of the voting rights, such person or group is normally obliged to make a general offer to all other shareholders to acquire the balance of the shares not held by him and his concert parties in cash at the highest price paid by any of them in the previous 12 months. Rule 9 of the City Code also states that, if any person or group of persons acting in concert holds shares carrying not less than 30 per cent, but more not more than 50 per cent, of the voting rights, and such person, or any person acting in concert with him, acquires any additional shares which increases their percentage of the voting rights, such person or group of persons is, in the same way, obliged to make a general offer to all shareholders.

Rule 9 also provides, *inter alia*, that where any person, together with persons acting in concert with him holds more than fifty per cent of a company's voting rights, no obligations will normally arise from any acquisitions by such person or any person acting in concert with him of any further shares carrying voting rights in the Company. However, the Panel may regard as giving rise to an obligation to make an offer the acquisition by a single member of the concert party of shares sufficient to increase his individual holding to thirty per cent or more, or if he already holds not less than 30 per cent but not more than 50 per cent.

The Panel has determined that the Concert Party should be regarded as acting in concert for the purposes of Rule 9 of the City Code.

No member of the Concert Party currently holds any Existing Ordinary Shares. Following the Proposals, the Concert Party will own 54,229,500 Consolidated Shares representing 88.02 per cent of the issued voting share capital of the Company at that time. A table showing the maximum possible interests of the Concert Party is set out in Part VIII of this document.

The Panel has agreed, however, subject to approval by independent shareholders on a poll (such approval being sought by resolution 1 as set out in the notice of the EGM at the back of this document), to waive any obligation of the Concert Party (or any member of it) to make a general offer for shares in the Company that would, on the basis referred to above, arise under Rule 9 of the City Code on completion of the Acquisition.

Shareholders should be aware that following the implementation of the Proposals and issue of the Consideration Shares pursuant to the Acquisition Agreement the Concert Party will hold Consolidated Shares carrying more than 50 per cent of the voting rights in the Company. Accordingly, the Concert Party would, so long as its shareholding remains over 50 per cent, be able to increase its aggregate shareholding in the Company without incurring any further obligation under Rule 9 of the City Code to make a general offer for the remaining Consolidated Shares.

Shareholders should also be aware that, following the implementation of the Proposals and issue of the Consideration Shares pursuant to the Acquisition Agreement Stephen Anthony Evans individually will hold Consolidated Shares carrying more than 50 per cent of the voting rights in the Company. Accordingly, Stephen Anthony Evans would so long as his shareholding remains over 50 per cent, be able to increase his shareholding in the Company without incurring any further obligation under Rule 9 of the City Code to make a general offer for the remaining Consolidated Shares.

The City Code will, however, continue to apply to each other member of the Concert Party separately and accordingly, no individual member of the Concert Party (other than Stephen Anthony Evans) individually may increase his holding to 30 per cent or more of the Enlarged Consolidated Share Capital of the Company from time

to time or, if he already holds more than 30 per cent but less than fifty per cent, increase that shareholding without incurring an obligation under Rule 9 of the City Code to make a general offer to shareholders.

Further details of the Concert Party are set out in Part VIII of this document.

13. SHARE OPTIONS

It is proposed that the existing share incentive plans of the Company be discontinued and the Company adopt, effective from Admission, the Unapproved Plan.

The Unapproved Plan will allow for the grant of options over Consolidated Shares in the Company to directors and employees of the Enlarged Group. It is proposed that an option will be granted to Paul Wildes under the Unapproved Plan with effect from Admission.

Further details of the Unapproved Plan and the proposed award to Paul Wildes are set out in paragraph 11 Part IX of this document.

14. DEALING ARRANGEMENTS

Application will be made by the Company for the Enlarged Consolidated Share Capital to be admitted to trading on AIM on completion of the Acquisition and the Placing. Subject to completion of the Acquisition and the Placing, trading in the Enlarged Consolidated Share Capital is expected to commence on 19 April 2004.

If the Acquisition and the Placing are not completed, the Existing Ordinary Shares will recommence trading on AIM and the Proposed Directors will not be appointed to the Board of the Company.

15. DIVIDEND POLICY

The Board believes that it is inappropriate to make a forecast of the likely level of any future dividends. However, the Board intends to commence the payment of dividends when it becomes commercially prudent to do so and to pursue a progressive dividend policy in line with earnings growth, subject to the availability of distributable reserves whilst retaining sufficient income for the Enlarged Group's projected working capital requirements.

16. CORPORATE GOVERNANCE

The New Board is committed to maintaining high standards of corporate governance. The New Board intends to comply with the Combined Code having regard to the size of the Company. The New Board will develop appropriate measures to ensure that the Company will, as far as practicable, be able to comply with the principles of the Combined Code.

The Company proposes to appoint Lord Young as its new Non-Executive Chairman. Following the implementation of the Proposals, the Board will establish both an Audit Committee and a Remuneration Committee, with formally delegated duties and responsibilities. The committees will comprise of Lord Young, David Lees and Jock Worsley. The Audit Committee will be chaired by Jock Worsley and the Remuneration Committee will be chaired by Lord Young.

17. EXTRAORDINARY GENERAL MEETING

You will find set out at the end of this document a notice convening an extraordinary general meeting to be held at the offices of Stringer Saul, 5th Floor, 17 Hanover Square, London W1S 1HU, on 16 April 2004 at 10 a.m. At the meeting, the following resolutions will be proposed:

- (1) an ordinary resolution to approve the waiver by the Panel of the obligation of the Concert Party (or any member of it) to make a mandatory general offer for the Company which would otherwise arise under Rule 9 of the City Code;
- (2) an ordinary resolution to approve the Acquisition;
- (3) an ordinary resolution to approve the Consolidation of every 500 Existing Ordinary Shares in the Company into one Consolidated Share of 5 pence each and nine Deferred Shares of 5 pence each and every 50 unissued ordinary shares of 0.1 pence each in the capital of the Company into one Consolidated Share of 5 pence each;
- (4) an ordinary resolution to increase the authorised share capital of the Company;
- (5) an ordinary resolution to give the Directors of the Company authority under section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £4,015,300, such authority expiring at the conclusion of the Company's next annual general meeting;

- (6) an ordinary resolution to approve the Unapproved Option Plan;
- (7) a special resolution to disapply the statutory pre-emption rights contained in section 89(1) of the Act for the purpose of certain future issues and the Placing and for the allotment of equity securities for cash up to an aggregate nominal amount of £154,050 such authority expiring at the conclusion of the Company's next annual general meeting;
- (8) a special resolution to adopt New Articles of Association of the Company; and
- (9) a special resolution to change the name of the Company to Accident Exchange Group plc.

Resolution (1) will be taken on a poll of independent Shareholders in accordance with the provisions of the City Code.

18. TAXATION

Information regarding taxation is set out in paragraph 12 of Part IX of this document.

19. ACTION TO BE TAKEN

Shareholders will find enclosed with this document a Form of Proxy for use at the EGM. Forms of Proxy should be completed and returned in accordance with the instructions printed thereon so as to arrive at the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event not later than 10 a.m. on 14 April 2004. Completion and return of a Form of Proxy will not prevent Shareholders from attending and voting at the EGM should they so wish.

20. FURTHER INFORMATION

Copies of this document will be available, for collection only, free of charge to the public from Grant Thornton Corporate Finance, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP during normal office hours on any week day (Saturdays and Public Holidays excepted) from the date of this document until a date one month after Admission.

21. RECOMMENDATION

The Current Directors, having been so advised by Insinger Townsley, consider the Proposals described in this document, including the Acquisition and the Placing, the approval of the waiver of the obligation on the Concert Party (or any member of it) to make a general offer to Shareholders under Rule 9 of the City Code and the passing of the resolutions at the EGM to be fair and reasonable and in the best interests of the Company and its Shareholders. Accordingly, the Current Directors unanimously recommend Shareholders to vote in favour of the resolutions to be proposed at the EGM as they have irrevocably undertaken to do in respect of their own beneficial holdings of Existing Ordinary Shares which amount to 141,000,000 Existing Ordinary Shares (representing approximately 20.28% per cent. of the voting rights exercisable at the EGM).

Yours faithfully

David Lees
Chairman

PART II

INFORMATION ON ACCIDENT EXCHANGE LIMITED

1. INTRODUCTION

Accident Exchange was formed in 2001 to provide car hire on credit to motorists involved in accidents where they are not at fault. Accident Exchange seeks to recover its charges from the insurer of the "at fault" driver. Accident Exchange has targeted the prestige vehicle end of this market and operates a fleet in excess of 200 vehicles comprising various major prestige marques.

Accident Exchange is a subscriber to the ABI GTA. The ABI GTA is a non-contractual set of protocols, agreed by the credit hire and insurance industries, which seeks to limit disputes between credit hire companies and insurers in relation to the calculation of the level of hire charges recoverable by a non-fault party from the "at fault" party's insurer.

The ABI GTA sets out various protocols on the handling of claims made by credit hire companies, with the aim of fixing the recovery levels and costs associated with hire at lower rates in return for the insurers guaranteeing prompt settlement (within the time frame set out by the ABI GTA) of the invoiced hire charges.

Accident Exchange is also a member of the AMA, a trade organisation that has played an important role in furthering the development of effective channels of communication with the insurance industry through the medium of the ABI.

Accident Exchange has been profitable at the operating level since inception. For its reporting period to 30 April 2003, Accident Exchange achieved a profit before tax of £169,000 on a turnover of £657,000. For the nine months to 31st January 2004, the comparable figures were £707,000 profit before tax on a turnover of £2,379,000.

2. HISTORY AND BACKGROUND

Accident Exchange is a vehicle credit hire company incorporated in January 2001 which commenced trading in May 2002.

Accident Exchange's business was founded by Steve Evans, who has been employed in the credit hire industry since 1983. Steve founded and grew a credit hire business which was one of the leading suppliers of credit hire in the credit hire sector at the time it was sold in 1997.

The initial capital for Accident Exchange's premises and fleet of vehicles was provided by Steve Evans and some of the other shareholders of Accident Exchange. Additional working capital was subsequently arranged through a bank overdraft facility. Vehicle finance facilities have been organised with a number of manufacturer finance companies which enabled Accident Exchange's business to increase the range of hire vehicles it offers to satisfy customer demand.

The ability to recover the costs of a replacement vehicle by a non-fault claimant in a road accident is firmly established in law.

The current legal position on the recoverability of the cost of hiring a replacement vehicle, and any ancillary costs incurred by a non-fault party, can principally be found and summarised from three decisions, namely that of the Court of Appeal in *Clark v Ardington* [2003] QB 36 ("Clark"), and the decisions of the Court of Appeal and the House of Lords in *Dimond v Lovell* [2002] 1 AC 384 ("Dimond") and *Lagden v O'Connor* [2003] 3 WLR 1571 ("Lagden").

Dimond v Lovell

In *Dimond*, the question was whether credit hire agreements were governed by the Consumer Credit Act 1974, and if so whether they were enforceable. The House of Lords held that credit hire agreements could in principle fall within the compass of the Consumer Credit Act, and on the facts of the case found that the agreements in question did not fall within any exemptions under the Consumer Credit Act and were therefore unenforceable. However, the Law Lords pointed out that in future it would be relatively straightforward for credit hire companies to avoid this pitfall, by re-drafting their agreements to take advantage of the exemption for various categories of transaction from the regulations.

This therefore confirmed that credit hire agreements would be enforced if drafted correctly.

Accident Exchange's agreements are drafted in the way that the House of Lords suggested, and are exempt from the Consumer Credit Act 1974 and are therefore enforceable. This view has been supported by leading counsel.

The House of Lords also discussed the level of damages that would have been recoverable had the agreement in Dimond been enforceable. The House held that a claimant would be able to recover the cost of hiring a replacement vehicle from a defendant, so long as he or she had a reasonable need for it.

Turning to the recoverable amount of hire charges, the House held that in general the recoverable sums would be limited to a reasonable 'spot hire rate'.

Clark v Ardington et al

The Court of Appeal heard five cases on a number of credit hire issues.

Clark provided important clarifications of the matters raised in Dimond case. Firstly, attempts by third parties to challenge the legality of Consumer Credit Act exempt agreements on technical grounds were roundly rejected. What in Dimond had been mere guidance became established law. If agreements are drafted so as to fall within that Act's exemptions, the objections which succeeded in Dimond would fail.

Secondly, the court defined what was meant by recovering a 'reasonable spot hire rate'. In essence, it was held that a credit hirer could recover any rate which fell within the bracket of rates charged by spot hire companies, even if it were at the top of the range. It would, however, be open to a third party to challenge the rate claimed as unreasonable on the particular facts of the case. However, it would have to produce evidence to support such an objection.

The definition of 'spot rate' adopted in Clark is advantageous to credit hire companies for two reasons. Firstly, it means that the 'spot rate' will generally be defined with reference to the higher rates charged by the large national providers on the high street (because a claimant will be able to show that it was not unreasonable to incur rates similar to those charged by Avis or Hertz). Secondly, because insurers have to produce evidence challenging the rate, they are more inclined to settle claims.

Lagden

In Lagden, it was held that a claimant who is unable to hire on the spot market can reasonably go to a credit hire company and recover the full credit hire rate without reduction. The House of Lords held that where, as with Mr Lagden, a person was unable to pay hire charges 'without making sacrifices he could not reasonably be expected to make' the full cost was recoverable.

This is an important qualification of Dimond, although it will of course only apply in some cases. Where a claimant cannot reasonably be expected to spot hire, he can recover a credit hire rate which may be above the 'spot rate'.

The ABI GTA relationship and the current position

Following the clarification of the legal position, insurers have recognised that the costs involved in challenging the rates which can be recovered outweigh the benefits on an individual case by case basis. Accordingly the ABI GTA is the industry's attempt to avoid the high levels of dispute and litigation that have occurred in the past by agreeing a range of hire charges upfront that their insurers will accept without contention, in a situation where there is a non-fault party to the accident. This has enabled credit hire companies to avoid becoming entangled in arguments with ABI GTA insurers which may have been raised based on the principles of Dimond, Clark and Lagden. By agreeing in advance with all ABI GTA insurers the hire rates for their vehicles, which may themselves include a charge for the credit element of any such hire, the credit hire companies and the ABI GTA insurers have co-operated in by-passing any arguments as to the levels of hire and credit for hire that may be recoverable. Both parties to the ABI GTA have attained the certainty that was lacking before the ABI GTA's were introduced.

In June 2003 Accident Exchange subscribed to the non-contractual ABI GTA. The ABI GTA sets out agreed protocols for handling claims at a lower cost to the insurer (when compared to litigating each such claim) in return for prompt settlement of invoiced hire charges. The joint development with insurers of the relevant administrative process is necessary to ensure the efficient working of the protocols and contributes to better mutual understanding. With the ABI GTA agreed fees and protocols in place, the financial position of the clients of a credit hire company, and any arguments that may be raised on the Lagden principles, are avoided and recoverability is left to be decided on the basis of which driver was at fault.

The ABI has applied to the Office of Fair Trading for exemption of the GTA from the provisions of the Competition Act 1988. In written submissions to the OFT the ABI confirmed their view that the protocols were intended to avoid the disputes and litigation which have occurred in the past.

The conclusion of the OFT review was that an exemption would be granted on the conditions that: the rates are reviewed by a wholly independent assessor, the administration charge of £30 per hire is included within

the hire rates rather than charged separately and the rates are revised by an independent assessor rather than by negotiations between the credit hire companies and the insurers.

3. MARKET AND COMPETITION

There are approximately 29.3 million current insurance policies for vehicles in the UK. In 2002, the total number of motor claims reported to insurers was 4.7 million of which it is estimated that 3.77 million related to motor accident claims. This total equates to an average 10,325 accidents per day.

In 2001, there were an estimated 1.7 million accidents involving a clearly identifiable negligent party. Based on Accident Exchange's average vehicle hire period, this volume of accidents creates sufficient demand to utilise a fleet of more than 90,000 hire vehicles.

If each innocent party was provided a vehicle in the 1.7 million incidents detailed above, then based on a rental tariff of £27 per day (the ABI rate for a 1400 cc rental car) and a rental period of 19 days, the gross annual cost of hire would be £884 million. Euromonitor International estimated, in 2002, that the entire UK market for car rental was then worth £571.7 million.

Although the value of Accident Exchange's target prestige market is considerably less than the industry value as a whole, the Proposed Directors consider there is still significant potential to expand Accident Exchange's business of the hire of prestige cars to the non-fault party.

Accidents where the innocent motorist was driving a prestige car represent a niche market. The Proposed Directors believe that prestige vehicles represent approximately 8.97 per cent. of the UK vehicle market and therefore estimate the maximum size of the prestige market to be around 418 non fault accidents per day. Based on Accident Exchange's average rental period this is sufficient to fully utilise a fleet of 7,938 prestige vehicles throughout the year. Accident Exchange has an existing fleet of 215 vehicles, a small number of which are mainstream and are used to satisfy the needs of Accident Exchange's referral sources in situations where claims are referred which do not justify the hire of a prestige vehicle. Accordingly, the Proposed Directors believe the potential for growth remains high.

Accident Exchange encounters limited competition in the prestige sector in which they operate and the Proposed Directors believe that Accident Exchange has differentiated itself from its competitors by providing a higher level of customer service against a background of greater commercial efficiency. The fleet utilisation enjoyed by Accident Exchange has been higher than the average industry utilisation. Very little competition comes from the principal car hire companies and based on their understanding of the market size, the Proposed Directors do not believe that the competition represents a substantial threat to achieving the objectives set out in their business plan.

4. COMPANY OPERATIONS

Accident Exchange currently employs 38 full-time members of staff at its headquarters near Birmingham. From this location Accident Exchange operates a fleet of more than 200 vehicles to cater for clients who drive prestige cars from marques including Audi, BMW, Jaguar, Land Rover, Lexus, Lotus, Mercedes Benz and Porsche.

