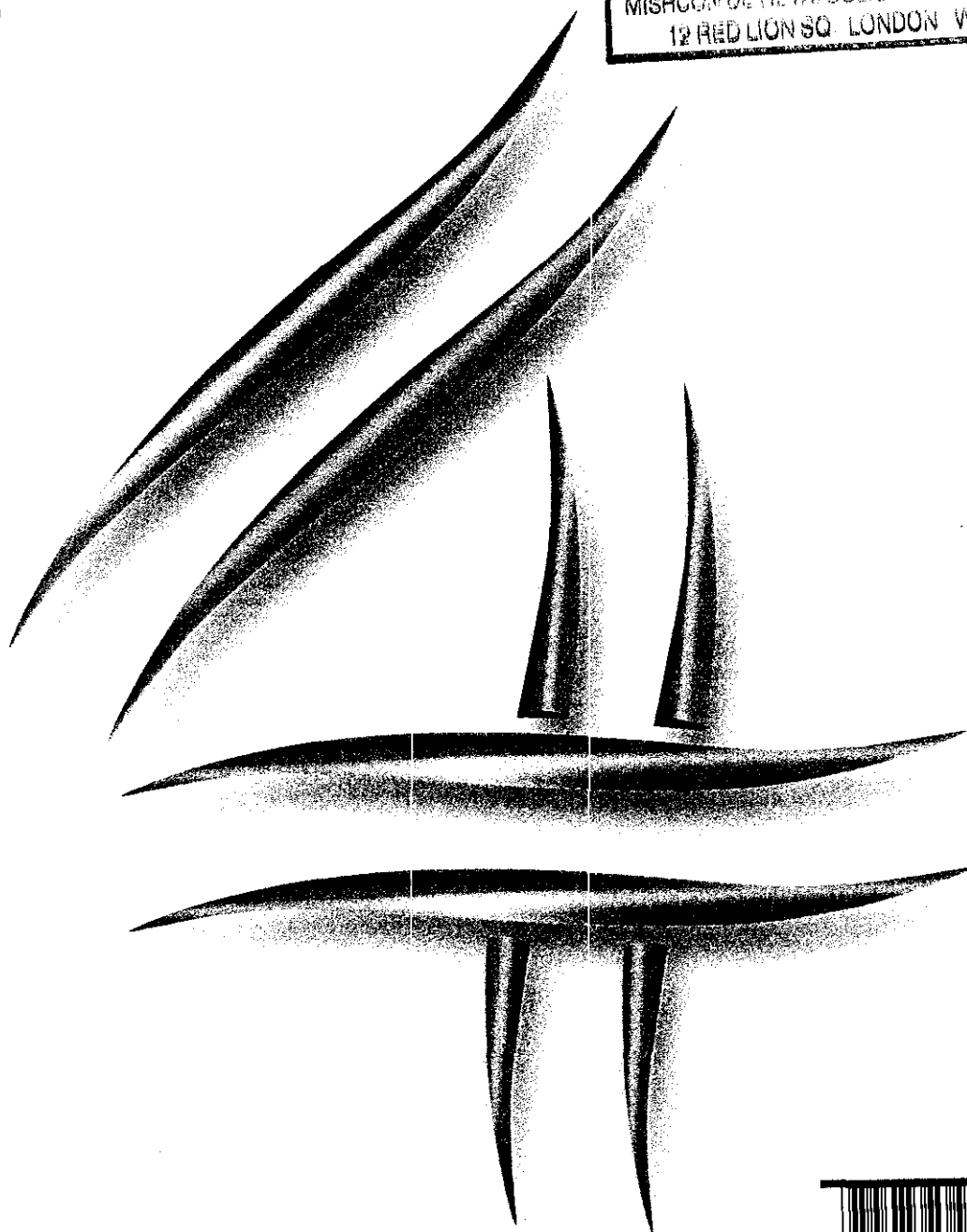


3910 588

WE CERTIFY THAT THIS IS A TRUE
COPY OF THE ORIGINAL

9.11 MARSHESFIELD SOLICITOR
MISHOON DE HEVA SOLICITOR SUMMIT HOUSE
12 RED LION SQ LONDON WC1R 4QD



LD2
COMPANIES HOUSE

LC35RTM

0145
22/03/04

The 4Less Group plc

Admission to AIM

Nominated Adviser and Broker
Corporate Synergy Plc

[Handwritten signatures: "Graham", "Wendy", "Hazel", "Paul"]
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised for the purposes of the Financial Services and Marketing Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Ordinary Shares in The 4Less Group Plc, please forward this document and the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred part of your holding of Ordinary Shares, you should retain this document and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

A copy of this document, which comprises a prospectus relating to The 4Less Group Plc prepared in accordance with the Public Offers of Securities Regulations 1995 (the "POS Regulation"), has been delivered to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of the POS Regulations.

The Ordinary Shares are currently traded on OFEX. The Company intends to apply for the dealing facility in the Existing Ordinary Shares on OFEX to be cancelled with effect from the close of business on 14 April 2004.

Application has been made for the entire issued ordinary share capital of The 4Less Group Plc to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the 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. London Stock Exchange plc has not itself examined or approved the contents of this document.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART III OF THIS DOCUMENT.

The 4Less Group Plc

*(Incorporated and registered in England and Wales under the Companies Act 1985
with registered number 3910588)*

**Placing of 2,833,333 new Ordinary Shares at 60p per share
Share sale of 450,000 Existing Ordinary Shares at 60p per share
Admission to trading on AIM**

Notice of Extraordinary General Meeting

Nominated Adviser and Broker

Corporate Synergy Plc 

*As Attorney
for and on
behalf of
Tim Sullivan.*

Admission of the Ordinary Shares to trading on AIM is expected to become effective on 15 April 2004 (or such later date as Corporate Synergy and the Company may agree). The Placing Shares will rank *pari passu* in all other respects with the Ordinary Shares.