Once a request is made for assistance after an accident, details are taken from the client by a staff member and an outline of the circumstances surrounding the accident and the resulting damage are obtained. At this point enquiries commence with the negligent party or his/her insurers. Witnesses will be spoken to and statements obtained; road conditions and road layouts will be reviewed using provided images to allow the assessor to reconstruct the accident circumstances if necessary. The police are contacted in each case where further enquiries appear appropriate.

Accident Exchange has developed effective procedures and processes which include a range of computer based applications to aid in the decision making process. By responding to a series of questions, these programmes allow staff to assess and resolve legal, mitigation and liability issues in a uniform, consistent and efficient manner to ensure that they only accept and approve referrals arising from accidents where liability can clearly be attributed to the third party and where there is an identified third party insurer against whom a claim can be pursued. The decision to offer a vehicle is at Accident Exchange's discretion which bears the commercial risks of the transaction.

Only when Accident Exchange is satisfied that the insured party making the request for a replacement vehicle appears not to be at fault and has a need for a replacement vehicle, will Accident Exchange allocate an appropriate vehicle, enter into a credit hire agreement with that person and deliver a prestige car. The hire costs are then included and sought to be recovered as part of the client's overall insurance claim and the client makes no upfront or ongoing payment.

Accident Exchange adheres to the protocols stipulated in the ABI GTA. This states that the negligent driver's insurer is notified of new claims as soon as reasonably practical. Admission of liability (where liability is not disputed) usually follows within days of the claim being intimated to the third party insurer as part of those protocols.

The vast majority of those cases taken on by Accident Exchange involve ABI insurers who are subscribers to the ABI GTA and with which Accident Exchange has protocols agreed or with companies who are not subscribers to the ABI GTA but who have informally agreed to honour the ABI GTA as if they were subscribers. Only a small percentage of cases involve insurers with no agreed protocols and these usually comprise foreign insurers or self-insuring organisations.

In circumstances where the client was injured or if he has a more complex claim to pursue, then Accident Exchange may refer additional services sought by the claimants to its panel of approved solicitors. Accident Exchange places a high emphasis on the quality of service delivered to both its rental clients and to its distribution partners and solicits feedback from clients relating to the level of service delivered by Accident Exchange.

Accident Exchange's entire back office process is geared towards optimising the revenue and profitability from each vehicle. Return on fleet investment is a key consideration to Accident Exchange given that profitability is a direct consequence of the number of cases approved, the length of the ensuing hire period and the average hire rate of vehicles per day. The utilisation rate of Accident Exchange's vehicle fleet is high. Typically it runs at between 75 per cent. and 91 per cent. which is higher than the industry average.

A key driver for continuing growth is the time in which Accident Exchange's debts are recovered. The relationship with the ABI and the operation of ABI GTA protocols provide for payment generally within 28 days of the date of the invoice with agreed surcharge uplifts payable by the insurer in instances where payment is delayed.

5. SALES AND MARKETING

Accident Exchange's current business has two principal introduction sources: body shops and prestige car dealerships. Both sources of business refer claims to Accident Exchange when first notification of an accident is received. It is at this point that Accident Exchange makes contact with the client.

The credit hire sector is unusual in that each transaction involves a number of parties. Customers are introduced to the business by a referral source who receives an introductory commission and yet payment is received from the insurance company of the party at fault and not by the retail customer who is the person legally responsible for the credit hire agreement and who has the benefit of the use of the hire car. On the basis of this arrangement Accident Exchange's marketing policy has focused on building long-term relationships with business introducers with a view to increasing the level of referrals provided.

Accident Exchange has a good relationship with a number of leading dealer groups and is also working with a number of motor manufacturers to identify the opportunity to exploit potential synergies to create stronger distribution arrangements.

In addition, the fleet is renewed regularly so as to maintain Accident Exchange's reputation for providing a first class service focused on achieving high levels of customer satisfaction.

6. LOCATION

Accident Exchange currently operates from leased premises at Coleshill, near Birmingham. Coleshill is well placed at the centre of the UK motorway and trunk road network. Accommodation in the area is currently sufficient to cater for the expected growth in head count and fleet over the next three years.

7. BUSINESS STRATEGY

The strategic objective of Accident Exchange is two-fold.

The first is to continue to position Accident Exchange as a supplier of services to accident victims in co-operation with insurers, vehicle manufacturers and larger motor dealer groups.

Accident Exchange intends to increase its market share of core credit hire activities. Accident Exchange's intention is to grow the distribution channel, expand the fleet size and range of vehicles, increase its direct marketing activities and develop the field sales force and referral base.

The second objective is to identify and generate additional revenue streams from the development of new insurance-related products which aim to reduce the cost of claim handling.

One of Accident Exchange's core competencies is the development of software applications. Management have specified and developed BEACON – a web based software solution aimed at increasing the level of

estimate conversion and lead referral from supporting repairers and dealers. The software aims to reduce costs in the management and control of repair claims whilst delivering currently unavailable management intelligence to business leaders.

BEACON further differentiates Accident Exchange from its competitors and offers the potential to generate an additional revenue stream.

8. DIRECTORS AND SENIOR MANAGEMENT

In addition to the Proposed Directors details of whom are set out on in paragraph 9 of Part I of this document the senior management team of Accident Exchange are as follows:

Martin Bramwell – IT Director

Martin Bramwell is a Member of the British Computer Society. He holds a Master of Science Degree in Computing and leads the development team.

He has 16 years commercial experience working within the fields of accident management, insurance and local and central government and has a particular skill in making IT capable of supporting rapidly evolving businesses. Martin was the IT Director at Accident Assistance Limited and has worked with Steve Evans since 1988.

Rod Seel – Sales Delivery Director

Rod Seel has 14 years experience in business-to-business sales and has been a primary driver behind Accident Exchange's rapid growth since inception. He is responsible for the entire customer experience from handling the claim to delivering the car and has a team of 17 people working for him.

Liz Fisher – Sales Development Director

Liz Fisher has 14 years' experience in the credit hire industry. Liz joined Accident Exchange in September 2003 having formerly been employed by Bristol & London plc. Liz gained her experience in the credit hire industry initially with Three Arrows Limited and then with Accident Assistance Limited, where she was a business development manager until March 2000.

Liz is responsible for finding, developing and retaining Accident Exchange's business referral sources and manages the external sales team.

9. CURRENT TRADING AND PROSPECTS

Trading for the nine months ended 31st January 2004 is significantly ahead of the comparable period for the previous year and current trading is in line with forecast and management expectations.

The Proposed Directors consider that Accident Exchange is well placed to exploit the potential offered in a growing marketplace and to make further progress in the specialist prestige sector.

PART III

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific 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.

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 and the Proposed Directors currently consider not to be material or of which they are currently unaware.

1. DEPENDENCE ON KEY PERSONNEL

Accident Exchange's future success is substantially dependent on the development of its senior management and, in particular in the short term, on Steve Evans. The loss of the services of Steve Evans could affect the Group's development.

Furthermore, the Proposed Directors consider that Accident Exchange's employees are important to its success and as such believe that loyalty and stability will be enhanced through appropriate incentive schemes.

2. OPERATING HISTORY

Accident Exchange only commenced trading in 2001 and is at a relatively early stage in the development of its business which means that there is a limited operating history for the evaluation of its prospects.

3. ABI GTA PROTOCOLS

Accident Exchange's business model demonstrates a cash flow profile which depends on retaining the support of the insurance industry through the ABI GTA protocols. If Accident Exchange were no longer to subscribe to the ABI GTA or the insurance industry were to decide to abandon the ABI GTA in favour of litigious actions in line with the case law (set out above in paragraph 2 of Part II) then the rate of claim settlement and cash collection may suffer.

4. REGULATORY AND LEGAL CHANGES

The Company strategy has been formulated in the light of the current regulatory and legal environment and likely future changes. The regulatory and legal environment may change in the future and such changes may have a material adverse effect on the business.

5. LIQUIDITY OF THE ORDINARY SHARES

Admission to AIM should not be taken as implying that there will be a more liquid market for the ordinary shares. It may be more difficult for an investor to realise his or her investment on AIM than to realise an investment in a company whose shares are quoted on the Official List. An investment in the ordinary shares may therefore, in certain circumstances, be difficult to realise.

The price at which investors may realise their holding of ordinary shares and the timing of any disposal of them may be influenced by various factors, some of which are specific to the Company and others of which are extraneous. Investors may not get back the whole of their investment.

PART IV

ACCOUNTANTS' REPORT ON ACCIDENT EXCHANGE LIMITED

The Directors
XecutiveResearch Group PLC
5th Floor
17 Hanover Square
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W1S 1HU

and

Insinger Townsley
44 Worship Street
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and

Grant Thornton Corporate Finance
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Grant Thornton 

Enterprise House
115 Edmund Street
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B3 2HJ

24 March 2004

Dear Sirs

ACCIDENT EXCHANGE LIMITED (Accident Exchange)

1. INTRODUCTION

- 1.1 We report on the financial information set out in paragraphs 2 to 7. This financial information has been prepared for inclusion in the Prospectus dated 24 March 2004 of XecutiveResearch Group PLC.

Basis of preparation

- 1.2 The financial information set out in paragraphs 2 to 7 below is based on the audited statutory financial statements of Accident Exchange for the year ended 30 April 2003 and the audited non-statutory financial statements for the 9 months ended 31 January 2004 and has been prepared on the basis set out in paragraph 3.1 to which no adjustments were considered necessary. Accident Exchange was dormant from its incorporation on 15 January 2001 until 30 April 2002.

Responsibility

- 1.3 Such financial statements are the responsibility of the directors of Accident Exchange who approved their issue.
- 1.4 The directors and proposed directors of XecutiveResearch Group PLC are responsible for the contents of the Prospectus dated 24 March 2004 relating to the acquisition of Accident Exchange and the related Placing in which this report is included.
- 1.5 It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

- 1.6 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that obtained by Eden Currie Limited in respect of the two financial periods ended 31 January 2004, 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.
- 1.7 We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

- 1.8 In our opinion the financial information gives, for the purposes of the Prospectus dated 24 March 2004, a true and fair view of the results and cash flows of Accident Exchange for the two financial periods ended 31 January 2004 and the state of affairs of Accident Exchange as at the end of each of those periods.

Consent

- 1.9 We consent to the inclusion in the Prospectus dated 24 March 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. STATUTORY INFORMATION

- 2.1 Accident Exchange was incorporated on 15 January 2001 as Broomco (2452) Limited. On 15 February 2001 it changed its name to Accident Exchange Limited.

- 2.2 Accident Exchange commenced trading on 1 May 2002.

3. ACCOUNTING POLICIES

3.1 Basis of accounting

The financial information has been prepared under the historical cost convention.

3.2 Turnover

Turnover represents the total value, excluding Value Added Tax, of sales made during the year. Turnover is recognised on the hire of cars on a daily basis once on hire to customers.

3.3 Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	– 25% reducing balance
Motor vehicles	– 20% reducing balance
Computer equipment	– 33% straight line

3.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

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

3.5 Claims in progress

Amounts recoverable on claims in progress, which are included in debtors are stated as the net claim value after provisions for contingencies and anticipated future losses on claims, less amounts received as interim payments on account.

3.6 Pensions

The pension costs charged in the financial statements represent the contribution payable by Accident Exchange during the year.

3.7 Deferred taxation

Accident Exchange adopted Financial Reporting Standard 19 “Deferred Taxation (FRS19)” during the year ended 30 April 2003.

Deferred tax is recognised on all timing differences or events that give Accident Exchange an obligation to pay more tax in the future, or a right to pay less tax in the future which 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 substantially enacted by the balance sheet date.

4. PROFIT AND LOSS ACCOUNTS

		Year ended 30 April 2003 £'000	Period ended 31 January 2004 £'000
	Notes		
Turnover	7.1	657	2,379
Cost of sales		(254)	(724)
Gross profit		403	1,655
Administrative expenses		(197)	(841)
Operating profit	7.1	206	814
Interest payable and similar charges	7.3	(37)	(107)
Profit on ordinary activities before taxation		169	707
Taxation	7.4	(38)	(230)
Profit for the financial period transferred to reserves	7.13	131	477

5. BALANCE SHEETS

		At 30 April 2003 £'000	At 31 January 2004 £'000
	Notes		
Fixed assets			
Tangible assets	7.5	754	3,396
Current assets			
Debtors	7.6	379	2,119
Creditors: amounts falling due within one year	7.7	(480)	(2,479)
Net current liabilities		(101)	(360)
Total assets less current liabilities		653	3,036
Creditors: amounts falling due after more than one year	7.8	(474)	(2,150)
Provisions for liabilities and charges	7.9	(38)	(268)
		141	618
Capital and reserves			
Called up share capital	7.12	1	1
Share premium account	7.14	9	9
Profit and loss account	7.13	131	608
Shareholders' funds	7.15	141	618

6. CASH FLOW STATEMENTS

	Notes	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
Net cash inflow/(outflow) from operating activities	7.16	116	(147)
Returns on investments and servicing of finance			
Interest paid		—	(12)
Hire purchase interest paid		(37)	(95)
Net cash outflow from returns on investments and servicing of finance		(37)	(107)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(101)	(386)
Sale of tangible fixed assets		—	124
Net cash outflow from capital expenditure and financial investment		(101)	(262)
Financing			
Issue of shares		10	—
Capital element of hire purchase payments		(38)	(264)
Net cash outflow from financing		(28)	(264)
Decrease in cash	7.17	(50)	(780)

7. NOTES TO THE FINANCIAL INFORMATION

7.1 Turnover and operating profit

The total turnover of Accident Exchange for the period has been derived from its principal activity of providing replacement vehicles to the drivers of cars involved in non-fault accidents.

The operating profit is stated after charging:

	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
Auditors remuneration:		
Audit services	2	8
Depreciation – owned assets	24	110
Depreciation – assets held under hire purchase contracts	114	229
Operating lease rental costs	11	97

7.2 Staff costs and Directors' emoluments

	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
Wages, salaries and social security costs	75	439
Pension contributions	6	13
	<u>81</u>	<u>452</u>

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

	Year to 30 April 2003 Number	Period to 31 January 2004 Number
	7	25

Emoluments in respect of Directors for each year were as follows:

	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
Directors' emoluments	<u>5</u>	<u>118</u>

7.3 Interest payable and similar charges

	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
On bank loans and overdrafts	—	12
Finance charges in respect of hire purchase contracts	37	95
	<u>37</u>	<u>107</u>

Taxation

	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
UK corporation tax at 20%	—	—
Total current tax for the year/period	—	—
Origination and reversal of timing differences	38	230
Total deferred tax for the year/period	38	230
Tax on profit on ordinary activities	38	230

Factors affecting the tax charge for each period

The current tax for each period differs from that calculated using the small companies rate of corporation tax in the UK of 20%. The differences are explained as follows:

	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
Profit on ordinary activities before tax	169	707
Profit on ordinary activities multiplied by the small companies rate of corporation tax in the UK of 20%	34	141
Expenses not deductible/income not taxable for tax purposes	—	11
Capital allowances in excess of depreciation	(41)	(241)
Losses carried forward	7	89
Current tax charge for the year/period	—	—

Accident Exchange had unrelieved tax losses of £35,000 at 30 April 2003 to carry forward against future trading profits.

7.5 Tangible fixed assets

	Computer equipment £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 May 2002	—	—	—	—
Additions	83	791	18	892
At 30 April 2003	83	791	18	892
Additions	328	2,722	58	3,108
Disposals	—	(172)	—	(172)
At 31 January 2004	411	3,341	76	3,828
Depreciation				
At 1 May 2002	—	—	—	—
Charge for the year	14	119	5	138
At 30 April 2003	14	119	5	138
Charge for the period	79	255	5	339
Eliminated on disposals	—	(45)	—	(45)
At 31 January 2004	93	329	10	432
Net book value 30 April 2003	69	672	13	754
Net book value 31 January 2004	318	3,012	66	3,396

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

	30 April 2003		31 January 2004	
	Net book value £'000	Depreciation charge £'000	Net book value £'000	Depreciation charge £'000
Motor vehicles	672	114	2,515	229

7.6 Debtors

	30 April 2003 £'000	31 January 2004 £'000
Trade debtors	62	252
Claims in progress	296	1,599
Other debtors	—	227
Prepayments and accrued income	21	41
	379	2,119

7.7 **Creditors: amounts falling due within one year**

	30 April 2003 £'000	31 January 2004 £'000
Bank loans and overdrafts	50	830
Amounts due under hire purchase contracts	280	1,061
Trade creditors	60	258
Amounts owed to associated company	9	2
Social security and other taxes	16	84
Directors' accounts	49	214
Other creditors	13	—
Accruals	2	28
Pension contributions	1	2
	<u>480</u>	<u>2,479</u>

The bank overdraft is secured.

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

	30 April 2003 £'000	31 January 2004 £'000
Amounts due under hire purchase contracts	<u>474</u>	<u>2,150</u>

7.9 **Provision for liabilities and charges**

	Deferred taxation £'000
At 30 April 2002	—
Movements in the year	<u>38</u>
At 30 April 2003	38
Movements in the period	<u>230</u>
At 31 January 2004	<u>268</u>

7.10 **Provision for deferred taxation**

	30 April 2003 £'000	31 January 2004 £'000
Accelerated capital allowances	<u>38</u>	<u>268</u>

7.11 Borrowings

Borrowings are repayable as follows:

	30 April 2003 £'000	31 January 2004 £'000
Within one year		
Bank and other borrowings	50	830
Hire purchase contracts	280	1,061
After one and within two years		
Hire purchase contracts	267	1,949
After two and within five years		
Hire purchase contracts	207	201
	<u>804</u>	<u>4,041</u>

7.12 Called up share capital

	30 April 2003 £'000	31 January 2004 £'000
Authorised		
100,000 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1,000 Ordinary shares	1	1

During the year ended 30 April 2003 Accident Exchange issued 998 £1 ordinary shares at a premium of £9 per share. The issued shares rank pari passu with the 2 subscriber shares of Accident Exchange issued on incorporation.