The Company and the Directors, whose names and addresses appear on page 7 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules of the London Stock Exchange ("AIM Rules"). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information. In connection with this document and/or the information contained in it, no person is authorised to give any information or make any representation other than as contained in this document.

Corporate Synergy Plc, which is regulated by The Financial Services Authority, is acting as the Company's nominated adviser and broker in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person 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 Corporate Synergy Plc as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Corporate Synergy Plc 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 acquisition of shares in the Company.

Notice of an extraordinary general meeting of The 4Less Group Plc, to be held at the offices of Mishcon de Reya, Summit House, 12 Red Lion Square, London WC1R 4QD at 10.00 a.m. on 14 April 2004, is set out at the end of this document. Shareholders will find enclosed a form of proxy for use at the extraordinary general meeting. To be valid, the enclosed form of proxy should be completed and returned in accordance with the instructions printed thereon as soon as possible and in any event so as to be received by the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3BR no later than 48 hours before the EGM.

CONTENTS

	<i>Page</i>
Definitions	3
Key information	5
Placing and Admission statistics	6
Expected timetable of principal events	6
Directors, secretary and advisers	7
Part I – Letter from the Chairman	8
Part II – Information on the Group	10
Part III – Risk factors	18
Part IV – Accountants' report on The 4Less Group Plc	19
Part V – Profit forecast for the Group for the year ending 31 March 2004	35
Part VI – Pro forma statement of net assets of the Group	37
Part VII – Additional information	39
Notice of Extraordinary General Meeting	57

DEFINITIONS

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

"Admission"	the admission of the Company's Ordinary Shares to trading on AIM
"Act"	the Companies Act 1985, as amended
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	the rules for AIM companies published by the London Stock Exchange
"Board"	the board of directors of the Company
"Bureau De Change"	kiosk based commercial foreign exchange business
"Car-finance4Less"	www.car-finance4Less.com Limited, a subsidiary of the Company
"Clearing Banks"	members of the Association of Payment Clearing Systems (APACS)
"Company" or "4Less"	The 4Less Group Plc
"Corporate Synergy"	Corporate Synergy Plc, nominated adviser and broker to the Company
"CREST"	the system for trading shares in uncertificated form
"CRESTCo"	CRESTCo Limited, the operator of CREST
"Currencies4Less"	the foreign exchange business operated by the Company
"Directors"	the directors of the Company listed on page 7 of this document
"EBT"	an employee benefit trust proposed to be established by the Company
"EGM"	the extraordinary general meeting of the Company convened for 10.00 a.m. on 14 April 2004, notice of which is set out at the end of this document
"Enlarged Share Capital"	7,976,183 Ordinary Shares of the Company in issue as at Admission
"Execution Only"	a transaction completed by the Group under the direction of its customer (i.e. non-discretionary)
"Executive Options"	the three options over an aggregate amount of 2,173,386 Ordinary Shares which the Company proposes to grant as soon as practicable following Admission to the EBT with reference to three Directors, namely Nigel Paul, Gregory Begley and Timothy Sullivan
"Existing Ordinary Shares"	the Ordinary Shares in the capital of the Company in issue prior to the Placing
"EMI Plan"	the Company's 2004 Enterprise Management Incentive Plan
"Forward Contract"	a contract to purchase foreign currency at a specified date in the future at an agreed exchange rate
"FSA"	the Financial Services Authority

"FX4Less"	www.fx4Less.com Limited, a subsidiary of the Company
"Group" or "The 4Less Group"	the Company and the Subsidiaries
"London Stock Exchange"	the London Stock Exchange PLC
"New Ordinary Shares"	the 2,833,333 New Ordinary Shares to be issued pursuant to the Placing
"OFEX"	the trading facility for share dealing in unquoted companies established and managed by JP Jenkins
"Official List"	the Official List of the United Kingdom Listing Authority
"Officially Listed"	listed on the Official List
"Ordinary Shares"	ordinary shares of 1p each in the share capital of the Company
"Physical Currency Transactions"	currency transactions with the tangible currency available for delivery
"Placing"	the placing of 2,833,333 New Ordinary Shares and 450,000 Existing Ordinary Shares by Corporate Synergy pursuant to the Placing Agreement
"Placing Agreement"	the agreement dated 22 March 2004 made between the Company, the Directors and Corporate Synergy and summarised in paragraph 8(c) of Part VII of the document
"Placing Price"	60p per Placing Share
"Placing Shares"	the 2,833,333 New Ordinary Shares to be issued, and 450,000 Existing Ordinary Shares to be sold pursuant to the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Propertyfinance4Less"	www.property-finance4Less.com Limited, a subsidiary of the Company
"Selling Shareholder"	Charles McLeod, chief executive officer, who is selling 450,000 Existing Ordinary Shares pursuant to the Placing
"Shareholders"	holders of Ordinary Shares
"Share Options"	the share option arrangements relating to the EMI Plan, the EBT and the Executive Options
"SME"	Small Medium Enterprise
"Spot Contract"	currency contract for immediate delivery
"Subsidiaries"	Car-finance4Less, Propertyfinance4Less and FX4Less, being wholly owned subsidiaries of the Company
"Trading Lines"	Forward Contract and Spot Contract facility provided by counter-party banking partners including Bank of Ireland
"UK"	the United Kingdom of Great Britain and Northern Ireland

KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived.

1. The Group is a foreign exchange and financial services business, founded in March 2000, which provides a range of financial products to businesses and high net worth retail customers. The Company's Ordinary Shares were admitted to OFEX in June 2002, when it raised £66,000 before expenses by way of a placing.
2. The Group's principal business is the provision of foreign exchange services to high net worth individuals and businesses through Currencies4Less; in addition it arranges overseas mortgages and specialist car finance through Propertyfinance4Less and Car-finance4Less respectively.
3. The Group has an experienced management team and established infrastructure with in excess of 10,000 registered customers.
4. The Group made a profit before taxation for the year ended 31 March 2003 of £108,000. In the absence of unforeseen circumstances and subject to the bases and assumptions set out in Part V, the Directors have forecast that the Group will make a profit before taxation and before the costs of Admission of not less than £290,000 for the year ending 31 March 2004.
5. The Directors have identified a number of new business initiatives for the Group. The new funds being raised by the Placing will provide the Group with working capital to develop these new businesses. The new initiatives which have been identified include:
 - Corporate services – to include asset and trade finance broking facilities; and
 - Insurance broking.
6. The Directors believe these new initiatives will provide:
 - A broader, more diversified spread of business;
 - Increased revenue and profitability;
 - A wider, more diversified customer base;
 - Greater opportunities for cross-selling; and
 - An enhanced brand image.
7. To help establish these new business initiatives and further develop the infrastructure of the Group, the Company is proposing to raise £1.3 million net of expenses through the Placing of 2,833,333 new Ordinary Shares at 60p per share.
8. The Company is applying for the Enlarged Share Capital to be admitted to trading on AIM.

Risk Factors

Investment in the Company involves a degree of risk and the attention of prospective investors is drawn to the section entitled 'Risk Factors' in Part III of this document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in light of their personal circumstances and the financial resources available to them.

PLACING AND ADMISSION STATISTICS

Placing Price per Ordinary Share	60p
Number of new Ordinary Shares being issued by the Company pursuant to the Placing	2,833,333
Number of Existing Ordinary Shares being sold	450,000
Number of Ordinary Shares in issue at Admission	7,976,183
Percentage of Enlarged Share Capital represented by the New Ordinary Shares	35.5 per cent.
Net proceeds of the Placing	£1.3 million
Market capitalisation of the Company at the Placing Price at Admission	£4.8 million

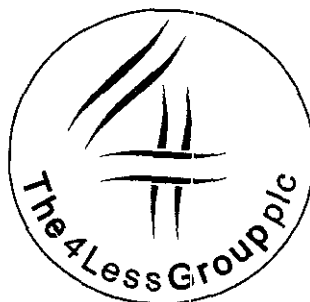
EXPECTED TIMETABLE OF EVENTS

Latest time and date for receipt of forms of proxy	10.00 a.m. on 12 April 2004
EGM	10.00 a.m. on 14 April 2004
De-listing from OFEX becomes effective	Close of business on 14 April 2004
Admission effective and dealings in Ordinary Shares commence on AIM	15 April 2004
CREST accounts credited	15 April 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors:	William Eric Peacock CMG DL, <i>non-executive chairman</i> Charles Ashley Ferguson McLeod, <i>chief executive officer</i> Gregory Davidson Martin Begley, <i>chief operating officer</i> Nigel Trevor Paul FCA, <i>group finance director</i> Timothy Sullivan, <i>managing director, Currencies4Less</i> James Henry Merrick Corsellis, <i>non-executive director</i>
Secretary:	Nigel Trevor Paul FCA All of whose business address is at:
Registered office:	160 Brompton Road London, SW3 1HW
Nominated Adviser and Broker:	Corporate Synergy Plc 12 Nicholas Lane London EC4N 7BN
Solicitors to the Company:	Mishcon de Reya Summit House 12 Red Lion Square London WC1R 4QD
Auditors and Reporting Accountants:	PKF Farringdon Place 20 Farringdon Road London EC1M 3AP
Solicitors to Corporate Synergy:	Memery Crystal 31 Southampton Row London WC1E 5HT
Registrars and Receiving Agents:	Neville Registrars Ltd Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Principal Bankers:	Bank of Ireland 36 Queen Street London EC4R 1HJ

PART I
LETTER FROM THE CHAIRMAN



Directors:

William Eric Peacock CMG DL, *non-executive chairman*
Charles Ashley Ferguson McLeod, *chief executive officer*
Gregory Davidson Martin Begley, *chief operating officer*
Nigel Trevor Paul, *group finance director*
Timothy Sullivan, *managing director, Currencies4Less*
James Henry Merrick Corsellis, *non-executive director*

Registered office:

160 Brompton Road
London, SW3 1HW

22 March 2004

To Shareholders and, for information only, the holders of warrants and options

Dear Shareholder,

Introduction

It was announced today that the Company is proposing to raise £1.7 million (before expenses) by way of a placing at 60p per Ordinary Share and is intending to seek admission of the Company's Enlarged Share Capital to trading on AIM. The Placing Price represents a discount of 31.4 per cent. to the closing mid-market price of 87.5p on OFEX as at 19 March 2004, the latest practicable date prior to the publication of this document. The Directors believe that the Group has reached a stage when it is appropriate to seek admission to AIM of the Ordinary Shares for the following reasons:

- To enable the Company to raise funds through the Placing for the development of new services;
- To improve liquidity in the Company's Ordinary Shares; and
- To raise the profile of the Group both generally and within its sector.

Full details on the Group, the Placing and the Group's future strategy are set out in Part II of this document.

Authority to allot shares and waiver of pre-emption rights

At the Company's Annual General Meeting held on 27 February 2004, the Directors were authorised pursuant to section 80 of the Act to allot up to 4,000,000 Ordinary Shares in connection with the EMI Plan, the EBT and the Executive Options. Statutory pre-emption rights were waived in connection with such allotments pursuant to section 95 of the Act.