7.13 Profit and loss account

	30 April 2003 £'000	31 January 2004 £'000
Brought forward	—	131
Profit for year/period	131	477
Carried forward	<u>131</u>	<u>608</u>

7.14 Share premium account

	30 April 2003 £'000	31 January 2004 £'000
Brought forward	—	9
Credited in the year	9	—
Carried forward	<u>9</u>	<u>9</u>

7.15 **Reconciliation of movement in shareholders' funds**

	30 April 2003 £'000	31 January 2004 £'000
Profit for year	131	477
New share capital subscribed	10	—
Net increase in shareholders' funds	141	477
Shareholders' funds brought forward	—	141
Shareholders' fund carried forward	141	618

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

	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
Operating profit	207	814
Depreciation	138	339
Loss on sale of tangible fixed assets	—	3
Increase in debtors	(379)	(1,740)
Increase in creditors	150	437
Net cash inflow/(outflow) from operating activities	116	(147)

7.17 **Reconciliation of net cashflow to movement in net debt**

	Year to 30 April 2003 £'000	Period to 31 January 2004 £'000
Decrease in cash in the year/period	(50)	(780)
Cash outflow from finance leases	38	264
Movement in net debt resulting from cash flows	(12)	(516)
Inception of finance leases	(791)	(2,722)
Movement in net debt in the year/period	(803)	(3,238)
Net debt at start of the year/period	—	(803)
Net debt at the end of the year/period	(803)	(4,041)

7.18 Analysis of movement in net debt

	At 1 May 2002 £'000	Cashflow £'000	Inception of finance leases £'000	At 30 April 2003 £'000
2003				
Bank overdraft	—	(50)	—	(50)
Finance lease creditors	—	38	(791)	(753)
	—	(12)	(791)	(803)

	At 1 May 2003 £'000	Cashflow £'000	Inception of finance leases £'000	At 31 January 2004 £'000
2004				
Bank overdraft	(50)	(780)	—	(830)
Finance lease creditors	(753)	264	(2,722)	(3,211)
	(803)	(516)	(2,722)	(4,041)

7.19 Commitments

Accident Exchange had annual commitments under non-cancellable operating leases as follows:

	30 April 2003 £'000	31 January 2004 £'000
Expiry date:		
Within one year	15	93
Between one and five years	—	69
In over five years	—	64
	15	226

7.20 Transactions with directors

During the year ended 30 April 2003 and the period ended 31 January 2004 the directors made available certain cars owned privately for the use of Accident Exchange in order to hire these cars to customers in the usual course of business. Operating costs of these vehicles and income generated by them is all accounted for through Accident Exchange.

During the year ended 30 April 2003 and the period ended 31 January 2004 Accident Exchange had transactions with Autohit PLC, a company of which S A Evans, G Beacroft, M Bramwell, R Pope, R H Seel and D Young are directors. All transactions took place on a commercial basis and the balance owing from Autohit PLC at 31 January 2004 was £1,500 (30 April 2003: £8,839). Included in the transactions with Autohit PLC was the purchase of software to be used by the Company at a cost of £285,000.

Yours faithfully

GRANT THORNTON

PART V

ACCOUNTANTS' REPORT ON THE COMPANY

The Directors
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24 March 2004

Dear Sirs

XECUTIVERESEARCH GROUP PLC (THE COMPANY) AND ITS SUBSIDIARY UNDERTAKINGS (THE GROUP)

1. INTRODUCTION

- 1.1 We report on the financial information set out in paragraphs 2 to 7. This financial information has been prepared for inclusion in the Prospectus dated 24 March 2004 of XecutiveResearch Group PLC.

Basis of preparation

- 1.2 The financial information set out in paragraphs 2 to 7 below is based on the audited financial statements of the Group for the 17 months ended 31 July 2003 and has been prepared on the basis set out in paragraph 3.1 to which no adjustments were considered necessary.

Responsibility

- 1.3 Such financial statements are the responsibility of the directors of the Company who approved their issue.
- 1.4 The directors and proposed directors of the Company are responsible for the contents of the Prospectus dated 24 March 2004 relating to the acquisition of Accident Exchange Limited and the related Placing in which this report is included.
- 1.5 It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

- 1.6 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that obtained by MRI Moores Rowland LLP for the period ended 31 July 2002 and the year ended 31 July 2003, who audited the financial statements and the underlying financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

- 1.7 MRI qualified their audit report in respect of the year ended 31 July 2003 as follows:

“Basis of opinion

The evidence available to us was limited in respect of the results of the subsidiary company XecutiveResearch Limited from 1 August 2002 to 17 March 2003 as a result of the compulsory liquidation order of 17 March 2003. We were provided with profit and loss account statements but due to the appointment of the liquidator we did not have access to the underlying records. We were therefore unable to verify the existence or completeness of the profit and loss transactions for the period.

Opinion: disclaimer on view given by the financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the results of the Group for the year ended 31 July 2003, although in our opinion the financial statements do give a true and fair view of the state of affairs of the Company and the Group at 31 July 2003, and in all other respects the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work arising from the liquidation of XecutiveResearch Limited:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit and:
- we were unable to determine whether proper accounting records have been maintained”

- 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.
- 1.9 Because of the possible effect of the limitation of the evidence available to us on the subsidiary company XecutiveResearch Limited as detailed in 1.7 above, we are unable to form an opinion as to whether the financial information gives a true and fair view of the results and cash flows of the Group for the year ended 31 July 2003. In our opinion the financial information does however, give a true and fair view of the results and cash flows of the Group for the period ended 31 July 2002 and the state of affairs of the Group at 31 July 2002 and 31 July 2003.

Consent

- 1.10 We consent to the inclusion in the Prospectus dated 24 March 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. STATUTORY INFORMATION

- 2.1 XecutiveResearch Group PLC was incorporated on 25 January 2002.

3. ACCOUNTING POLICIES

3.1 Basis of accounting

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

The principal accounting policies of the Group are set out below.

3.2 Going concern

The directors have a reasonable expectation that the Group has sufficient financial resources to continue trading for the foreseeable future. Accordingly the accounts have been prepared on the going concern basis.

3.3 Turnover

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding Value Added Tax and trade discounts.

3.4 Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets over their expected useful lives. The periods generally applicable are:

Website & related computer equipment	– 33% per annum straight line
Fixture and fittings	– 25% per annum straight line
Leasehold improvements	– over the term of the lease of four years

3.5 Contributions to defined contribution pension schemes

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

3.6 Deferred Tax

Deferred tax is recognised on all timing differences where the transactions or events that give the Group 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.

3.7 Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and all its subsidiaries. The acquisition method of accounting has been used to consolidate the results of the Company and XecutiveResearch Limited in this Group financial information.

The results of XecutiveResearch Group PLC included in this financial information has been extracted from the Company's statutory financial information for the period ended 31 July 2002 and the year ended 31 July 2003.

On 17 March 2003 the main trading subsidiary, XecutiveResearch Limited, was subject to a compulsory winding up order. As a result the financial statements of the Group include the losses of that company for the period to 17 March 2003.

The Company has taken advantage of section 230(4) of the Companies Act 1985 in not publishing its own profit and loss account. The results of the Company before dividends were £nil for the period ended 31 July 2002 and a loss of £2,539,382 for the year ended 31 July 2003.

3.8 Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

3.9 Financial instruments

The Group uses financial instruments to manage exposures to fluctuations in interest rates. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest receivable is accrued and credited to the profit and loss account in the period to which it relates.

3.10 Liquid Resources

Cash held on greater than 24 hours notice is disclosed as liquid resources in the cash flow statement.

3.11 Investments

Investments are stated at the lower of cost and net realisable value.

3.12 Goodwill

Capitalised purchased goodwill in respect of subsidiaries is included within intangible assets, and is subject to regular impairment reviews. Any impairment identified is charged against the profit and loss account.

3.13 Website Development Costs

Costs incurred in developing the Group's website and its internet based delivery platform, including the cost of developing bespoke software, are accounted for in accordance with the requirements of Urgent Issues Task Force 29 'Website Development Costs' as follows:

- Planning costs including preliminary expenditure and the cost of feasibility studies are charged to the profit and loss account as incurred
- Application and Infrastructure development costs, including design and content development costs are capitalised to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the value of the amounts capitalised

Application and Infrastructure development costs, including design and content development costs are classified as Tangible Fixed Assets and accounted for in accordance with the requirements of Financial Reporting Standard 15 ('FRS 15').

Capitalised website development costs are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable.

4. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	5 months ended 31 July 2002 £'000	Year ended 31 July 2003 £'000
Turnover – discontinued operations	7.1	201	93
Cost of sales		(38)	(50)
Gross profit		163	43
Administrative expenses		(411)	(739)
Operating loss – discontinued operations	7.1	(248)	(696)
Exceptional items	7.2	(1,565)	11
Interest payable and similar charges	7.3	(22)	(19)
Loss on ordinary activities before taxation		(1,835)	(704)
Taxation	7.5	–	–
Loss for the financial period/year transferred from reserves	7.17	(1,835)	(704)
Basic and fully diluted loss per share (p)	7.6	(0.4)	(0.1)

5. CONSOLIDATED BALANCE SHEETS

	Notes	At 31 July 2002 £'000	At 31 July 2003 £'000
Fixed assets			
Intangible assets	7.7	–	–
Tangible assets	7.9	202	–
		202	–
Current assets			
Debtors	7.10	173	17
Investments		–	320
		173	337
Creditors: amounts falling due within one year	7.11	(630)	(276)
Net current (liabilities)/assets		(457)	61
Total assets less current liabilities		(255)	61
Creditors: amounts falling due after more than one year	7.12	(435)	–
Net (liabilities)/assets		(690)	61
Capital and reserves			
Called up share capital	7.14	495	695
Share premium account	7.17	650	1,905
Profit and loss account	7.17	(1,835)	(2,539)
Equity shareholders' funds	7.18	(690)	61

6. CONSOLIDATED CASH FLOW STATEMENTS

	Notes	5 months ended 31 July 2002 £'000	Year ended 31 July 2003 £'000
Net cash outflow from operating activities	7.20	(303)	(119)
Returns on investments and servicing of finance			
Interest paid		—	(19)
Net cash outflow from returns on investments and servicing of finance		—	(19)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(11)	(1)
Sale of tangible fixed assets		25	
Proceeds from sale of current asset investments		—	128
Net cash inflow from capital expenditure and financial investment		14	127
Acquisitions and disposals			
Net overdraft acquired with subsidiary		(217)	—
Net cash outflow from acquisitions and disposals		(217)	—
Net cash outflow before financing		(506)	(11)
Financing			
Proceeds from capital raising		665	—
Expenses paid in connection with share issues		(206)	—
Net cash inflow from financing		459	—
Decrease in cash	7.21	(47)	(11)

7. NOTES TO THE FINANCIAL INFORMATION

7.1 Turnover and operating loss

The Group was principally engaged in the provision of executive recruitment until this was discontinued and the trading subsidiary was liquidated on 17 March 2003. Since that date the Group principally has been involved in investment.

The operating loss is stated after charging:

	5 months ended 31 July 2002 £'000	Year to 31 July 2003 £'000
Auditors remuneration:		
Audit services	9	5
Non-audit services	1	—
Depreciation – owned assets	62	90

7.2 Exceptional items

	5 months ended 31 July 2002 £'000	Year to 31 July 2003 £'000
Impairment of goodwill	(1,565)	—
Impairment provision on current asset investments	—	(650)
XecutiveResearch Limited – writing off net liabilities	—	1,018
Loss on disposal of current asset investments	—	(357)
	<u>(1,565)</u>	<u>11</u>

Period ended 31 July 2002

The directors carried out an impairment review on the goodwill purchased as part of the acquisition of XecutiveResearch Limited. It was decided that this should be reduced to £nil as a result of market conditions and trading levels.

Year ended 31 July 2003

As stated in the accounting policies, XecutiveResearch Limited was subject to a compulsory winding up order on 17 March 2003. The release of £1,018,000 represents the write off of balances held within this company, which are no longer subject to control by the Group.

7.3 Interest payable and similar charges

	5 months ended 31 July 2002 £'000	Year to 31 July 2003 £'000
Loan interest payable	<u>22</u>	<u>19</u>

7.4 Directors and employees

	5 months ended 31 July 2002 £'000	Year to 31 July 2003 £'000
Staff costs during the period were as follows:		
Wages and salaries	227	216
Social security costs	21	20
Payment for third party services	10	15
	<u>258</u>	<u>251</u>

The average numbers of employees (excluding non executive directors) during each period or year were as follows:

	5 months ended 31 July 2002 Number	Year to 31 July 2003 Number
Average number of employees	<u>8</u>	<u>8</u>

Emoluments in respect of Directors for the period ended 31 July 2002:

	Emoluments £'000	Other benefits and payments for director services £'000	Pension contributions £'000	Total £'000
Executive directors				
J. Vaughan-Fowler	63	—	—	63
D. Heynes	10	—	—	10
D. Lees	10	—	—	10
Non-Executive directors				
F. Worsley	4	—	—	4
M. Bull	4	—	—	4
	<u>91</u>	<u>—</u>	<u>—</u>	<u>91</u>

At the 31 July 2002 £41,232 of the above expense remained unpaid.

Emoluments in respect of Directors for the year ended 31 July 2003:

	Emoluments £'000	Other benefits and payments for director services £'000	Pension contributions £'000	Total £'000
Executive directors				
J. Vaughan-Fowler	—	—	—	—
D. Heynes	10	—	—	10
D. Lees	10	—	—	10
Non-Executive directors				
F. Worsley	13	—	—	13
M. Bull	13	—	—	13
	<u>46</u>	<u>—</u>	<u>—</u>	<u>46</u>

During the period no directors participated in money purchase pension schemes.

Other benefits, consisting of consultancy services are shown in note 7.24.

The company operates an Enterprise Management Incentive Share Option Plan, a Share Incentive Plan and a Deferred Bonus Share Plan. During the period no option or share issues were made or transferred to any director or staff member.

7.5 Taxation

	5 months ended 31 July 2002 £'000	Year to 31 July 2003 £'000
Loss on ordinary activities before taxation	(1,835)	(704)
Loss on ordinary activities multiplied by the small companies rate of corporation tax of 20%	(367)	(141)
Effect of:		
Surplus of depreciation compared to capital allowances	12	18
Amortisation of fixed asset investment	7	—
Other expenses not deductible	3	—
Capitalised expenses deductible for tax	(2)	—
Impairment of goodwill	313	—
Loss carried forward to be offset against future trading profits	34	123
Current tax charge for the period/year	—	—

7.6 **Loss per share**

The calculation of the basic loss per share is based upon the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. The weighted average number of shares has been calculated from the date the Company commenced trading following the acquisition of its trading subsidiary.

Reconciliation of the loss and weighted average number of shares in the calculations are set out below:

	5 months ended 31 July 2002	Year to 31 July 2003
Loss on ordinary activities before tax (£'000)	(1,835)	(704)
Weighted average number of shares (Number)	454,215,686	654,215,686
Amount of loss per share in pence	(0.4)	(0.1)

7.7 **Intangible assets**

	Goodwill £'000
Cost	
Additions	1,565
At 31 July 2002 and 31 July 2003	1,565
Amortisation	
Impairment	1,565
At 31 July 2002 and 31 July 2003	1,565
Net book value 31 July 2002 and 31 July 2003	—

7.8 **Acquisitions**

On 28 February 2002 the group acquired the entire share capital of XecutiveResearch Limited for a consideration of £400,125. The net assets of the acquired company at the time of the acquisition were as follows:

	Book and fair value £'000
Net assets acquired	
Investment	4
Tangible fixed assets	268
Debtors	99
Overdraft	(217)
Creditors	(598)
Loans	(721)
	(1,165)
Goodwill	1,565
	400
Satisfied by	
Shares	400

The results of the acquired undertaking for the period to acquisition were as follows:

	7 months ended 28 February 2002 £'000
Turnover	155
Operating loss	511
Loss before tax	554

The acquired undertaking's loss after taxation for the 12 months ended 31 July 2001 was £824,050.

7.9 Tangible fixed assets

	Website £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost			
Additions – subsidiary acquisition	421	70	491
Additions – other	10	1	11
Disposals	–	(28)	(28)
At 31 July 2002	431	43	474
Additions	–	1	1
Disposals	(431)	(44)	(475)
At 31 July 2003	–	–	–
Depreciation			
Additions – subsidiary acquisition	199	24	223
Charge for the year	54	8	62
Eliminated on disposals	–	(13)	(13)
At 31 July 2002	253	19	272
Charge for the year	84	6	90
Eliminated on disposals	(337)	(25)	(362)
At 31 July 2003	–	–	–
Net book value 31 July 2002	178	24	202
Net book value 31 July 2003	–	–	–

7.10 Debtors

	At 31 July 2002 £'000	At 31 July 2003 £'000
Trade debtors	131	–
Other debtors	28	13
Prepayments and accrued income	14	4
	173	17

7.11 **Creditors: amounts falling due within one year**

	At 31 July 2002 £'000	At 31 July 2003 £'000
Bank loans and overdrafts	47	58
Trade creditors	318	116
Social security and other taxes	110	—
Other creditors	6	—
Accruals	149	102
	<u>630</u>	<u>276</u>

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

	At 31 July 2002 £'000	At 31 July 2003 £'000
Directors loans	286	—
Other loans	149	—
	<u>435</u>	<u>—</u>

7.13 **Borrowings**

	At 31 July 2002 £'000	At 31 July 2003 £'000
Within one year:		
Bank overdraft	47	58
After two and within five years:		
Unsecured directors loans	286	—
Other loans	149	—
	<u>482</u>	<u>58</u>

7.14 **Share capital**

	At 31 July 2002 £'000	At 31 July 2003 £'000
Authorised		
2,500,000,000 Ordinary shares of 0.1p each	<u>2,500</u>	<u>2,500</u>
Allotted, called up and fully paid		
695,250,000 (2002: 495,250,000) Ordinary shares of 0.1p each	<u>495</u>	<u>695</u>

The Company was incorporated on 25 January 2002, with an authorised share capital of £600,000 divided into 60,000,000 ordinary shares of 1p each, of which 200 shares were issued, fully paid, on incorporation. On 28 February 2002, the company acquired the whole of the issued share capital of XecutiveResearch Limited, the consideration for which was satisfied by the allotment and issue of 40,012,300 Ordinary Shares of 1p each, credited as fully paid in the Company.