The proposed Placing, *inter alia*, requires the Company to allot and issue 2,833,333 New Ordinary Shares. For the purposes of the issue of the New Ordinary Shares, and also to give the Company the flexibility to issue Ordinary Shares in the future, the Company is seeking your authorisation for the Directors to allot up to 4,857,150 Ordinary Shares (being 60.9 per cent. of the Enlarged Share Capital), and also your authority to allot shares for cash as if the statutory pre-emption rights accorded by section 89(1) of the Act did not apply, for the purposes of the Placing and for any other purpose up to the limit of 797,618 Ordinary Shares (being 10 per cent. of the Enlarged Share Capital).

Extraordinary General Meeting

You will find at the end of this document a notice convening an EGM of the Company, to be held at 10.00 a.m. at the offices of Mishcon de Reya, Summit House, 12 Red Lion Square, London WC1R 4QD on 14 April 2004, at which resolutions will be proposed:

1. to authorise the Directors to allot Ordinary Shares up to an aggregate nominal value of £48,571.50; and
2. to authorise the Directors to allot Ordinary Shares otherwise than in accordance with the pre-emption provisions set out in Section 89 of the Act for cash in relation to the Placing and otherwise up to an aggregate nominal amount of £7,976.18.

Action to be taken

A form of proxy for use in connection with the EGM is enclosed. You are asked to complete and return it in accordance with the instructions printed thereon so as to arrive not less than 48 hours before the time of the meeting. *Completion and return of the form of proxy does not preclude you from attending the meeting and voting in person, if you so wish.*

Recommendation

The Directors consider the Placing and Admission to be in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that shareholders vote in favour of the resolutions to be proposed at the EGM, as they intend to in respect of their shareholdings of 3,308,992 existing Ordinary Shares, representing 64.3 per cent. of the current issued share capital of the Company.

Yours faithfully,

William Eric Peacock
Non-executive chairman

PART II

INFORMATION ON THE GROUP

Introduction

The Group offers customers foreign currency exchange and related finance products to assist them in making overseas purchases such as homes, cars or wholesale goods. The Directors believe that the Group's rapid growth in its customer base has resulted from focusing on customer service and providing competitive exchange rates. The Group benefits from reciprocal referral relationships with overseas property agents and a number of UK-based car dealerships. As a result, as at 31 December 2003 the Group had over 10,000 registered customers. The Group does not take principal risk or facilitate speculative currency transactions.

The Group's original business of commercial currency exchange focused on the consumer market through Currencies4Less. During 2001 and 2002 the Company launched Car-finance4Less and Propertyfinance4Less to cater for customers wishing to finance purchases of cars and property. The Group added over 700 customers during the trading quarter ended 31 December 2003.

The Group now intends to launch two new businesses:

- *Corporate services*

These services will be aimed at providing a broking service to corporate customers, sourcing asset and trade finance for the purchase of assets and for domestic and/or international trade transactions. As with its existing business the Group does not intend to take principal risk. Both broking services are intended to provide customers with tailored financial packages sourced from leading financial institutions.

- *Insurance Broking*

This will provide insurance broking services both to retail customers who have or are seeking to purchase properties overseas and to SME customers requiring risk mitigation products including credit insurance.

The Directors have put in place strong compliance procedures. These include a detailed compliance manual and anti-money laundering documentation. The Company is registered with Her Majesty's Customs & Excise under the Money Laundering Regulations 2001 and has implemented its own counter money-laundering procedures.

History

The Group commenced trading as www.currencies4Less.com in March 2000. Charles McLeod, founder and chief executive officer, perceived an opportunity arising from factors identified by the Cruickshank Report, which was critical of the high charges and low levels of customer support provided by UK Clearing Banks. Accordingly, he established a foreign currency exchange operation as an alternative to the UK Clearing Banks. The Group agreed banking facilities with the Bank of Ireland to support its operations and was thus able to offer foreign currency Spot Contracts and Forward Contracts for up to twelve months.

In November 2000, the Company secured investment of £280,000 from a number of private investors. These funds were used in part to assist in the upgrade of the Group's IT capability with the installation of a specialist dealing and back office system to administer all aspects of the business and integrate with the existing multi-currency accounting system.

In June 2002, the Company's Ordinary Shares were admitted to trading on OFEX to raise the profile of the business. Since the OFEX listing, the Group has focused on developing its internal processes, upgrading both front and back office systems to cope with increased volumes. In July 2003 the Group opened a sales and marketing office in Marbella, Spain and in October 2003 the Group relocated to larger offices in Knightsbridge, London.

Group Activities

Currencies4Less

Currencies4Less is the core business activity of the Group, contributing approximately 86 per cent. of the Group's gross profits in the nine months ended 31 December 2003. Through Currencies4Less, the Group offers a choice of Spot Contracts or Forward Contracts to customers wishing to complete an overseas purchase requiring foreign currency.

In order to register, a customer is required to complete registration forms including a client agreement and evidence of their passport and residential address. These documents are then processed through compliance where the customer is allocated a "pin" number and added to the Group's database. At this stage, the customer is in a position to place an order to buy or sell foreign currency for physical delivery.

On Forward Contracts a deposit is paid by the customer based upon the duration of the contract and the sum required and both Spot Contracts and Forward Contracts require full payment by the client prior to any funds being released. These services are Execution Only currency exchange services and the Group only purchases currency to order.

In addition to these core services Currencies4Less offers a cost-efficient money transfer system from the UK to a selection of foreign markets to cater for the transfer of small regular payments (such as mortgage repayments and pensions).

The Directors believe that Currencies4Less's market can be split into three definable segments:

- **£1 to £5,000.** This sector is principally cash based. The Group has established a relationship with International Currency Exchange Limited for cash transactions up to £1,000.
- **£5,000– £1 million.** This is the most important segment for the Group and involves the arrangement of electronic money transfers, for individuals and businesses purchasing property and goods.
- **£1 million and above.** Global investment banks and Clearing Banks are predominant in this market, which is highly competitive, despite relatively low margins. The Group currently operates in small volumes at the lower end of this segment.

Propertyfinance4Less

Propertyfinance4Less acts as an independent broker arranging overseas mortgages for customers. Bilingual consultants at Propertyfinance4Less work with a number of overseas and UK property agents, to provide their customers with foreign mortgages from a range of financial institutions including Banque Patrimoine Immobilies in France, Groupe Bancario Mediobanca in Italy and CAM in Spain.

The Propertyfinance4Less market consists of UK nationals who require foreign currency mortgages based in the country where the property is being purchased. Based on their own research, the Directors believe that over one million UK nationals have a property in the EU with over 750,000 of these in Spain. The Group targets loans over £75,000 specifically in Spain, France, Italy, Portugal, Cyprus, South Africa and Florida (United States) and receives a fee from the bank and/or the purchaser for arranging the loan.

Car-finance4Less and Chequered Flag Finance

Car-finance4Less assists customers buying vehicles abroad or in the UK to finance their purchases. The Company has developed relationships with a number of independent specialist dealerships whose clients typically require non-standard financial products. Car-finance4Less provides services to dealerships selling new and used quality brands and targets loans over £25,000. The Group is also seeking to market its services to the growing number of small car fleets of up to 20 vehicles by offering an independent broker service providing competing offers of finance.

Competition

The principal competitors of the Currencies4Less business are the Clearing Banks, Currencies Direct Limited, HiFX Limited, Ruesch International, Travelex Limited and TTT Moneycorp Limited. The Directors

anticipate that the threat of potential competition, from new operators entering the market, will decrease as money laundering and other regulations regarding the safety of customers' funds become more stringent.

The Directors consider that competition to PropertyFinance4Less and Car-finance4Less currently comes from a small number of independent brokers in the import vehicle finance and overseas mortgage markets.

The corporate financial services market is currently dominated by large financial institutions together with a number of small to medium sized brokers.

Financial Information

The following table has been extracted, without adjustment, from the Accountants' Report set out in Part IV of this document. Investors should read the whole of this document and not rely solely on summarised information.

	<i>Year ended 31 March 2002 £'000</i>	<i>Year ended 9 months ended 31 March 2003 £'000</i>	<i>31 December 2003 £'000</i>
Turnover	137,232	271,862	221,143
Gross profit	1,007	1,875	2,017
Operating profit	122	15	122
Profit on ordinary activities before taxation	175	108	221

Turnover comprises the gross value of currency transactions and commissions earned for arranging property and car finance and has increased significantly over the last three years arising from the growth in the Group's retail customer base. During 2003 the Group actively focused on improving its gross margins.

During the year ended 31 March 2003 the Company floated on OFEX and undertook a phase of expansion and improvement in front and back office staff and technology, and bore the increased overheads required by corporate governance and compliance regimes, which depressed profitability in the period.

Trading in the fourth quarter of the current financial year has been good, with sales continuing to grow in line with the Directors' expectations.

Forecast

The Directors have forecast that, in the absence of unforeseen circumstances and on the bases and assumptions set out in Part V, the Group's profit before taxation for the year ending 31 March 2004 will be not less than £290,000. The forecast is based upon the audited non-statutory consolidated financial statements of the Company for the nine months ended 31 December 2003, unaudited management accounts for the two months to 29 February 2004 and the Company's projections for March 2004, and has been prepared using the accounting policies normally adopted by Company.

A letter from Corporate Synergy relating to the Forecast, including the detailed assumptions supporting them, are set out in Part V of this document.

Future Strategy

The Directors' strategy for the business is set out below:

- *Develop existing business*

The Directors intend to grow the Group's foreign currency exchange business by expanding its existing corporate foreign exchange capability through referrals from its existing client base and active marketing to corporate businesses and their advisers, and to grow the retail business by increasing the number of overseas sources of referrals including key estate agencies in Europe and closer alliances with developers and legal firms in the Group's target countries.

The existing Car-finance4Less business has already been re-positioned to focus on high quality value brands sold through independent dealerships where the Group is the preferred broker of specialist products to the car trade. The Directors intend to expand the Group's panel of financial institutions to support the re-positioning of Car-finance4Less and anticipate that the business will benefit from cross referrals generated from the existing client base as well as the Group's move into the corporate market which will include car fleets.

The Directors will seek to expand the Propertyfinance4Less business by establishing further referral relationships with estate agents, lawyers and, where appropriate, property development companies in those countries in which the Group chooses to broker mortgages. The Group will also continue its investment in new and related overseas finance products. Propertyfinance4Less will also look closely at other markets that are emerging as attractive to UK buyers including some Central European countries, although any expansion by the Group into those markets will depend on whether a supporting panel of financial institutions can be established based on the Group's existing business model.

- *New business initiatives*

- (i) Corporate Services

The Directors believe that there is a market opportunity to provide a range of financial services to corporate customers requiring funding solutions tailored to support their domestic and cross border trading. The Group intends to provide asset and trade finance broking services to this market, with particular emphasis on businesses with turnover broadly in the range of £1 million to £50 million.

The Directors expect that the proposed asset finance broking will arrange loans for customers from a panel of financial institutions. It is anticipated that the loans will typically be required by customers for periods of three to fifteen years, and that such loans will be used to purchase capital assets needed to support and grow the customer's business (such as plant & machinery, fixtures and fittings, IT and property). The Group will seek to enter this market through a range of third party referral sources including lawyers and accountants as well as by seeking to take advantage of the cross-selling opportunities which the Directors believe exist within the Group's client and product base.

The Directors anticipate that the proposed trade finance services will focus on the broking of buyer and supplier credit lines. The Group again intends to source these products from a panel of financial institutions specialising in this market. The target market is corporate customers who carry out significant levels of cross-border trade. The Group's route to market is expected to be through professional sources, together with insurance companies and trade bodies. The Directors anticipate that this business will also provide referrals to the Group's insurance broking and corporate foreign exchange divisions. This business will not take principal positions and will operate only as a broker to provide companies with financial packages specifically suited to their needs.