On 15 April 2002 the share capital of the Company was subdivided into 600,000,000 ordinary shares of 0.1p each and the authorised share capital increased to £2,500,000 by the creation of 1,900,000,000 new ordinary shares of 0.1p ranking pari passu in all respects with the existing ordinary shares.

On 5 May 2002 following the successful capital raising in accordance with the Company's placement document dated 17 April 2002, 95,125,000 new ordinary shares of 0.1p were allotted.

On 17 December 2002, the Company entered into a share for share exchange with Jubilee Investment Trust PLC issuing 200,000,000 shares in exchange for 1,500,000 of their £1 Ordinary shares issued at a price of 0.63p. The premium on these shares has been taken to reserves.

7.15 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities at 31 July 2002 or 31 July 2003.

7.16 Executive share option schemes

The Company operates an Enterprise Management Incentive Share Option Plan and a Deferred Bonus Share Plan.

During the period no director benefited from any option or share issues under these plans. There were no share options granted during the period or exercisable at 31 July 2002 or 31 July 2003.

7.17 Reserves

	Share premium account £'000	Profit and loss account £'000
Retained loss for period ended 31 July 2002	..	(1,835)
Premium on allotment	856	..
Transfer of issue costs	(206)	—
At 31 July 2002	650	(1,835)
Retained loss for year ended 31 July 2003	—	(704)
Premium on allotment	1,255	—
At 31 July 2003	1,905	(2,539)

7.18 Reconciliation of movement in shareholders' funds

	At 31 July 2002 £'000	At 31 July 2003 £'000
Loss for the financial period	(1,835)	(704)
Issue of shares	1,351	1,455
Issue costs written off to share premium account	(206)	—
Net (decrease)/increase in shareholders funds	(690)	751
Shareholders' funds at the start of the period/year	—	(690)
Shareholders' funds at the end of the period/year	(690)	61

7.19 Leasing commitments

The Group had the following annual commitments under non-cancellable operating leases.

	At 31 July 2002 £'000	At 31 July 2003 £'000
Other operating lease which expire:		
– after one year and within five years	19	—

7.20 **Reconciliation of operating loss to operating cash flows**

	Period ended 31 July 2002 £'000	Year ended At 31 July 2003 £'000
Operating loss	(248)	(695)
Depreciation	62	90
Profit on sale of fixed assets	(10)	—
(Increase)/decrease in debtors	(74)	138
(Decrease)/increase in creditors	(33)	348
Net cash outflow from operating activities	<u>(303)</u>	<u>(119)</u>

7.21 **Reconciliation of net cashflow to movement in net debt**

	Period ended 31 July 2002 £'000	Year ended At 31 July 2003 £'000
Decrease in cash in the period/year and movement in net debt resulting from cash flows	(47)	(11)
Loans (acquired)/disposed with subsidiary	(721)	435
Net value of liquid resources acquired	—	320
Capitalisation of loans	286	—
Movement in net debt in the period/year	<u>(482)</u>	<u>744</u>
Net debt at start of the period/year	—	(482)
Net (debt)/funds at the end of the year/period	<u>(482)</u>	<u>262</u>

7.22 **Analysis of changes in net funds**

Period ended 31 July 2002

	As at incorporation £'000	Cashflow £'000	Non cash items £'000	Purchase of subsidiary £'000	As at 31 July 2002 £'000
Overdraft	—	(47)	—	—	(47)
	—	(47)	—	—	(47)
Debt due after 1 year	—	—	286	(721)	(435)
Net funds/(debt)	<u>—</u>	<u>(47)</u>	<u>286</u>	<u>(721)</u>	<u>(482)</u>

Year ended 31 July 2003

	At 31 July 2002 £'000	Cashflow £'000	Non cash items £'000	Sale of subsidiary £'000	As at 31 July 2003 £'000
Overdraft	(47)	(11)	—	—	(58)
	(47)	(11)	—	—	(58)
Liquid resources	—	—	320	—	320
Debt due after 1 year	(435)	—	—	435	—
Net (debt)/funds	(482)	(11)	320	435	262

7.23 Major non cash transactions

Period ended 31 July 2002

The consideration for the purchase of subsidiary undertakings which occurred during the year comprised shares. Following the admission to AIM certain loans were capitalised in the amount of £286,250.

Year ended 31 July 2003

The investment arose as a result of a share for share exchange.

The liquidation of the subsidiary did not result in any cash inflow to the Group and therefore the debt cleared as part of the balance sheet write off – see note 7.2 for additional details.

7.24 Related party transactions

During the period the Group entered into transactions with the following organisations, which were related by virtue of common directors and officers:

Directors David Heynes and David Lees were directors and shareholders of D Squared Management Limited. In the period ended 31 July 2002 the Group was charged £27,500 and in the year ended 31 July 2003 £50,000 in respect of a property licence agreement with D Squared Management Limited and a further £1,688 in the period ended 31 July 2002 and £nil in the year ended 31 July 2003 for additional property related costs. A balance of £50,000 was owed to D Squared Management Limited by XecutiveResearch Limited at the date of its acquisition and £67,267 was owed to D Squared Management Limited by XecutiveResearch Limited at 31 July 2002.

David Heynes, David Lees and Michael Bull were directors and shareholders of IBNet plc which purchased recruitment services from XecutiveResearch Limited. XecutiveResearch Limited purchased Web marketing and Website optimisation from IBNet plc. Transactions were conducted at normal commercial rates.

David Heynes and David Lees were directors and shareholders of Names.Co Internet plc. XecutiveResearch Limited has registered domain names through Names.Co Internet plc. These transactions were conducted at normal commercial rates.

Interest on loan notes

Period ended 31 July 2002

David Heynes, David Lees and Michael Bull accrued interest on loans advanced either personally or beneficially. The interest accrued amounted to £4,179, £4,588, and £4,360 respectively.

7.25 Financial Instruments

The Group uses financial instruments comprising cash and short term borrowings that arise from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations and new acquisitions.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosure.

Currency risk

The Group operates within the UK and Europe and all transactions are denominated in sterling or euros. As such the Group is exposed to transaction foreign exchange risk. The mix of currencies and terms of trade is such that the directors believe that the Group's exposure is minimal and consequently they do not specifically seek to hedge that exposure.

Fair values

The fair values of the Group's instruments are considered equal to the book value.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient funds to meet its liabilities as they fall due. The directors monitor cash flow on a daily basis and at monthly board meetings in the context of their expectations for the business to ensure sufficient liquidity is available to meet foreseeable needs.

Interest rate risk

The directors do not consider that the business is exposed to material interest rate risk. The Group finances its operations through a mixture of cash reserves and finance leases. The cash reserves held by the Group during the period have negated the need to use significant interest bearing short term borrowings.

Yours faithfully

GRANT THORNTON

PART VI

INTERIM RESULTS OF THE COMPANY FOR THE SIX MONTHS TO 31 JANUARY 2004

Set out below is a copy of the Interim results of XecutiveResearch for the six months to 31 January 2004 announced on 24 March 2004.

DIRECTORS AND ADVISERS

Company No.04360804

Directors

David John Lees	<i>Chairman</i>
Michael Norman Bull	<i>Non-Executive Director</i>
Francis Edward Worsley OBE	<i>Non-Executive Director</i>

Company Secretary

David Smith

Registered Office

5th Floor
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London W1S 1HU

Registrars

Capita Registrars
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Kent BR3 4TU

Nominated Adviser

Insinger de Beaufort
44 Worship Street
London EC2A 2JT

Nominated Broker

Insinger Townsley
44 Worship Street
London EC2A 2JT

Auditors

MRI Moores Rowland LLP
3 Sheldon Square
London W2 6PS

Solicitors

Stringer Saul
5th Floor
17 Hanover Square
London W1S 1HU

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

United Kingdom company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

David Lees
Chairman

24 March 2004

NON STATUTORY REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF XECUTIVERESEARCH GROUP PLC

We have audited the non statutory financial statement of XecutiveResearch Group PLC for the period ended 31 January 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 19. These non statutory financial statement have been prepared under the accounting policies set out therein.

Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the non statutory financial statement in accordance with United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the non statutory financial statement in accordance with United Kingdom auditing standards. We report to you our opinion as to whether the non statutory financial statements give a true and fair view. We also report to you if, in our opinion, the group has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the non statutory financial statement. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the non statutory financial statement, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 non statutory financial statement are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the non statutory financial statement.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made on page 50 of the non statutory financial statement concerning the availability of financial resources. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the non statutory financial statements give a true and fair view of the state of the group and company's affairs at 31 January 2004 and of the group loss for the period then ended.

MRI Moores Rowland LLP

London

24 March 2004

ACCOUNTING POLICIES

Basis of preparation

The non statutory financial statement have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the group are set out below.

Going concern

The directors have a reasonable expectation that the group has sufficient financial resources to continue trading for the foreseeable future. Accordingly the non statutory financial statement have been prepared on the Going Concern basis.

Basis of Consolidation

The consolidated non statutory financial statement incorporate the financial statements of the company and all its subsidiaries. The acquisition method of accounting has been used to consolidate the results of all subsidiaries.

On 17 March 2003 the main trading subsidiary – XecutiveResearch Limited was subject to a compulsory winding up order. As a result the comparative group financial statements include the losses of that company for the period 1 August 2002 to 17 March 2003.

The company has taken advantage of Section 230(4) of the Companies Act 1985 in not publishing its own profit and loss account. The profit for the period of the company before dividends was £8,519 (2002: loss of £2,539,382).

Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Contributions to defined contribution pension schemes

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the group 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.

Liquid Resources

Cash held on greater than 24 hours notice is disclosed as liquid resources in the cash flow statement.

Investments

Investments are stated at cost less provision for any impairment.

Goodwill

Capitalised purchased goodwill in respect of subsidiaries is included within intangible assets, and is subject to regular impairment reviews. Any impairment identified is charged against the profit and loss account.

PROFIT AND LOSS ACCOUNT
for the period ended 31 January 2004

	Notes	Group 6 months to 31.01.04 £	Group Year ended 31.07.03 £
TURNOVER – Discontinued	1	–	93,283
COST OF SALES			(50,406)
GROSS PROFIT			42,877
ADMINISTRATIVE EXPENSES			
– Staff costs	4	(27,500)	(250,307)
– Other administration costs		27,575	(488,039)
		75	(738,346)
OPERATING LOSS – Discontinued	1	75	(695,469)
Exceptional items	2	18,134	10,759
Interest payable and similar charges	3	(9,690)	(19,437)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		8,519	(704,147)
TAXATION	5	–	–
RETAINED PROFIT/(LOSS) FOR PERIOD AFTER TAXATION	12	8,519	(704,147)
BASIC AND FULLY DILUTED PROFIT/(LOSS) PER SHARE	6	0.001p	(0.1)p

The group's accounting policies and notes form part of these financial statements.

GROUP AND COMPANY BALANCE SHEET

for the period ended 31 January 2004

	Notes	As at 31.01.04 £	As at 31.07.03 £
FIXED ASSETS			
Intangible assets	7	—	—
		—	—
CURRENT ASSETS			
Debtors due within one year	8	15,385	16,851
Investments	9	—	320,000
Cash at bank and in hand		91,739	—
		107,124	336,851
CREDITORS – Amounts falling due within one year	10	(37,324)	(275,570)
NET CURRENT ASSETS		69,800	61,281
NET ASSETS		69,800	61,281
CAPITAL AND RESERVES			
Called up share capital	11	695,250	695,250
Share premium account	12	1,905,413	1,905,413
Profit and loss account	12	(2,530,863)	(2,539,382)
Equity shareholders' funds	13	69,800	61,281

The non statutory financial statements were approved by the board of directors and signed on their behalf on 24 March 2004.

David Lees
Chairman

CASH FLOW STATEMENT
for the period ended 31 January 2004

	Notes	Group 6 months to 31.01.04 £	Group Year to 31.07.03 £
Net cash outflow from operating activities	15	(179,009)	(61,319)
Returns on investment and servicing of finance			
Interest paid		(9,690)	(19,437)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		—	(723)
Proceeds from sale of current asset investments		338,134	128,132
		<u>338,134</u>	<u>(127,409)</u>
Acquisitions and Disposals			
Net overdrafts disposed with subsidiary		—	(79,783)
Net cash inflow/(outflow) before financing		<u>149,435</u>	<u>(33,130)</u>
Increase/(decrease) in cash	17	<u>149,435</u>	<u>(33,130)</u>

NOTES TO THE NON STATUTORY FINANCIAL STATEMENTS
for the period ended 31 January 2004

1. Turnover and Operating Loss

The group's activities are solely carried out in the United Kingdom

The operating profit/(loss) is stated after charging the following:

	Group 6 months to 31.01.04 £	Group Year to 31.07.03 £
Auditors' Remuneration		
– Audit services	4,500	5,000

2. Exceptional Items

	Group 6 months to 31.01.04 £	Group Year to 31.07.03 £
Impairment of goodwill	–	–
Impairment provision on current asset investments	–	(650,000)
XecutiveResearch Ltd – writing off net liabilities	–	1,017,627
Profit/(Loss) on disposal of current asset investment	18,134	(356,868)
	<u>18,134</u>	<u>10,759</u>

As stated within the accounting policies XecutiveResearch Limited was subject to a compulsory liquidation order on 17 March 2003. The release of £1,017,627 represents the write off of balances held within this company, which are no longer subject to group control.

3. Interest Payable and Similar Charges

	Group 6 months to 31.01.04 £	Group Year to 31.07.03 £
Loan interest payable	9,690	19,437

4. Directors and Employees

	Group 6 months to 31.01.04 £	Group Year to 31.07.03 £
Staff costs during the year were as follows:		
Wages and salaries	27,500	215,710
Social security costs	—	19,756
Payment for third party services	—	14,841
	<u>27,500</u>	<u>250,307</u>
Average number of employees (excluding non-executive directors)	<u>1</u>	<u>8</u>

Directors' Emoluments

	Emoluments Group 31.01.04 £	Other benefits and payments for director services Group 31.01.04 £	Pension contributions Group 31.01.04 £	Total Group 31.01.04 £
Executive Directors				
D Lees	12,500	—	—	12,500
Non-executive Directors				
F Worsley	7,500	—	—	7,500
M Bull	7,500	—	—	7,500
	<u>27,500</u>	<u>—</u>	<u>—</u>	<u>27,500</u>

During the period no directors participated in money purchase pension schemes.

The company operates an Enterprise Management Incentive Share Option Plan, a Share Incentive Plan and a Deferred Bonus Share Plan. During the year no option or share issues were made or transferred to any director or staff member.

5. Taxation

There is no tax charge or credit for the period. An explanation of the tax position compared to the group's reported results is set out below:

	Group 6 months to 31.01.04 £	Group Year to 31.07.03 £
Profit/(Loss) on ordinary activities before taxation	8,519	(704,147)
Profit/(Loss) on ordinary activities before taxation multiplied by small companies corporation tax rate of 20% (2003: 20%)	1,704	(140,829)
<i>Effect of:</i>		
Surplus of depreciation compared to capital allowances	—	18,038
Loss carried forward to be offset against future tradeable profits	(1,704)	122,791
Current tax charge for the year	<u>—</u>	<u>—</u>

6. **Profit/(Loss) per share**

The calculation for the basic profit/(loss) per share is based upon the loss attributable to ordinary shareholders divided by the weighted average number of shares on issue during the period.

Reconciliation of the profit/(loss) and weighted average number of shares used in the calculations are set out below:

	Group 6 months to 31.01.04 £	Group Year to 31.07.03 £
Profit/(Loss) on ordinary activities before tax	8,519	(704,147)
Weighted average number of shares	654,250,000	654,215,686
Amount of profit/(loss) per share in pence	0.001p	(0.1)p

7. **Intangible assets**

Company and Group

Goodwill
£

Cost

At 31 July 2003 & 31 January 2004 1,564,919

Impairment

At 31 July 2003 & 31 January 2004 (1,564,919)

Net book value at 31 July 2003 & 31 January 2004 —

8. **Debtors**

	Company As at 31.01.04 £	Company As at 31.07.03 £	Group As at 31.01.04 £	Group As at 31.07.03 £
Other debtors	14,785	12,600	14,785	12,600
Prepayments and accrued income	600	4,251	600	4,251
	<u>15,385</u>	<u>16,851</u>	<u>15,385</u>	<u>16,851</u>

9. **Investments**

	Company As at 31.01.04 £	Company As at 31.07.03 £	Group As at 31.01.04 £	Group As at 31.07.03 £
Listed investments	—	320,000	—	320,000

The listed investments were disposed during the year.