- (ii) Insurance Brokerage

In the 12 month period ending 31 December 2003 the Group generated over 3,000 referrals for insurance on overseas property through Propertyfinance4Less. In order to benefit from the opportunity which these referrals present and to support the Group's entry to the corporate services market (where the provision of risk mitigation products will be key to its development), the Group intends to start a new insurance brokering division. The Directors also believe that there are cross sales opportunities within the Group's current client base. It is intended that this broking service will cover a range of personal products for overseas residents, such as house and contents insurance, mortgage-linked life/protection assurance, critical illness, health and travel insurance as well as credit insurance, bonds and guarantees for the corporate market. It is anticipated that an additional benefit to the Group from this business will be repeat business where annual renewal of premiums is expected to provide a stable and growing income stream for the Group.

- *Expansion of strategic relationships*

The Directors will aim to secure further alliances with overseas banks, finance providers and business referrers to service the specific requirements of the high-end consumer niches, whilst extending the offering into expatriate communities.

Directors

William Eric Peacock, aged 59, non executive chairman

Eric is currently chief executive officer of Exemplas Holdings Limited. His previous experience includes chairman and chief executive officer in a range of international businesses including Babygro plc, divisional chief executive officer of Hollis International plc and managing director of Barbour Limited. He has international business development experience in over 80 countries and in 2003 he received The Most Distinguished Order of St Michael & St George for Services to International Trade.

Charles McLeod, aged 41, chief executive officer

Charles began his career at Lloyds of London in 1980, with Burgoyne Alford as a non-marine insurance broker. He then worked for Lockwood, Hughes and Walsh Limited, a commodities broker in London, which he left in 1987 to establish his own property development company, which he ran for twelve years before returning to the financial services industry in 1999 as senior trader for Currencies Direct Limited. In March 2000 he established the Company and now has overall responsibility for sales, the management team and the development of strategic relationships. In view of his importance to the business, the Company has procured key man insurance over Mr McLeod's life for an amount of £250,000.

Greg Begley, aged 56, chief operating officer

Greg is a member of the Institute of Bankers and Institute of Marketing and has spent most of his career with Bank of Ireland Group. He was head of the bank's Business Centre in Berkeley Square which focused on the high net worth sector and later became Head of Trade Finance in the UK. He joined 4Less in October 2003 and is responsible for running the Group's day to day operations.

Nigel Paul FCA, aged 47, group finance director

After qualifying as a chartered accountant, Nigel specialised in corporate recovery at Touche Ross, leaving in 1984 to develop his own accountancy practice which specialised in corporate finance, corporate reconstruction and general audit and taxation. He joined 4Less in October 2003 and is responsible for the Group's financial and administrative affairs.

Timothy Sullivan, aged 43, managing director, Currencies4Less

Tim worked as a senior manager from 1989 to 2000, specifically with Lancaster Group, Sytner and Clive Sutton. In late 1999 he joined Currencies Direct Limited, specialising in the car import market before joining the Company in May 2000. He is responsible for the day to day running of Currencies4Less.

James Corsellis, aged 33, non-executive director

James was educated at Oxford Brookes University, La Sorbonne in Paris and London University. He is currently a director of Marwyn Investment Management Limited, a UK based investment business which has worked with the Company.

Share Options

The Company has adopted the EMI Plan, which will be administered by the Board (acting, as appropriate, through the Remuneration Committee of the Board).

The Company intends to establish the EBT, which will be a discretionary trust capable of benefiting all employees of the Group.

The Company proposes to grant the three Executive Options to the trustee of the EBT in respect of Greg Begley, Nigel Paul and Timothy Sullivan as soon as practicable following Admission in respect of an aggregate amount of 2,173,386 Ordinary Shares representing approximately 27 per cent. of the Enlarged Share Capital.

The grant of the Executive Options is regarded by the Directors as a key component of executive remuneration. Exercise of these Executive Options is subject to the performance of the share price of the Company over a three month rolling period. The exercise conditions are described further in paragraph 7 of Part VII. Dealings in any Ordinary Shares acquired pursuant to the exercise of these Executive Options are subject to the restrictions described in the section headed "Lock-in and Orderly Market Arrangements" below.

On the appointment of Mr Begley and Mr Paul in October 2003 the proposed grant of the Executive Options was approved by the Board, subject to shareholder approval. Shareholder approval was granted on 27 February 2004. The performance conditions reflected the mid-market price of 55.5p of the Company's Ordinary Shares on OFEX as at 1 October 2003. The executive Directors to whom it is proposed to grant the Executive Options are employed on contracts for an initial fixed term of twelve months, with 6 month notice periods and it is the expectation of the Board that their continued employment will be based upon the achievement of the Company's objectives as set out in the section headed "Future Strategy" above.

At Admission 2,310,886 Ordinary Shares will be under option representing approximately 29 per cent. of the Enlarged Share Capital.

Further details of the Share Options are set out in paragraph 7 of Part VII of this document.

The Placing

The Company is proposing to raise £1.7 million, before expenses, by way of a placing of 2,833,333 New Ordinary Shares. In addition, Charles McLeod intends to sell 450,000 Existing Ordinary Shares. Following the sale, his holding will be 2,810,662 Ordinary Shares, representing approximately 35.2 per cent. of the Enlarged Share Capital.

The Placing Shares have been conditionally placed by Corporate Synergy at 60p per share with institutional and other investors. The Placing has not been underwritten.

The Placing is subject, *inter alia*, to the satisfaction of the following conditions on or before 15 April 2004 or such later date (being not later than 29 April 2004) as Corporate Synergy and the Company may agree:

- The Placing Agreement having become unconditional and not having been terminated in accordance with its terms: and
- Admission becoming effective no later than 15 April 2004 (or such later date as Corporate Synergy and the Company may agree).

The Placing Shares will rank *pari passu* with the existing Ordinary Shares and will rank in full for any dividends and other distributions paid or made in respect of the ordinary share capital of the Company. Application has been made for the New Ordinary Shares to be traded on AIM. Dealings are expected to commence on 15 April 2004.

Greg Begley and Nigel Paul intend to subscribe for 41,666 Ordinary Shares each in the Placing.

Details of the Placing Agreement are set out in paragraph 8(d) of Part VII of this document.

Use of Proceeds

The net proceeds of the Placing receivable by the Company are estimated at approximately £1.3 million after expenses of approximately £400,000 (including VAT).

The Group intends to apply these funds as follows:

- Group development – £200,000 will be used for the development of the infrastructure of the existing core business and to set-up the corporate services and insurance business.
- Trade funding reserve – £700,000 will be deposited with the Group's bankers to underpin the increased currency lines required for the further expansion of the retail and corporate foreign exchange business.

- Working capital – the balance of the net proceeds, estimated at £400,000, will provide working capital for the Group.

Dividend Policy

The Directors intend to reinvest profits in the growth of the business and to commence the payment of dividends when the Group has reached an appropriate stage in its development.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares are eligible for settlement in CREST.

Enterprise Investment Scheme and Venture Capital Trusts

The Company has obtained confirmation from the Inland Revenue that the Placing Shares (other than those being sold by Charles McLeod) will rank as a “qualifying investment” for the purposes of the Enterprise Investment Scheme (“EIS”) and as a “qualifying holding” for the purposes of investment by Venture Capital Trusts (“VCTs”).

The continuing availability of EIS relief and the status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the relevant period of three years from the date of an investor making his investment (under EIS), and, for VCT purposes, throughout the period the Ordinary Shares are held as a “qualifying holding” or the three years from the date that the Company begins to carry on its trade, if later.

The City Code on Takeovers and Mergers

At Admission, Charles McLeod, chief executive officer, will hold 35.2 per cent. of the Enlarged Share Capital. As this falls between 30 and 50 per cent. of the Enlarged Share Capital, should he increase his percentage of the voting rights in the Company, he will be required to make an offer for the remaining Ordinary Shares except in certain limited circumstances including the consent of the Panel on Takeovers and Mergers.

Lock-in and Orderly Market Arrangements

At Admission, the Directors and their associates will own an aggregate of 2,942,324 Ordinary Shares, representing 36.9 per cent. of the Enlarged Share Capital. All of the Directors have undertaken not to sell any Ordinary Shares, including those allotted pursuant to the exercise of share options, for a period of twelve months other than with the consent of Corporate Synergy and, for a further twelve months, to deal through Corporate Synergy or the Company’s broker from time to time.

In addition, Bertrand Picot, a consultant to the Company, who holds an aggregate of 357,500 Ordinary Shares, representing 4.5 per cent. of the Enlarged Share Capital of the Company, has undertaken only to deal in such Ordinary Shares through Corporate Synergy or the Company’s broker from time to time for a period of twelve months from Admission.

Corporate Governance

The Directors intend to comply with the Combined Code on the Principles of Good Governance and Code of Best Practice so far as is practicable for a Group of its size. The Directors have established an audit committee and remuneration committee to operate with effect from Admission.

The audit committee, which will initially comprise Eric Peacock and James Corsellis, will be responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

The remuneration committee, which will initially also comprise Eric Peacock and James Corsellis, will review the performance of executive Directors and set their remuneration, determine the payment of bonuses to executive Directors and consider the future allocation of share options to Directors and employees.

Further Information

Your attention is drawn to Parts III to VII of this document.

PART III

RISK FACTORS

There are various risk factors associated with an investment in the Company. The Directors consider the following risk factors to be the most significant to potential investors:

Early Euro entry

The Directors believe that British entry to the European single currency will have an adverse effect on the Group's revenue generating potential as the Directors will not have adequate time to develop the broader corporate foreign exchange and trade asset finance services to offset the risk of losing sterling/euro forex business.

Competitive industry

The foreign exchange and financial services industry is highly competitive. Other larger financial operations could move into this sector, which may adversely affect the Group's customer base and revenues.

No Guarantee on the Group's products or markets

The Group intends to launch two new broking services in the near future, namely corporate services offering asset and trade finance products and insurance broking. There can be no guarantee that these new services will be successful in attracting new customers, and there is a corresponding risk that the working capital and management time invested by the Group in launching these services will not be recouped. This may have an adverse impact on the Group's ability to increase its profitability and revenues, and to achieve its expected level of growth.

Dependence on banks

The Group is dependent upon its relationship with banks, which process payments between the Group and its customers, and supply commercial foreign exchange and arranging funding and trading facilities to the Group and its customers.

Regulatory issues and compliance

The Directors believe that the Group complies with current UK Regulations with respect to its current operations. The Directors believe that due to the recent increased regulatory focus on money laundering activities, the Group could incur further costs to comply with any new potential regulations or legislation, both national and international.

Management

The Company's success depends to a significant extent on certain key directors and managers. Although the Directors believe they have access to strength and depth in management, the loss of one or more of the key directors could have an adverse effect on the Company.

Share price volatility

The market price for the Company's shares is likely to fluctuate due to a variety of factors, many of which are outside the Group's control.

The investment described in this document may not be suitable for all recipients of this document. Before making an investment decision, prospective investors are advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this kind. A prospective investor should carefully consider whether an investment in the Company is suitable in the light of personal circumstances and the financial resources available.

PART IV
ACCOUNTANTS' REPORT ON THE GROUP



The Directors
4Less Group PLC
160 Brompton Road
London SW3 1HW

And

Corporate Synergy PLC
12 Nicholas Lane
London
EC4N 7BN

22 March 2004

Dear Sirs

THE 4LESS GROUP PLC ("THE COMPANY")

We report on the financial information of the Company and its subsidiaries (together "the Group") set out below. This financial information has been prepared for inclusion in the prospectus dated 22 March 2004 of the Company ("Prospectus").