10. **Creditors:** Amounts falling due within one year

	Company As at 31.01.04 £	Company As at 31.07.03 £	Group As at 31.01.04 £	Group As at 31.07.03 £
Bank loans and overdrafts	–	57,696	–	57,696
Trade creditors	7,025	115,462	7,025	115,462
Accruals	30,299	102,412	30,299	102,412
	<u>37,324</u>	<u>275,570</u>	<u>37,324</u>	<u>275,570</u>

There were no capital commitments or any other contingent liabilities at 31 January 2004.

11. **Share Capital**

	Number	As at 31.01.04 £	Number	As at 31.07.03 £
<i>Authorised capital</i>				
Ordinary shares of 0.1p each	<u>2,500,000,000</u>	<u>2,500,000</u>	<u>2,500,000,000</u>	<u>2,500,000</u>
<i>Allotted, called up and fully paid capital</i>				
Ordinary shares of 0.1p each	<u>695,250,000</u>	<u>695,250</u>	<u>695,250,000</u>	<u>695,250</u>

12. **Reserves**

	Share Premium Account £	Profit and Loss Account £	Total £
Company and Group			
At 31 July 2003	1,905,413	(2,539,382)	(633,969)
Retained profit for the year	–	8,519	8,519
At 31 January 2004	<u>1,905,413</u>	<u>(2,530,863)</u>	<u>(625,450)</u>

13. **Reconciliation of movement in shareholders' funds**

	As at 31 January 04 £
Group and Company	
Profit for the financial year	8,519
Shareholders' funds at 31 July 2003	<u>61,281</u>
Shareholders' funds at 31 January 2004	<u>69,800</u>

14. **Leasing commitments**

The following annual commitments under non-cancellable operating leases existed:

	Company As at 31.01.04 £	Company As at 31.07.03 £	Group As at 31.01.04 £	Group As at 31.07.03 £
Other operating leases which expire:				
– After one year and within five years	<u>17,079</u>	<u>17,079</u>	<u>17,079</u>	<u>17,079</u>

15. **Reconciliation of operating profit/(loss) to operating cash flows**

	Group As at 31.01.04 £	Group As at 31.07.03 £
Operating profit/(loss)	75	(695,469)
Depreciation	—	90,188
Loss on sale of investments	—	356,868
Profit on write off of subsidiary	—	(927,091)
Provision for impairment of investments	—	650,000
Decrease in debtors	1,466	137,708
(Decrease)/Increase in creditors	(180,550)	326,477
Net cash outflow from operating activities	<u>(179,009)</u>	<u>(61,319)</u>

16. **Analysis of changes in net funds**

	As at 31.07.03 £	Cashflow £	Non-cash items £	As at 31.07.03 £
Cash in bank and in hand	—	91,739	—	91,739
Bank overdraft	(57,696)	57,696	—	—
	<u>(57,696)</u>	<u>149,435</u>	<u>—</u>	<u>91,739</u>
Liquid resources:				
Current asset investments	320,000	(338,134)	18,134	—
Net funds	<u>262,304</u>	<u>(188,699)</u>	<u>18,134</u>	<u>91,739</u>

17. **Reconciliation of net cashflow to movement in net debt**

	Group As at 31.01.04 £	Group As at 31.07.03 £
Increase/(decrease) in cash in the year	149,435	(33,130)
Cash inflow from management of liquid resources	(338,134)	—
	<u>(188,699)</u>	<u>(33,130)</u>
Non cash movement on investments	18,134	320,000
Non cash movement on disposal of subsidiary	—	456,837
Movement in net debt in the period	<u>(170,565)</u>	<u>743,707</u>
Net funds/(debt) at 31 July 2003	262,304	(481,403)
Net funds at 31 January 2004	<u>91,739</u>	<u>262,304</u>

18. Related party transactions

During the period the group entered into transactions with the following organisations, which were related by virtue of common directors and officers:

Director David Lees is a director and shareholder of D Squared Management Limited. During the year the group was charged £12,500 (2003: £50,000) in respect of a property licence agreement with D Squared. At 31 January 2004, D Squared was owed £6,250 (2003: £50,000) for property and external consulting services.

19. Pensions

The group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees, in a fund independent from those of the group. The pension costs charged for the period are disclosed in note 4.

PART VII

PRO FORMA STATEMENT OF NET ASSETS

Pro Forma Statement of Net Assets

The following unaudited pro forma statement of net assets of the Enlarged Group has been produced to illustrate the impact of the Acquisition and Placing as if they had occurred on 31 January 2004. The pro forma financial information is based on the financial information relating to the Company as at 31 January 2004 extracted from the Interim Results in Part VI and Accident Exchange as at 31 January 2004 extracted from the Accountants' Report in Part IV, and adjusted for the matters set out below:

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

	The Company as at 31 January 2004 £'000	Accident Exchange as at 31 January 2004 £'000	Adjustment for Placing £'000	Pro-forma net assets £'000
Fixed assets				
Tangible assets	—	3,396	—	3,396
Current assets				
Debtors	15	2,119	—	2,134
Cash at bank and in hand	92	—	198	290
	107	2,119	198	2,424
Creditors: amounts falling due within one year	(37)	(2,479)	830	(1,686)
Net current assets/(liabilities)	70	(360)	1,028	738
Total assets less current liabilities	70	3,036	1,028	4,134
Creditors: amounts falling due after more than one year	—	(2,150)	—	(2,150)
Provisions for liabilities and charges	—	(268)	—	(268)
Net assets	70	618	1,028	1,716

Notes to the pro-forma statement of net assets

1. No adjustment has been made for any movement in net assets of the Company since 31 January 2004 or Accident Exchange since 31 January 2004.
2. The pro-forma information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act.
3. The net proceeds of the Placing are assumed to be £1,028,000.

The Directors
XecutiveResearch Group PLC
5th Floor
17 Hanover Square
LONDON
W1S 1HU

Grant Thornton 

Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

and

Insinger Townsley
44 Worship Street
LONDON
EC2A 2JT

and

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

24 March 2004

Dear Sirs

PRO FORMA FINANCIAL INFORMATION

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

Responsibilities

It is the responsibility solely of the directors of XecutiveResearch Group PLC to prepare the pro forma financial information.

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

Basis of opinion

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

Opinion

In our opinion:

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

Yours faithfully

GRANT THORNTON

PART VIII

INFORMATION ON THE CONCERT PARTY

The Concert Party comprises the shareholders of Accident Exchange as at the date of this document, as detailed below. They comprise a Concert Party under the Rules of the City Code:

Name	Number of Accident Exchange Shares	Percentage
Guy Robert Beacroft	100	10.0%
Martin Bramwell	100	10.0%
Ian William James Crump	17	1.7%
Stephen Terence Eldred	17	1.7%
Stephen Anthony Evans	582	58.2%
Richard John Pope	17	1.7%
Roderick Hubert Seel	100	10.0%
Steine Paget-Wall	17	1.7%
Lord Young of Graffham	50	5.0%

All of: Unit 1, Roman Park, Roman Way, Coleshill, West Midlands B46 1HG.

Following Completion of the Proposals the members of the Concert Party will each hold the following interests in the Enlarged Consolidated Share Capital:

Name	Number of Consolidated Shares at Completion	Percentage of Enlarged Consolidated Share Capital	Options over New Ordinary Shares	Percentage of Enlarged Consolidated Share Capital assuming all options are exercised
Guy Robert Beacroft	5,422,950	8.80	nil	8.80
Martin Bramwell	5,422,950	8.80	nil	8.80
Ian William James Crump	921,901	1.50	nil	1.50
Stephen Terence Eldred	921,901	1.50	nil	1.50
Stephen Anthony Evans	31,561,571	51.22	nil	51.22
Richard John Pope	921,901	1.50	nil	1.50
Roderick Hubert Seel	5,422,950	8.80	nil	8.80
Steine Paget-Wall	921,901	1.50	nil	1.50
Lord Young of Graffham	2,711,475	4.40	nil	4.40

Further details of the principal members of the Concert Party are set out below and in Part IX of this document.

Guy Robert Beacroft

Guy Beacroft has over thirty years senior management experience in global insurance markets. He previously held the position of Vice Chairman of Financial Insurance Co Ltd, a subsidiary company of GE Capital and was also a Director of GE Insurance Holdings and Chairman of the Association of British Insurers Creditor Committee.

Martin Bramwell

Martin Bramwell is the IT Director of Accident Exchange. He is a Member of the British Computer Society. He holds a Master of Science Degree in Computing and leads the development team. He has 16 years' commercial experience working within the fields of accident management, insurance and local and central government and has a particular skill in making IT capable of supporting rapidly evolving businesses. Martin Bramwell was the IT Director of Accident Assistance Limited and has worked with Steve Evans since 1988.

Stephen Anthony Evans

Steve Evans is the founder and Chief Executive of Accident Exchange Limited. He was formerly Chief Executive of Accident Assistance Limited and is an entrepreneur with a proven start-up track record. Accident Assistance Limited, which specialised in handling insurance claims on behalf of the victims of road traffic accidents, was sold in 1997.

Roderick Hubert Seel

Rod Seel is Sales Development Director of Accident Exchange. He has 14 years' experience in business-to-business sales and has been a primary driver behind Accident Exchange's rapid growth since inception. He is responsible for the entire customer experience from handling the claim to delivering the car and has a team of 17 people working for him.

Lord Young of Graffham

The Rt. Hon Lord Young of Graffham is a qualified solicitor and serial entrepreneur who served in the Thatcher Government for ten years and as Secretary of State for Trade and Industry. On retiring from the Cabinet he became Executive Chairman of Cable and Wireless plc, President of the Institute of Directors and is today Chairman and major shareholder of Young Associates Limited, a private equity house specialising in technology companies. He is also Chairman of Pixology PLC, an AIM listed technology company which was floated in December 2003.

PART IX

ADDITIONAL INFORMATION

The Company and its Subsidiaries

1. Responsibility statement

The members of the Concert Party whose names appear on page 63 of this document, accept responsibility individually and collectively for the information contained in this document relating to themselves as set out in Part VIII of this document. To the best of the knowledge of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and makes no omission likely to affect the import of such information.

2. The Company

The Company was incorporated on 25 January 2002 in England and Wales under the Act with registered number 4360804 as a public company limited by shares under the name XecutiveResearch Group PLC and, accordingly, the liability of its members is limited. The company is the holding company of XecutiveResearch Limited (reg. no. 03220413), now in liquidation and Accident Exchange 2004 Limited (reg. no. 5076603). The Company's registered office is at 5th Floor, 17 Hanover Square, London, W1S 1HU.

3. Share Capital

- (a) The existing authorised and issued fully paid up share capital of the Company as at the date of this document is:

	Authorised		Issued and fully paid	
	Number	Amount	Number	Amount
Ordinary shares of 0.1p	2,500,000,000	£2,500,000	695,250,000	£695,250

- (b) The authorised and issued fully paid up share capital of the Company as it is expected to be on Admission, is set out below:

	Authorised		Issued and fully paid	
	Number	Amount	Number	Amount
Ordinary shares of 5p	87,485,500	4,374,275	61,620,000	£3,081,000
Deferred shares of 5p	12,514,500	£625,725	12,514,500	£625,725

- (c) The Company is proposing to consolidate every 500 issued Existing Ordinary Shares of 0.1p each in the capital of the Company into one Consolidated Share of 5p and nine Deferred Shares of 5p each and every 50 unissued Ordinary Shares of 0.1p into one Consolidated Share of 5p. Fractions of shares arising from the Share Reorganisation (if any) will be aggregated and sold in the market and the net sale proceeds will be retained and applied for the benefit of the Company.
- (d) The Company is also proposing to further increase its authorised share capital from £2,500,000 to £5,000,000 by the creation of an additional 50,000,000 Consolidated Shares.
- (e) Of the balance of the authorised and unissued ordinary share capital of the Company following the Placing and Acquisition, amounting to 25,865,500 Consolidated Shares:
- (a) 1,047,500 Consolidated Shares will be reserved for issue under the Unapproved Option Plan; and
- (b) 24,817,960 Consolidated Shares will remain unissued and unreserved.
- (f) Save as disclosed in this paragraph 3 and in paragraph 11 of this Part IX:
- (a) on Admission, no unissued share or loan capital in the Company or the Subsidiary will be under option or will be agreed conditionally or unconditionally to be put under option and there is no current intention to issue any of the authorised and unissued Ordinary Shares; and
- (b) no share or loan capital of the Company or of the Subsidiary has been issued for cash or other consideration within the period since incorporation of the Company and the date of this document and no such issue is proposed.
- (g) The Consolidated Shares will rank in full for all dividends or other distributions hereafter declared, paid or made on the ordinary share capital of the Company.

4. Memorandum and Articles of Association

4.1 The Memorandum of Association of the Company provides, in clause 4, that the Company's principal object is to carry on the business of a general commercial company.

4.2 The Articles of Association (the "Articles") which were adopted on incorporation contain, *inter alia*, provisions set out below. It is intended that the Company adopt the new articles of association, which save for the provisions set out in paragraph 4.3 below will be in the same form and contain the same provisions as set out in this paragraph:

(i) *Voting Rights*

Subject to any special rights or restrictions as to voting attached to any shares and subject to any suspension or abrogation of voting rights pursuant to the Articles at a general meeting on a show of hands every member who (being an individual) is present in person and every proxy and every member (being a corporation) who is present by a duly authorised representative not being himself a member, shall have one vote, so that no individual shall have more than one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

(ii) *Dividends*

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends to be paid to the members according to their respective rights and interest, but no dividend shall exceed the amount recommended by the directors. Subject to the provisions of the Act, the directors may pay such interim dividends as appear to them to be justified by the profits of the Company available for distribution. No dividend shall be payable except out of the profits of the Company.

All dividends shall be declared and paid according to the amounts paid on the shares in respect of which the dividend is paid, but no amount paid on a share in advance of calls shall be treated as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid on the shares during any portion of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest as against the Company.

Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways.

All dividends unclaimed for a period of twelve years after having become due shall be forfeited and shall (unless the directors otherwise resolve) revert to the Company.

(iii) *Distribution of Assets on Liquidation*

On a winding up, any surplus assets will belong to the holders of any ordinary shares then in issue according to the numbers of shares held by them. In addition, the liquidator may, with the authority of a special resolution and any other sanction required by the Acts, divide among the members in kind the whole or any part of the assets of the Company. For this purpose the liquidator may set such value as he deems fair upon any class or classes or property and may determine how the division is carried out as between the members or different classes of members. No contributory shall, however, be compelled to accept any asset in respect of which there is a liability.

(iv) *Transfer of Shares*

Subject to the restrictions referred to below, any member may transfer all or any of his certificated shares by instrument in writing in any usual or common form, or in such other form as the directors may approve and in the case of uncertificated shares through CREST in accordance with and subject to the relevant regulations from time to time and in the manner provided by the rules and procedures of the relevant system concerned. The instrument of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid up share, by or on behalf of the transferee. The directors may, in their absolute discretion and without assigning any reason, refuse to register a transfer of any share, not being a fully paid up share, or being in respect of a share on which the Company has a lien, provided that the

directors shall not exercise their discretion in such a way as to prevent dealings in shares admitted to listing or trading on the Stock Exchange taking place on an open and proper basis. They may also refuse to register any transfer of any share (whether fully paid or not) to be held jointly by more than four persons. The directors may also decline to register any instrument of transfer unless:

- (i) it is deposited duly stamped, at the registered office of the Company, or such other place as the Directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; and
- (ii) it is in respect of only one class of certificated share.

The registration of transfers may be suspended by the directors for any period not exceeding 30 days in any year as the Directors determine.

(v) *Issue and Allotment of Shares*

Subject to the provisions of the Articles relating to the authority to allot shares, the pre-emption rights of shareholders, and otherwise and to any resolution of the Company in general meeting passed pursuant thereto, the unissued shares of the Company (whether forming part of the original or any increased capital) or rights to subscribe for or convert any security into shares, shall be under the control of the directors who may offer, allot, grant options over or otherwise dispose of them to such persons, on such terms and conditions and at such times as they shall think fit, but so that no share shall be allotted at a discount.

(vi) *Variation of Rights*

Subject to the provisions of the Acts, all or any of the special rights and privileges attached to any share or class of shares may be varied or abrogated with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

Subject to the terms upon which any shares may be issued, the rights or privileges attached to any class of shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects with those already issued, or by the purchase or redemption by the Company of its own shares.

(vii) *Changes in Share Capital*

- (a) The Company may by ordinary resolution increase its share capital by such sum as the resolution prescribes, consolidate and divide all or any of its share capital into shares of a larger amount, cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and sub-divide its shares or any of them into shares of smaller amount and determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with, the other or the others as the Company has power to attach to unissued or new shares.
- (b) Subject to the Act and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are, liable to be redeemed and it may also purchase its own shares (including redeemable shares).

(viii) *Directors*

- (a) Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be subject to any maximum but shall not be less than two. A director shall not require any shareholding qualification and shall not be required to retire on attaining any specific age.
- (b) A director shall not vote on (or be counted in the quorum in respect of) any resolution of the directors, or of a committee of the directors, concerning any contract or

arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company. Notwithstanding the foregoing, a director shall (in the absence of some other material interest than as indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (i) a contract or arrangement for giving to the director a security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or of any of its subsidiaries;
 - (ii) a contract or arrangement for giving to the Director security, guarantee or indemnity of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning any offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of the offer;
 - (iv) any proposal concerning any other company in which he and any persons connected to him do not to his knowledge hold an interest in shares as that term is used in Sections 198 to 211 of the Act representing 1 per cent or more of any class of the equity share capital or of the voting rights in that company;
 - (v) any proposal relating to a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees share scheme which does not award him any privilege or benefit not awarded to the employees to whom such arrangement relates; and/or
 - (vi) any proposal concerning the purchase, and/or maintenance of any policy of insurance for the benefit of Directors or for the benefit of persons including Directors.
- (c) A director shall not vote on (or be counted in the quorum in respect of) a resolution of the directors, or of a committee of the directors, concerning his own appointment as the holder of an office or place of profit with the Company or another company in which the Company is interested (including the arrangement or variation of its terms or its termination).
- (d) The non-executive directors of the Company, shall be entitled to ordinary remuneration for their services as directors not exceeding £100,000 (excluding any other amounts payable under any other provision in the Articles of Association of the Company). The other Directors shall be paid out of the funds of the Company by way of remuneration for their services as they may determine. The Directors shall also be entitled to be paid all travelling and hotel expenses properly incurred by them in attending and returning from meetings of the Directors or of committees of the Directors or general meetings of the Company or in connection with the business of the Company. Any Director who at the request of the Board performs any special services or goes or resides abroad for any purposes of the Company may, (unless otherwise expressly resolved by the Company in a general meeting) receive such extra remuneration by way of salary, commission, participation in profits otherwise as the Board determines.
- (e) A director may be appointed by the directors to any other office or employment under the Company, except that of auditor, in conjunction with his office as director for such period, on such terms and at such remuneration (by way of salary, commission, participation in profits, retirement benefits scheme or other benefits) as the directors may determine.
- (f) Any director may act by himself or his firm in a professional capacity for the Company (except that of Auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.
- (g) At each annual general meeting of the Company, one third of the directors who are subject to retirement by rotation or, if their number is not 3 or a multiple of 3, then the

number nearest but not less than one-third shall retire from office. A retiring director shall be eligible for re-election.

(ix) *Borrowing Powers*

- (a) 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 and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (but as regards subsidiary undertakings only insofar as, by the exercise of the rights or powers of control, the directors can secure) that the aggregate principal amount outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member) does not, without the previous sanction of an ordinary resolution, exceed the greater of £10 million or 3 times the adjusted capital and reserves (as defined in the Articles).

(x) *Pensions and Benefits*

- (a) The directors may establish and maintain or procure the establishment and maintenance of or participation in or contribution to any contributory or non-contributory pension or superannuation fund, scheme or arrangement or life assurance scheme or arrangement for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment of the Company, or of any company which is or was a subsidiary of the Company or allied or associated with the Company or any subsidiary, or who are or were at any time directors or officers of the Company or of any such other Company, and the spouses, former spouses, families and dependants of any such persons;
- (b) The directors may procure any of the above matters to be done by the Company either alone or in conjunction with any other company

(xi) *Untraced Shareholders*

The Company may sell the shares of a member, or the shares to which a person is entitled by virtue of transmission on death or bankruptcy, if;

- (a) during the period of 12 years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the first date), being a period during which at least 3 dividends have been payable, all warrants and cheques in respect of the shares in question sent in the manner authorised by the Articles have remained uncashed;
- (b) the Company on or after expiry of the period of 12 years has given notice, by advertisement in a newspaper circulating in the area in which the last known address of the member, or the address at which service of notices may be effected in the manner authorised by the Articles, is located, of its intention to sell the shares;
- (c) during the period of 12 years and the period of 3 months following publication of the advertisement the Company has received no indication either of the whereabouts or of the existence of the member or person; and
- (d) notice has been given to the Nominated Adviser (where the Company's shares have been admitted to trading on AIM) or (as the case may be) the UK Listing Authority (where the Company's shares are admitted to the Official List) of the Company's intention to make the sale.

(xii) *Notices*

Notices may be served by the Company upon any member either personally or by post to such member's registered address. A member is entitled to receive notices from the Company notwithstanding that his registered address as appearing in the register of members is outside the United Kingdom.

4.3 Adoption of New Articles of Association

At the EGM it will be proposed that the Company adopt the new articles of association (the "New Articles"). The New Articles will be in substantially the same form as the existing articles (a summary of which are set out in paragraph 4.2 above) save for the following variations, namely:

- (a) the details of the authorised share capital will be amended to take into account the proposed Share Reorganisation, increase in authorised share capital and the creation of Deferred Shares;
- (b) the New Articles will set out the rights of the Deferred Shares. The Deferred Shares arising under the Share Reorganisation will have no voting or dividend rights, and, on a return of capital, the right only to receive the amount paid up thereon after the holders of New ordinary Shares have received the aggregate amount paid up thereon plus £100,000 per New Ordinary Share. Consequently, the Deferred Shares will, effectively, be valueless.
- (c) the New Articles will contain the appropriate provisions to enable the Company to distribute notices and circulars using electronic means in accordance with the Electronic Communications Act 2000. The Directors see this as an important addition as it should enable the Company to eventually reduce its administrative costs.
- (d) the New Articles will contain a dis-application of Section 293 of the Companies Act 1985 (in accordance with Section 293(7)) in order to allow an individual, who has reached the age of 70 years old to be appointed as a director of the Company. As set out in this document Lord Young of Graffham is a Proposed Director and a key individual to the business and prospects of the Enlarged Group going forward. Lord Young is 72 years old, and under the general provisions of Section 293 he would not be allowed to be appointed as director of a public company. Section 293(7) provides an exclusion to this general rule that allows a person over 70 years old to be appointed as a director of a public company if the shareholders at general meeting have approved the amendment of the articles of association of the company to allow persons over 70 to be appointed. The New Articles contain the necessary provisions to dis-apply Section 293.

5. Interests of Directors, Proposed Directors and Others

A. Interests in the Company

- (a) The interests of the Directors, the Proposed Directors, their immediate families and of persons connected with them within the meaning of Section 346 of the Act in the share capital of the Company as at the date of this document all of which are beneficial (which are required to be notified to the Company pursuant to Section 324 of the Act and are required to be entered in the Register of Directors' interests maintained under the provisions of Section 325 of the Act) or which could, with reasonable diligence, be ascertained by the Directors, and as they are expected to be immediately following the Admission are as follows:

Name	Current number of Existing Ordinary Shares	Current percentage of issued share capital	Number of Consolidated Shares on Admission	Percentage of Enlarged Consolidated Share Capital on Admission	Options over Consolidated Shares
D Lees ⁽¹⁾	70,500,000	10.14	998,068 ⁽²⁾	1.62	nil
F E Worsley	nil	nil	60,000	0.10	nil
M Bull ⁽³⁾	70,500,000	10.14	398,068 ⁽⁴⁾	0.65	nil
Lord Young	nil	nil	2,711,475	4.40	nil
S Evans	nil	nil	31,561,571	51.22	nil
P Wildes ⁽⁵⁾	nil	nil	nil	nil	1,047,500

Notes:

- (1) Mr Lees' shares are held in the name of Deepwater Holdings Limited, which is a company the entire issued share capital of which is owned by the trustee of the D J Lees Family Settlement, the beneficiaries of which are Mr Lees and certain members of his family.
- (2) The Consolidated Shares in which Mr Lees will be interested in on Admission include shares that will be acquired by (a) the transfer to him by the Executive Research Employee Benefit Trust Company Limited (the "EBT") of 114,136 Consolidated Shares, of which he intends to transfer, for nil consideration, 50 per cent of such Consolidated Shares, being 57,068, to Coverglass Limited (a company owned by Mr Bull) and (b) the subscription, under the Placing at the Placing Price, by the SBJ Preference Personal Pension Plan (a pension fund the beneficiary of which is Mr Lees) of 800,000 Placing Shares.
- (3) Mr Bull's shares are held in the name of Coverglass Limited, a company owned by him.

- (4) The Consolidated Shares in which Mr Bull is interested in on Admission include shares that will be acquired by (a) the subscription to the Placing of 200,000 Placing Shares at the Placing Price by Transmear Limited (a company owned by Mr Bull) and (b) by the transfer from Mr Lees, for nil consideration, of 57,068, to Coverglass Limited (a company owned by Mr Bull) being 50 per cent of the Consolidated Shares received by Mr. Lees from the EBT, as set out in note 2 above.
- (5) Mr Wildes' shares are subject to an option ("the Initial Award") granted under the Unapproved Plan effective from Admission. Further details of the Initial Award are given in paragraph 11.14 of this Part IX.
- (6) Mr Worsley is participating in the Placing by subscribing for 60,000 Placing Shares at the Placing Price.

(b) *Substantial Shareholders And Other Interests*

The Directors are aware of the following interests (in addition to those set out in paragraph 4(a) above) which either now, or will on Admission, represent 3 per cent or more of the issued share capital of the Company on Admission:

Shareholder	At present	Percentage of issued share capital	On Admission	Percentage of Enlarged Consolidated Share Capital
	Number of Existing Ordinary Shares		Number of Consolidated Shares	
Fleming Asset Management Nominees (pty) Ltd	49,250,000	7.08	98,500	0.16
James Vaughan Fowler	96,272,500	13.85	192,545	0.31
The XecutiveResearch Employee Benefit Trustee Company Limited	85,602,500	12.31	nil	nil
The estate of David Heynes, Deceased	69,500,000	10.00	139,000	0.23

Save as disclosed in this paragraph 5(A)(b) and paragraph 5(A)(a) above, none of the Directors or the Proposed Directors are aware of any person who, immediately following the Proposals, will, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

- (c) Save as disclosed in paragraph 5A(a) above, no Director nor any Proposed Director nor any member of his immediate family or any person connected with him holds or is beneficially or non beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiaries.
- (d) No Director or Proposed Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was significant in relation to the business of the Company or Accident Exchange and which was effected with the Company or with Accident Exchange during the current or immediately preceding financial year or remains in any respect outstanding or unperformed.
- (e) No loans or guarantees have been granted or provided to or for the benefit of any of the Directors or Proposed Directors by any member of the Enlarged Group and which have not been repaid or released as at the date of this document
- (f) In addition to their directorships of the Company, the Directors and Proposed Directors hold, or have held, the following directorships during the five years prior to the date of this document:

David John Lees

D Squared Management Limited	Goodwill Credit Limited ⁽¹⁾
IBNet (UK) Limited	SkyePharma Plc
Triple Plate Junction Plc	Flare Group Plc ⁽²⁾
Network Estates Limited	Keith Ceramic Materials Limited
Network Estates Development Limited	Bricsco International Export Limited ⁽²⁾
Deal Group Media Plc	Weldonmead Limited
Accident Exchange 2004 Limited	Elmeceram U.K. Limited
Metis Biotechnologies Plc	Flare Industries Limited ⁽²⁾
Webcall.com Limited	Purtain Limited ⁽²⁾
Goodwood Finance Limited	Gibbons Refractories Limited ⁽²⁾
XecutiveResearch Limited ⁽³⁾	Flare Employees' Trustees Limited ⁽²⁾
Namesco Limited	Flare.com Limited ⁽²⁾

David John Lees – continued

Dakevson Limited
Network Point Management (Witney)
Limited

Rath Realisations Limited ⁽²⁾
Flare (Prill) Limited ⁽²⁾
Flare Pension Trustees Limited ⁽²⁾
Armadillo Protection Group Limited ⁽²⁾
Bricesco Export Limited

Michael Norman Bull

Transnear Limited
Coverglass Limited
IBNet (UK) Limited
Network Estates Limited
XecutiveResearch Limited⁽³⁾
The XecutiveResearch Employee
Benefit Trustee Company Limited

Castle Business Services Limited ⁽¹⁰⁾
Deal Group Media plc
Interactive Marketing Technologies
Limited ⁽⁹⁾
L.P.V Limited ⁽⁶⁾
Versatile Group Limited ⁽⁹⁾
Versatile National Training Limited ⁽⁷⁾
Versatile Projects Limited ⁽⁵⁾

Francis Edward Worsley

Lloyds Member Agency Services Ltd
Brewin Dolphin Holdings Plc
XecutiveResearch Limited⁽³⁾
The XecutiveResearch Employee
Benefit
Trustee Company Limited

The Cleveland Trust Plc
Reece Plc ⁽⁴⁾
The Cancer Research Campaign
Triple Plate Junction plc
Cancer Research UK

Stephen Anthony Evans

Accident Exchange Limited
Business Xchange Limited
Autohit PLC

Assured Legal Protection Limited ⁽¹²⁾
Shapentone Limited ⁽¹³⁾
Batchcity Limited ⁽¹⁴⁾
AXSF Limited ⁽¹⁵⁾
Westgreen Limited ⁽¹⁶⁾
Accident Aftercare plc ⁽²⁴⁾

Paul Edward Wildes

Accident Exchange Limited

KVCR Services Limited ⁽¹⁷⁾
Kenning Elite Limited ⁽¹⁸⁾
Research Data Systems Limited ⁽¹⁹⁾
United Kenning Rental Group Employees
Trustees Limited⁽²⁰⁾
United Kenning Rental Group Limited
Sixt Kenning Limited
Sixt Plc
Sixt Vehicle Leasing Limited

Lord Young of Graffham

Acacia City Limited
Atelier House Property Development
Managers Limited
Autohit plc
Bitarts Limited
Business for Sterling
Elfin Systems Limited
Gresham Street Corporation (JVC)
Limited
Gresham Street Corporation Limited
KYP (Holdings) Plc

Second Opinion UK Limited ⁽²¹⁾
Precis (1676) Limited ⁽²²⁾
Directfour Limited ⁽²³⁾

Lord Young of Graffham – continued

London Active Management Limited
Newhaven Management Services
Limited
Pere (UK) Limited
Pixology Plc
Pixology Software Limited
Property & Land Investment
Corporation (Holdings) Limited
Reedbase Limited
West Sussex Economic Partnership
Limited
Y & NTM Limited
York and Nottingham Terraces
Management Limited
Young Associates Limited

NOTES

- (1) Dissolved on 19 June 2001.
- (2) These companies were placed in administration on 19 April 2000, a date within 12 months of the date Mr Lees ceased to be Chief Executive of Flare Group plc and its subsidiaries and resigned as a director of these companies.
- (3) This company was the principal trading subsidiary of the Company until it was placed into compulsory liquidation on 17 March 2003.
- (4) Mr Worsley resigned from this company on 6 August 1998. The company went into administration in November 2001.
- | | |
|-----------------------------------|------------------------------------|
| (5) Dissolved 15 May 2001 | (15) Dissolved 9th December 2003 |
| (6) Dissolved 4th April 2000 | (16) Dissolved 16th September 2003 |
| (7) Dissolved 13th June 2000 | (17) Dissolved 18th November 2003 |
| (8) Dissolved 15th May 2001 | (18) Dissolved 18th November 2003 |
| (9) Dissolved 19th July 2001 | (19) Dissolved 25th November 2003 |
| (10) Dissolved 3rd July 2001 | (20) Dissolved 18th November 2003 |
| (11) Dissolved 13th June 2001 | (21) Dissolved 31st July 2001 |
| (12) Dissolved 20th April 1999 | (22) Dissolved 27th June 2000 |
| (13) Dissolved 18th January 2000 | (23) Dissolved 20th March 2001 |
| (14) Dissolved 14th November 2000 | (24) Dissolved 13th June 2000 |
- (g) Steve Evans was a director of Accident Aftercare plc and its subsidiaries which were placed into administrative receivership in July 1992, at a time when Steve Evans was a director. The principal secured debtor was repaid in full from the proceeds of the receivership process.
- (h) No Director or Proposed Director has:
- any unspent convictions in relation to indictable offences;
 - had a bankruptcy order made against him or entered into an individual voluntary arrangement or had any asset of his subject to receivership or, save as disclosed in paragraphs 5(f) and 5(g) above, been a director of any company which, while he was a director or within 12 months after his ceasing to be a director, had a receiver appointed or was the subject of a compulsory liquidation, creditors voluntary liquidation or administration or entered into a company voluntary arrangement or composition or arrangement with its creditors generally or with any class of its creditors; or
 - been a partner of any partnership which, while he was a partner or within 12 months after his ceasing to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
 - had any public criticisms by statutory or regulatory authorities (including recognised professional bodies) or;
 - been 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.

- (i) There have been no dealings for value in Existing Ordinary Shares by or on behalf of the Directors or Proposed Directors or persons connected with them (within the meaning of section 346 of the Act) in the 12 months immediately preceding the date of this document.
- (j) Neither the Vendors, nor Accident Exchange, nor any director of Accident Exchange owns or controls any Existing Ordinary Shares and none of them has dealt for value in Existing Ordinary Shares during the 12 months preceding the date of this document. Neither the Vendors, nor Accident Exchange, nor any director of Accident Exchange nor any person acting in concert with them has any arrangement with any other person in relation to Existing Ordinary Shares.
- (k) No subsidiary of the Company, no pension fund of the Company and no bank, financial or other professional adviser of the Company (including stockbrokers, but excluding exempt market makers) or any persons controlling, controlled by or under the same control as such bank, financial or other professional adviser or any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, owns or controls any Existing Ordinary Shares and nor has any such person dealt for value in any Existing Ordinary Shares in the 12 months preceding the date of this document.
- (l) Neither the Company nor any associate of the Company has an arrangement with any other person in relation to Existing Ordinary Shares.
- (m)
 - (i) References in the preceding sub-paragraphs to "Existing Ordinary Shares" include other securities convertible into, rights to subscribe for, options (including trade options) in respect of and derivatives referenced to, Existing Ordinary Shares.
 - (ii) References in the preceding sub-paragraphs to an "associate" are to:
 - (1) subsidiaries and associated companies of the Company and companies of which any such subsidiaries or associated companies are associated companies;
 - (2) banks, financial and other professional advisers (including stockbrokers) to the Company or a company covered in (1) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
 - (3) the Directors, the Proposed Directors and the directors of any company covered in (1) above (together in each case with their close relatives and related trusts); and
 - (4) any pension funds of the Company or a company covered in (1) above.
 - (iii) References in the preceding sub-paragraphs of this paragraph 5A to "arrangement" include indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to Existing Ordinary Shares which may be an inducement to deal or refrain from dealing.

B. Interests in Accident Exchange

- (a) The interests of the members of the Concert Party, the directors of Accident Exchange and of persons connected with them (within the meaning of section 346 of the Act) in the issued share capital of Accident Exchange as at 23 March 2004 (being the latest practicable date prior to publication of this document), are set out in Part VIII of this document.
- (b) There have been no dealings for value in Accident Exchange shares by or on behalf of members of the Concert Party or the directors of Accident Exchange or persons connected with them (within the meaning of section 346 of the Act) in the 12 months immediately preceding the date of this document.
- (c) Save as disclosed in sub-paragraph (a) above, neither XecutiveResearch the Current Directors and the Proposed Directors, the directors of Accident Exchange nor any person connected with them (within the meaning of section 346 of the Act) nor any person acting in concert with Accident Exchange has any interest in the share capital of Accident Exchange nor has any such person dealt for value in Accident Exchange shares during the 12 months immediately preceding the date of this document.
- (d) Neither the Vendors nor any person acting in concert with the Vendors has an arrangement with any other person in relation to Accident Exchange shares.
- (e) No subsidiary of XecutiveResearch, no pension fund of XecutiveResearch or any of its subsidiaries, and no bank, financial or other professional adviser of XecutiveResearch (including stockbrokers,

but excluding exempt market makers) or any persons controlling, controlled by or under the same control as such bank, financial or other professional adviser or any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with Accident Exchange, owns or controls any Accident Exchange shares nor has any such person dealt for value in any Accident Exchange shares in the 12 months preceding the date of this document.

- (f) Save as disclosed in this document, neither XecutiveResearch nor any associate of XecutiveResearch has an arrangement with any other person in relation to Accident Exchange shares.
- (g)
 - (i) References in the preceding sub-paragraphs to "Accident Exchange shares" means ordinary shares of £1 each in Accident Exchange
 - (ii) References in the preceding sub-paragraphs of this paragraph 5B to an "associate" are to:
 - (1) subsidiaries and associated companies of the Company and companies of which any such subsidiaries or associated companies are associated companies;
 - (2) banks, financial and other professional advisers (including stockbrokers) to Accident Exchange or a company covered in (1) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
 - (3) the Directors and the directors of any company covered in (1) above.
 - (iii) References in the preceding sub-paragraphs of this paragraph 5B to "arrangement" include indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to Accident Exchange shares which may be an inducement to deal or refrain from dealing.

6. Material Contracts

XecutiveResearch

The following contracts, (not being contracts entered into in the ordinary course of business) have been entered into by the Company during the two years preceding the date of this document and are or may be material:

- (a) The Company, on 28 February 2002, established an employees' share trust (the "Trust") to encourage and facilitate the acquisition and holding of shares in the Company by and for the benefit of such of the employees and former employees of the Company and any subsidiary and their spouses, widows and widowers, children and step-children under the age of 18 years, but excluding any such person who holds 5 per cent. or more of the Company's issued share capital from time to time or who is excluded from benefiting for reasons set out in the trust deed.

The trustee of the Trust is the XecutiveResearch Employee Benefit Trustee Company Limited, a wholly owned subsidiary of the Company (the "Trustees") and the Company has paid to the Trustees by way of initial contribution the sum of £100.
- (b) Under the terms of a Placing Agreement dated 17 April 2002 between the Company (1), the Current Directors (2), Insinger English Trust (3) and Insinger Townsley (4), the Company agreed to pay a fee of £15,000 (plus commission equal to 3 per cent of the funds raised from a placing effected at the time) to Insinger Townsley and a fee of £75,000 plus VAT and a fee equivalent to 2 per cent plus VAT of the gross value of the funds raised by means of the placing. The Placing Agreement contained an indemnity from the Company in favour of Insinger Townsley, and warranties from the Company and the Directors in favour of Insinger Townsley.
- (c) On 17 January 2003 the Company entered into an agreement with Jubilee Investment Trust PLC ("Jubilee") pursuant to which the Company issued 200,000,000 Existing Ordinary Shares to Jubilee in consideration of the allotment and issue to the Company of 1,500,000 ordinary shares in Jubilee.
- (d) Pursuant to a series of market sales on the Company's behalf by both Insinger Townsley and Christows Limited, between 27 June 2003 and 8 September 2003, the Company disposed of all the Jubilee shares for a total of £465,973.29
- (e) The Acquisition Agreement dated 23 March 2004 and made between the Vendors (1) and the Company (2), pursuant to which the Company will purchase the entire issued share capital of Accident Exchange for a consideration to be satisfied by the issue of 54,229,500 Consolidated Shares, (which, at the deemed issue price of 25p per share equates to £13.56 million) and the payment of a cash element of £50,000 to the Vendors in each case pro-rata to their shareholdings in Accident Exchange.

The Acquisition Agreement is conditional on the satisfaction or waiver by 8.00 a.m on 19 April 2004 (or such later time and date, but in any event not later than 5.00 p.m on 30 April 2004, as the parties agree) of, *inter alia*, Admission of all the Consolidated Shares (including the Placing Shares and Consideration Shares) in issue to trading on AIM, the passing of the Resolutions by Shareholders and the Placing Agreement becoming unconditional in all respects. Completion will take place on the date on which the conditions (or the last of them) are satisfied, which it is expected will be the date of Admission.

- (f) Under the terms of the Placing Agreement dated 23 March 2004 between (1) the Company and (2) the Directors, (3) the Proposed Directors and (4) Insinger Townsley, the Company agreed to pay to Insinger Townsley a fee of £50,000 plus VAT plus a commission equal to 5 per cent of the funds raised from the Placing in relation to Placees introduced by Insinger Townsley, such commission reducing to 3 per cent for funds raised in relation to Placees not introduced by Insinger Townsley provided that the maximum amount of funds to be raised from Placees not introduced by Insinger Townsley is limited to £500,000. The Placing Agreement contains an indemnity from the Company in favour of Insinger Townsley and warranties from the Company, the Directors and the Proposed Directors in favour of Insinger Townsley.
- (g) By a letter of agreement dated 17 April 2002, Insinger Townsley were appointed as brokers to the Company for the purposes of the AIM Rules. The Company has agreed to pay Insinger Townsley the annual retainer of £10,000 plus VAT for its services as broker together with all reasonable expenses.

Accident Exchange

The following contracts (not being contracts in the ordinary course of business) have been entered into by Accident Exchange during the two years preceding the date of this document and are or may be material:

- (a) By an agreement, dated 17th July 2002, between Accident Exchange (1) and Stephen Evans and others (the "Agents") (2) the terms on which the Agents purchased and financed various vehicles for and on behalf of Accident Exchange were confirmed in writing and the amounts expended by the Agents were confirmed as loans made to the Company. The loans made are repayable as agreed between the parties from time to time and the amounts outstanding on the loans shall bear interest at 5 per cent per annum.
- (b) By a deed, dated 23 March 2004, Autohit PLC assigned all rights in the Accident Exchange Back Office Software, the Web Enable SQL database, the BEACON software, the Accident Exchange Website, the Carpricecheck website and various domain names to Accident Exchange Limited in consideration of £285,000, and Stephen Evans and Martin Bramwell waived all rights in the same.

7. Service contracts

The Directors and the Proposed Directors have the following arrangements with the Company and Accident Exchange:

- (a) David Lees has a service agreement with the Company dated 1 March 2002 pursuant to which David Lees has agreed to act as finance director of the Company on a part time basis in return for an annual salary of £25,000 per annum. The agreement is terminable on 12 months notice by either party. On Admission David Lees will become a non executive director, in return for a payment of £20,000 per annum. The appointment is for an initial term of 6 months and may be terminated thereafter on 3 months notice by either party.
- (b) Jock Worsley and Michel Bull each have letters of appointment with the Company dated 17 April 2002 for their services as non executive directors in return for an annual fee of £15,000 per annum. Jock Worsley's letter of appointment will be replaced by a new non-executive appointment letter, with an annual fee of £20,000 and which is for an initial term of 6 months and may be terminated thereafter on 3 months notice by either party.

Michael Bull will resign on Admission without payment of compensation.

- (c) Steve Evans has a service contract with Accident Exchange dated 23 March 2004 pursuant to which he is appointed Chief Executive. His remuneration is £105,000 per annum and he is also entitled to participate in a discretionary bonus scheme at a rate to be determined by the Remuneration Committee. Other benefits include provision of a fully expensed car, pension contributions at a rate of 7.5 per cent of salary, 6 months paid sick leave, life assurance and private healthcare. The agreement is for an initial period of 24 months and may be terminated thereafter by either party on 12 months notice.

On Admission Steve Evans will become Chief Executive of the Company on the terms set out above.

- (d) Paul Wildes has a service contract with Accident Exchange dated 23 March 2004 pursuant to which he is appointed finance director. His remuneration is £85,000 per annum and he is also entitled to participate in a discretionary bonus scheme at a rate to be determined by the Remuneration Committee. Other benefits include provision of a fully expensed car, pension contributions at a rate of 7.5 per cent of salary, 6 months paid sick leave, life assurance and private healthcare. The agreement is for an initial period of 12 months and may be terminated thereafter by either party on 6 months notice.

On Admission Paul Wildes will become finance director of the Company on the terms set out above.

- (e) Pursuant to an agreement dated 23 March 2004 between the Company and Newhaven Management Services Limited The Rt Hon. Lord Young of Graffham will become Chairman of the Company on Admission in return for an annual fee of £30,000 payable to Newhaven Management Services Limited. The agreement is for an initial period of 6 months and may be terminated thereafter by either party on 3 months notice.
- (f) The aggregate remuneration paid and benefits in kind granted by the Group to the Directors for the financial year ended 31 July 2003 was £46,000 and is estimated to amount to approximately £260,000 for the financial period ending 30 April 2004.
- (g) Save as set out above there have been no amendments to the Directors service contracts and letters of appointment in the six months prior to the date of this document.

8. Further information on shareholdings in the Company and Accident Exchange

- 8.1 Neither Accident Exchange nor any director of Accident Exchange nor, so far as Accident Exchange is aware, any person acting in concert with it owned, controlled or was interested in any relevant securities as at 23 March 2004 (being the latest practicable date before the publication of this document), nor has any such person dealt for value in any relevant securities during the 12 month period preceding the date of this document.
- 8.2 As at 23 March 2004 (being the latest practicable date before the publication of this document), no subsidiary of the Company, pension fund of the Company or of a subsidiary of the Company or advisor to the Company owned or controlled any relevant securities.
- 8.3 As at 23 March 2004 (being the latest practicable date before the publication of this document), there is no person with whom Accident Exchange or any person acting in concert with it had any arrangement of the kind referred to in Note 6(b) on Rule 8 of the Code.
- 8.4 As at 23 March 2004 (being the latest practicable date before the publication of this document), no relevant shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.
- 8.5 Save as disclosed in this document, no agreement, arrangement, or understanding (including any compensation arrangement) exists between Accident Exchange or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Proposals.
- 8.6 There is no agreement, arrangement or understanding whereby the ownership of the shares in the Company to be acquired by members of the Accident Exchange group as described in this document will be transferred to any other person.
- 8.7 There are no arrangements relating to the financing of the Acquisition which are dependent to a significant extent on the business of the Company.
- 8.8 The shareholdings in XecutiveResearch as at 23 March 2004 (being the latest practicable date prior to the date of this document) of the persons who have irrevocably committed to vote in favour of the Proposals are as follows:

Name	Number of Existing Ordinary Shares	Percentage holding
Deepwater Holdings Limited	70,500,000	10.14
Coverglass Limited	70,500,000	10.14
The XecutiveResearch Employee Benefit Trustee Company Limited	85,602,500	12.31

- 8.9 As at 23 March 2004 (being the latest practicable date before the publication of this document), neither the Company nor any director of the Company owned, controlled or was interested in any equity

shares in Accident Exchange (or any securities convertible into, or exchangeable for, rights to subscribe for, options (including traded options) in respect of, or derivatives referenced to, any of the foregoing) nor has any such person dealt for value in any equity shares in Accident Exchange (any securities convertible into, or exchangeable for, rights to subscribe for, options (including traded options) in respect of, or derivatives referenced to, any of the foregoing) during the 12 month period preceding the date of this document.

8.10 None of the Directors has dealt for value in any relevant securities of the Company during the 12 month period preceding the date of this document.

8.11 The following table lists the closing middle market quotations for ordinary shares (as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange) for the first dealing day of each of the six months before the date of this document and for 23 March 2004 (being the latest practicable date prior to the publication of this document):

Date	Market Value (pence)
1 October 2003	0.04
1 November 2003	0.35
1 December 2003	0.14
1 January 2004	0.095
1 February 2004 ⁽¹⁾	0.19
1 March 2004 ⁽¹⁾	0.19
23 March 2004 ⁽¹⁾	0.19

Note

(1) Trading in Shares suspended on 22 January 2004.

9. Working Capital

The Directors and the Proposed Directors having made due and careful enquiry, are of the opinion that, *taking into account the estimated net proceeds receivable by the Company from the Placing and having regard to the overdraft and other facilities available to the Enlarged Group*, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

10. Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Company or Accident Exchange) which have, may have or have had during the 12 months preceding the date of this document any significant effect on the Enlarged Group's financial position.

11. The Accident Exchange Group Plc Unapproved Share Option Plan 2004 ("Plan")

It is proposed to introduce the Plan effective from Admission.

The Plan will allow for the grant of options ("Options") over Consolidated Shares in the Company to directors and employees of the Group.

It is proposed that an Option will be granted under the Plan conditional on Admission. This Option is referred to as the Initial Award.

The principal features of the Plan will be as follows:

11.1 Eligibility

Any director or employee of the Group will be eligible to participate. Actual participation will be at the discretion of a committee of the board of directors ("Remuneration Committee"). Options will be personal to the participant and not capable of assignment except that on death, in certain circumstances, the Option holder's personal representatives may exercise the Option within 12 months thereafter. Options shall be granted by deed for no consideration.

11.2 Scheme Limits

The Plan will impose limits on the number of Consolidated Shares over which Options (including the Initial Award) may be granted. The total number of Consolidated Shares over which Options to subscribe may be granted under all option schemes of the Company, whether on a discretionary basis or on any other basis, and issued or issuable under all other share schemes of the Company shall not, in any consecutive ten year period, exceed 10 per cent. of the Consolidated Shares in issue from time to time. Lapsed and surrendered options shall be disregarded as shall options granted and shares awarded prior to Admission. This limit shall include any Consolidated Shares over which the Initial Award has been made.

11.3 *Individual Participation Limit*

The aggregate market value (at the date of grant) of all Consolidated Shares over which Options may be granted to any single participant, other than the Initial Award granted to Paul Wildes, under the Plan will not normally exceed two times the amount of that participant's remuneration for that financial year.

11.4 *Grant of Options*

Options may initially be granted under the Plan within 42 days of its adoption, thereafter, normally within 42 days after the announcement of the Company's yearly or half-yearly results or of its results for any other period. Without further shareholder approval, Options may only be granted within ten years of shareholder approval of the schemes.

It is intended that the Initial Award will be granted conditionally upon Admission.

11.5 *Performance Target*

The Remuneration Committee shall impose objective conditions as to the performance of the Group (which will be set having regard to institutional guidelines) which must normally be satisfied before Options can be exercised. Having granted Options and set a performance target, the Remuneration Committee may vary the performance target provided that the Remuneration Committee reasonably considers that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy.

In respect of the Initial Award, the performance target is set out in paragraph 11.14 below.

All performance targets set will be notified to shareholders through the Company's annual report and accounts.

11.6 *Exercise price*

Other than in respect of the Initial Award, the exercise price for each Consolidated Share under Option will be the higher of the nominal value of a Consolidated Share at the time of grant of the Option and the market value of a Consolidated Share at the date of grant.

In the case of Initial Award, the exercise price will be the Placing Price.

11.7 *Exercise of Options*

Options will normally be exercisable only within the period of three to ten years after the date of grant. Exceptionally, Options may be exercised earlier where employment ceases due to death, injury, disability, redundancy, the participant's retirement at normal retirement age, or on the participant's employing company or business ceasing to be within the Group or, at the discretion of the Remuneration Committee, on the participant in question leaving employment for any other reason.

In each of these situations (other than on death), the Option must be exercised, if at all, before the expiry of the period of 6 months following the cessation of employment. In the case of death, the participant's personal representatives may exercise the Option within 12 months following the death.

11.8 *Income tax and national insurance contributions*

The Plan contains provisions that will ensure that any income tax and employer's national insurance contributions that arise as a result of the exercise of any Options will be payable by the participant. The Remuneration Committee may also determine that the participant should be liable for employee's national insurance contributions.

11.9 *Shares Issued on Exercise of Options*

Consolidated Shares allotted under the Plan will rank *pari passu* with the Company's existing issued Consolidated Shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the Option).

11.10 *Lapsing of Options*

Options held by a Participant will lapse if the Participant ceases to be employed by a company within the Group save to the extent that the reason for cessation is as outlined in paragraph 11.7 above.

11.11 *Takeovers*

In the event of the takeover, amalgamation or reconstruction of the Company, Options may be exercised under the Plan to the extent determined by the Remuneration Committee, having regard to all the circumstances. Alternatively, with the agreement of the acquiring company, Options under the Plan may be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

11.12 *Variation of Share Capital*

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital, then the number of Consolidated Shares subject to a subsisting Option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the auditors of the Company that the adjustment is in their opinion fair and reasonable. No adjustment can be made which would cause the aggregate amount payable on the exercise of an Option in full to be increased.

11.13 *Alterations to the Plan*

The Remuneration Committee may alter the Plan. Certain alterations cannot take effect without shareholder approval (unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation treatment for the Company or Option holders or potential participants), being the limits on the number of Consolidated Shares which can be offered under the Plan, the category of persons who may participate, the price at which Options may be granted, the number of Consolidated Shares over which an employee may hold an Option, the period during which Options may be offered and exercised, the rights attaching to Consolidated Shares subject to an Option, the provisions for altering share capital and for altering the terms of the Plan and the provisions which apply on a winding-up of the Company.

11.14 *Initial Award*

It is proposed that an Initial Award be granted, conditional on Admission, to Paul Wildes. The Initial Award will be over 1,047,500 Consolidated Shares, representing 1.7% of the Enlarged Consolidated Share Capital.

Exercise of the Initial Award will be subject to the satisfaction of specified performance targets. The Initial Award will be exercisable as to 35 per cent. of the shares comprised within it if the pre-tax profits of the Enlarged Group for the year to 30 April 2005 (as shown in the audited accounts for that period) are at least £2.6 million, as to 40 per cent. of the shares comprised within it if the pre-tax profits of the Enlarged Group for the year to 30 April 2006 (as shown by the audited accounts for that period) are at least £3.6 million and as to the balance of the shares comprised within it if the pre-tax profits of the Enlarged Group for the year to 30 April 2007 are at least £5 million (as shown in the audited accounts for that period). In any event, the Initial Award shall normally be exercisable only from the third anniversary of the date of grant.

12. Taxation

The statements in this paragraph are a general guide only to the current law and practice in relation to United Kingdom taxation and may not apply to certain persons who hold shares in the Company other than as an investment (such as dealers in securities) or who are not resident or ordinarily resident in the United Kingdom. These statements should not be construed as constituting taxation advice. If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

Taxation of chargeable gains:

If a shareholder disposes of all or any of the Ordinary Shares acquired under the Placing he or she may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains. Individuals, personal representatives and trustees may be entitled to taper relief, which will serve to reduce the gain chargeable. Companies are not entitled to taper relief, but are due indexation allowance which may also reduce the gain chargeable.

Stamp duty:

Except in relation to certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements or clearance services, where special rules apply:

- (a) no stamp duty or stamp duty reserve tax will be payable on the issue of the Placing Shares;
- (b) the transfer or sale of Ordinary Shares will generally be subject to *ad valorem* stamp duty (rounded up to the nearest £5) generally at the rate of one-half of one per cent. of the consideration paid. However, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, stamp duty reserve tax will be payable, generally at the rate of one-half of one per cent. of the consideration paid.

Taxation of dividends and distributions:

Under current United Kingdom tax legislation, no withholding tax will be deducted from dividends paid by the Company.

An individual shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend will be entitled to a tax credit in respect of the dividend and will be taxable on the aggregate of the net dividend received and the tax credit ("gross dividend"). The value of the tax credit is currently one ninth of the net dividend (or ten per cent. of the gross dividend). The gross dividend is treated as the top slice of such individual's income. An individual so resident who is not liable to income tax in respect of the gross dividend will not be able to claim repayment of the tax credit from the Inland Revenue. In the case of an individual so resident who is not liable to income tax at a rate greater than the basic rate, the tax credit will discharge his liability to income tax in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from the Inland Revenue. In the case of an individual so resident who is liable to income tax at the higher rate on dividends (currently 32.5 per cent) the tax credit will be set against his tax liability in respect of the gross dividend and, accordingly, he will have to pay additional tax at the rate of 22.5 per cent of the gross dividend, to the extent that the gross dividend falls above the threshold for higher rate income tax.

Subject to certain exceptions a shareholder which is a company resident in the United Kingdom for tax purposes will not be liable to United Kingdom corporation tax on any dividend received from the Company.

United Kingdom pension funds are no longer entitled to reclaim tax credits on dividends paid by the Company. Subject to transitional phasing out, United Kingdom charities will not be eligible for payment from the Inland Revenue of the amount of the tax credit attaching to dividends paid by the Company.

Trustees of discretionary trusts and of trusts where income is accumulated are liable to tax at the Schedule F Trust rate of 25 per cent. of the gross dividend receipt, subject to deduction of the associated tax credit. This is a complex area and trustees of such trusts should consult their own tax adviser.

A non-United Kingdom resident shareholder is not generally entitled to reclaim any tax credit from the Inland Revenue in respect of any dividend received. An entitlement to the payment of the tax credit may, however, be available in whole or in part if there is an appropriate provision granting the entitlement under any applicable double taxation convention or agreement between the country in which the holder is resident for tax purposes and the United Kingdom. However, the amount payable under any such double tax treaty (if anything) will generally be less than one per cent. of the dividend to which it relates. A shareholder who is not resident in the United Kingdom for tax purposes should consult his own tax adviser concerning his liabilities on dividends received, his entitlement to reclaim any part of the tax credit and, if he is so entitled, the procedure for doing so. A shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law.

13. General

- (a) The accounting reference date of the Company is currently 31 July and it is proposed to change it to 30 April.
- (b) The minimum amount which must, in the opinion of the Directors and the Proposed Directors, be raised pursuant to the placing to provide the sums required to be provided pursuant to paragraph 21 of the POS Regulations is £472,000.
- (c) The total costs, charges and expenses (including commissions) payable in connection with the Acquisition and Admission are estimated to amount to £472,000 (excluding value added tax) and are payable by the Company.
- (d) Grant Thornton West Midlands has given and not withdrawn its written consent to the inclusion in this document of their Accountants' Reports and letter set out in Part IV, V and VII and the references to them and to their name in the form and context in which they are included.
- (e) Grant Thornton Corporate Finance has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which they are included.
- (f) Insinger Townsley has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which they are included.
- (g) Moores Rowland has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of its report and references thereto and to its name in the form

- and context in which they appear, and has authorised the contents of those parts of this document for the purposes of regulation 45(a)(iv) of the POS Regulations.
- (h) The Directors and Proposed Directors are unaware of any exceptional factors which have influenced the recent activities of either the Company or Accident Exchange.
 - (i) Save as disclosed in this document, no person, (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
 - (a) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (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.
 - (j) There are no arrangements under which future dividends are waived or agreed to be waived.
 - (k) The auditors of the Company, MRI Moores Rowland, Chartered Accountants of Mitre House, 177 Regent Street, London W1B 4BB, have audited the accounts of the Company for the accounting period ended 31 July 2002, the year ended 31 July 2003 and the six month period ended 31 January 2004.
 - (l) The reporting accountants are Grant Thornton West Midlands, Enterprise House, 115 Edmund Street, Birmingham B3 2HJ.
 - (m) The financial information in this document relating to the Company does not constitute statutory accounts within the meaning of Section 240 of the Act. The information has been extracted from the statutory accounts of the Company for the two periods ended 31 July 2002 and 31 July 2003 (which have been delivered to the Registrar of Companies), and the audited interim statement for the six month period ended 31 January 2004. Auditors' reports in respect of the accounts for the period ended 31 July 2002 and the interim statement for the six month period ended 31 January 2004 have been made by MRI Moores Rowland and such reports were unqualified. The auditors report for the year ended 31 July 2003 has been qualified as detailed in Part V.
 - (n) The financial information in this document relating to Accident Exchange does not constitute statutory accounts within the meaning of Section 240 of the Act. The information has been extracted from the statutory accounts of the Company for the year ended 30 April 2003 (which have been delivered to the Registrar of Companies) and the audited non-statutory accounts for the nine month period to 31 January 2004. Auditors' reports in respect of the accounts for the year ended 30 April 2003 and the nine month period to 31 January 2004 have been made by Eden Currie Limited and such reports were unqualified.
 - (o) The Company has applied to CRESTCo Limited for the Consolidated Shares to be admitted to CREST as a participating security. It is expected that the admission of the Consolidated Shares to CREST as a participating security will be effective from Admission. Shareholders who are direct or sponsored members of CRESTCo Limited will then be able to dematerialise their Consolidated Shares in accordance with the rules and practices instituted by CRESTCo Limited.
 - (p) The New Ordinary Shares the subject of the Placing are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement. All of the New Ordinary Shares the subject of the Placing have been conditionally placed.
 - (q) Save as disclosed in this document there are no significant investments by the Group under active consideration.
 - (r) There are no patents, intellectual property rights, licences or particular contracts, which are or may be of fundamental importance to the business of the Enlarged Group.
 - (s) Save as disclosed in Part I of this document, and in the announcement of the interim statement for the Company for the six months ended 31 January 2004 (which is reproduced in Part VI of this document), the Directors are not aware of any material changes in the financial or trading position or prospects of the Company since 31 July 2003, the date of the last published audited results which are contained in the Accountants' Report on the Company set out in Part V of this document.

- (t) Save as disclosed in Part IV of this document, the Accident Exchange directors are not aware of any material changes in the financial or trading position of the Accident Exchange since 31 January 2004, the date to which the most recent audited financial statements of the Accident Exchange have been prepared.
- (u) There are no arrangements relating to the financing of the Acquisition which are dependent on the business of the Company.

14. Documents Available For Inspection

Copies of the following documents will be available for inspection during normal business hours on any business day (Saturdays and public holidays excepted) at the offices of Stringer Saul, 17 Hanover Square, London W1S 1HU from the date of this document until the date 14 days after the date of Admission:

- (a) the Memorandum and Articles of Association of the Company and Accident Exchange;
- (b) the statutory accounts of the Company for the period ended 31 July 2002 and the year ended 31 July 2003 and the interim statement of the Company for the period ended 31 January 2004;
- (c) the audited accounts of Accident Exchange for the year ended 30 April 2003 and the period ended 31 January 2004;
- (d) the Accountants' Reports by Grant Thornton relating to Accident Exchange and to the Company and the Subsidiary set out in Parts IV and V respectively of this document;
- (e) the material contracts referred to in paragraph 6 above;
- (f) the consent letters referred to in sub-paragraphs 13(e), (f) and (g) above;
- (g) the rules of the Unapproved Plan; and
- (h) the service agreements and the non-executive terms of appointment referred to in paragraph 7 above.

15. Availability Of Prospectus

Copies of this document will be available free of charge at the offices of Grant Thornton Corporate Finance at Grant Thornton House, Melton Street, Euston Square, London NW1 2EP and of the Company at 105 Piccadilly, London W1J 7NJ, during normal business hours on any business day (Saturdays and public holidays excepted) from the date of this document until one month from the date of Admission.

24 March 2004

XECUTIVERESEARCH GROUP PLC

(Incorporated in England & Wales under the Act with registered number 4360804)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of XecutiveResearch Group PLC ("the Company") will be held at the offices of Stringer Saul, 5th Floor, 17 Hanover Square, London W1S 1HU on 16 April 2004 at 10 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which the resolutions numbered 1, 2, 3, 4, 5 and 6 will be proposed as ordinary resolutions and the resolutions numbered 7, 8 and 9 will be proposed as a special resolutions.

ORDINARY RESOLUTIONS

1. THAT the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the Concert Party (as defined in the Circular to the Company's Shareholders dated 24 March 2004 (the "Admission Document")), individually or collectively, to make a general offer to the shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the allotment of 54,229,500 Consolidated Shares (as defined by Resolution 3(a) below) representing in aggregate up to 88.02 per cent. of the issued ordinary share capital of the Company to them as a result of the acquisition by the Company of the entire issued share capital of Accident Exchange Limited (the "Acquisition") as described in the Admission Document, be and is hereby approved;
2. THAT, conditionally upon resolution 1 above being duly passed by the Shareholders as an ordinary resolution, the Acquisition (as defined in the circular to the Company's Shareholders dated 24 March 2004 (the "Admission Document")) pursuant to the terms of the Acquisition Agreement (as defined in the Admission Document) be and it is hereby approved for the purposes of Rule 13 of the AIM Rules and the Directors be and are hereby authorised, for and on behalf of the Company, and to do all other matters provided therein or related to the Acquisition and, at their sole discretion, to amend, waive, vary and/or extend any of the terms of the Acquisition Agreement and/or any other document referred to therein and/or connected with the Acquisition in whatever way they may consider to be necessary and/or desirable or do all such acts and/or things as they may consider necessary and/or desirable in connection with the Acquisition provided that there is no material change to the substance of the terms and conditions of the Acquisition or the Acquisition Agreement, as set out and defined in the Admission Document.
3. THAT, conditional upon resolutions 1 and 2 in the notice of meeting dated 24 March 2004 being duly passed by the Shareholders as ordinary resolutions,
 - (a) every 500 of the 695,250,000 issued ordinary shares of 0.1p each in the capital of the Company be and they are hereby consolidated into one ordinary share of 5 pence each, ranking *pari passu* in all respects (a "Consolidated Share") and nine deferred shares of 5 pence each (the "Deferred Shares") ranking *pari passu* in all respects and having the rights and obligations set out in the the New Articles of Association, and that fractions of shares arising on consolidation be aggregated and sold in the market for the benefit of the Company;
 - (b) every 50 of the existing 1,804,750,000 authorised but unissued ordinary shares of 0.1p each in the capital of the Company be and they are hereby consolidated into one Consolidated Share ranking *pari passu* in all respects;
4. That conditional upon resolutions 1, 2 and 3 above being duly passed as ordinary resolutions of the Company, the authorised share capital of the Company be and is hereby increased from £2,500,000 to £5,000,000 by the creation of 50,000,000 Consolidated Shares of 5 pence each in the capital of the Company such Consolidated Shares to rank *pari passu* in all respects with the existing Consolidated Shares of the Company and having the rights set out in the New Articles of Association of the Company.
5. THAT, conditional upon resolutions 1, 2 and 3 above being duly passed by the Shareholders as ordinary resolutions, the Directors be and they are hereby generally and unconditionally authorised, in substitution for all previous powers granted to them, to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 ("the Act"), up to an aggregate nominal amount of £4,015,300 and such authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 or 15 months after the passing of this resolution (whichever is earlier)

save that the Company may before such expiry make an offer or enter into an 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 hereby had not expired;

6. THAT, conditional upon resolutions 1, 2 and 3 above being duly passed by the Shareholders as ordinary resolutions,
- (a) the Accident Exchange Group plc Unapproved Share Option Plan 2004 ("Plan") a copy of the rules ("Rules") of which having been produced to the meeting and initialled by the Chairman for the purpose of identification, be and they are hereby approved, the Plan be and is hereby adopted and the directors of the Company be and are hereby authorised to do all acts and things necessary to give effect to the Plan;
 - (b) the directors of the Company may be counted in the quorum and vote and their votes may be counted on any matter or any shareholders', directors' or committee meeting connected with the Plan notwithstanding that they may be interested in the same (except that no director may be counted in the quorum or vote on any matter solely concerning his own participation) and the prohibitions in this regard contained in the Articles of Association of the Company be suspended and relaxed to that extent;
 - (c) the directors of the Company be authorised to establish such other share option schemes for the benefit of the employees and executive directors of the Company who are based outside the United Kingdom on such terms as the directors of the Company may consider appropriate to take account of local tax, exchange control or securities laws in overseas territories provided that such other schemes are based upon the Plan and that any shares issued or which might be issued under any such scheme will be subject to and treated as counting against the limitations on individual and overall participation specified in the Plan; and
 - (d) the directors of the Company be and they are hereby authorised to issue shares at a subscription price which is not less than the current 'market value' of such shares (as defined in the Rules) to the trustee of any trust established by the Company for the benefit of employees of the Company and its subsidiaries for the purposes of satisfying the exercise of share options granted or entered into by the trustee to employees of the Company and its subsidiaries.

SPECIAL RESOLUTIONS

7. THAT, subject to and conditional upon resolutions 1, 2, 3 and 5 above being duly passed by the Shareholders as resolutions of the type stated, the Directors be authorised and empowered pursuant to section 95 of Companies Act 1985 ("the Act") (in substitution for all powers previously granted thereunder) to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the section 80 authority referred to in resolution 3 above as if section 89(1) of the Act did not apply to any such allotment, such power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 or 15 months after the passing of this resolution (whichever is earlier), and such power is limited to the allotment of equity securities:
- (a) up to a nominal amount of £300,000 pursuant to the Placing;
 - (b) in connection with rights issues to holders of ordinary shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under law of, or the requirements of any regulatory body or any recognised stock exchange in, any territory;
 - (c) (otherwise than pursuant to paragraphs (a) above) up to a maximum aggregate nominal amount of £154,050 (being equal to 5 per cent of the anticipated issued share capital of the Company following Admission);

provided that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

8. THAT, subject to and conditional upon resolutions 1, 2, 3 and 5 above being duly passed by the Shareholders as resolutions of the type stated, the New Articles of Association produced at the

meeting marked "A" and initialled by the Chairman of the meeting for the purposes of identification only be and are hereby adopted to the exclusion of and in substitution for the existing Articles of Association of the Company.

9. THAT, conditional upon resolutions 1, 2, 3, 5 and 6 above being duly passed by the Shareholders as resolutions of the type stated and conditional upon Admission, the name of the Company be changed to Accident Exchange Group plc

By Order of the Board

David Smith
Secretary

Registered Office
5th Floor
17 Hanover Square
London W1S 1HU

24 March 2004

Notes

- (i) A member of the Company who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and on a poll to vote in his or her place. A proxy need not be a member of the Company.
- (ii) A pre-paid Form of Proxy is enclosed. To be valid, the Form of Proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the offices of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BL3 4TU no later than 10.00 a.m. on 14 April 2004. Completion of the Form of Proxy will not preclude a member from attending and voting in person.
- (iii) The Company, pursuant to Regulation 41 of The Uncertified Securities Regulations 2001, specifies that only those shareholders of the Company on the register of members of the Company as at 6.00 p.m. on 14 April 2004 shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at the time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting.
- (iv) In accordance with the requirements of the Panel on Takeovers and Mergers, a poll will be taken on resolution 1. No member of the Concert Party (as defined in the Admission Document) will vote on this resolution.