The Company was incorporated on 20 January 2000 as www.currencies4less.com Limited. On 3 May 2001 the Company changed its name to The 4Less Group Limited and on 28 May 2002 it was re-registered as a public company.

Basis of preparation

The financial information set out below is based on the audited statutory consolidated financial statements of the Company for the period ended 31 March 2001 and the two years ended 31 March 2002 and 2003, adjusted as we considered necessary, and for the audited non-statutory consolidated financial statements of the Company for the nine months ended 31 December 2003 and has been prepared on the basis set out in this report.

Responsibility

The financial statements are the responsibility of the directors of the Company who approved their issue.

The directors of the Company are responsible for the contents of the Prospectus.

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.

PKF (formerly Pannell Kerr Forster) of Farringdon Place, 20 Farringdon Road, London EC1M 3AP were the auditors of the Company for each of the periods covered by this report.

Basis of opinion

We conducted our work in accordance with the Statement of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and

disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the group as at 31 March 2001, 2002 and 2003 and 31 December 2003 and of its results for the periods then ended.

Consent

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

1. Accounting policies

Basis of accounting

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

Basis of preparation

The consolidated financial statements comprise the audited financial statements of the Company and its subsidiary undertakings for the period from 20 January 2000 to 31 March 2001 and for the two years and nine months ended 31 December 2003. The results of subsidiaries acquired are consolidated from the date on which control is passed. Acquisitions are accounted for under the acquisition method.

Turnover and revenue recognition

Turnover represents:

1. The gross value of foreign exchange currency transactions undertaken by the group's foreign currency business. Purchases of currency relating to the above transactions are treated as cost of sales.

Turnover is recognised on receipt of a signed customer contract. Where the group enters into contracts with its clients, it also enters into separate matched forward contracts with its bankers.

2. Commissions earned from arranging property and car finance. Revenue is recognised when the client has entered into irrevocable arrangements with the loan provider.

Forward delivery contracts and monies due from clients

1. The company has the right to insist on net settlement. Accordingly, trade debtors represent the net balance due to the group.
2. Where funds have been received from clients in advance, the group's liability to them is included in trade creditors.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	33 per cent.
Office equipment	33 per cent.
Leasehold improvements	Over the life of the lease

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Investments are stated at cost less provision for impairment.

Financial instruments

The only financial instruments used by the group are spot, open and fixed forward exchange contracts to match customers' specific requirements. The group does not enter into speculative contracts on its own account.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or, if matched, at the forward contract rate. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of transaction or, if matched, at the forward contract rate. Exchange differences are taken into account in arriving at the operating profit.

Deferred taxation

Deferred tax is provided using the full provision method set out in Financial Reporting Standard 19 "Deferred Tax". This requires deferred tax to be recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. Consolidated profit and loss accounts

		<i>Period ended</i> <i>31 March</i> <i>2001</i> <i>£000</i>	<i>Year ended</i> <i>31 March</i> <i>2002</i> <i>£000</i>	<i>Year ended 9 months ended</i> <i>31 March 2003</i> <i>£000</i>	<i>31 December</i> <i>2003</i> <i>£000</i>
	<i>Notes</i>				
Turnover	(i)	51,486	137,232	271,862	221,143
Cost of sales		(51,091)	(136,225)	(269,987)	(219,126)
Gross profit		395	1,007	1,875	2,017
Administrative expenses		(351)	(885)	(1,860)	(1,895)
Operating profit	(ii)	44	122	15	122
Interest receivable and similar income	(v)	26	58	95	100
Interest payable and similar charges	(vi)	(2)	(5)	(2)	(1)
Profit on ordinary activities before taxation		68	175	108	221
Taxation	(vii)	(11)	(49)	(32)	(75)
Profit for the period		57	126	76	146
Earnings per share (pence)	(viii)		2.51	1.48	2.84
Fully diluted earnings per share (pence)			2.51	1.36	2.76

All amounts relate to continuing operations.

There were no recognised gains or losses for the period other than those included in the profit and loss account.

3. Consolidated balance sheets

		At 31 March 2001 £000	At 31 March 2002 £000	At 31 March 2003 £000	At 31 December 2003 £000
	Notes				
Fixed assets					
Tangible assets	(ix)	88	137	88	279
Current assets					
Debtors	(x)	11	1	203	419
Cash at bank and in hand		1,913	1,501	4,670	4,253
		<u>1,924</u>	<u>1,502</u>	<u>4,873</u>	<u>4,672</u>
Creditors: amounts falling due within one year	(xi)	<u>(1,681)</u>	<u>(1,147)</u>	<u>(4,489)</u>	<u>(4,333)</u>
Net current assets		<u>243</u>	<u>355</u>	<u>384</u>	<u>339</u>
Total assets less current liabilities		<u>331</u>	<u>492</u>	<u>472</u>	<u>618</u>
Creditors: amounts falling due after more than one year	(xii)	<u>—</u>	<u>(15)</u>	<u>—</u>	<u>—</u>
Net assets		<u>331</u>	<u>477</u>	<u>472</u>	<u>618</u>
Capital and reserves					
Called up share capital	(xvi)	10	10	51	51
Share premium account	(xvii)	264	284	162	162
Profit and loss account	(xvii)	<u>57</u>	<u>183</u>	<u>259</u>	<u>405</u>
Equity shareholders' funds	(xviii)	<u>331</u>	<u>477</u>	<u>472</u>	<u>618</u>

4. Consolidated cash flow statements

		<i>Period ended 31 March 2001 £000</i>	<i>Year ended 31 March 2002 £000</i>	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
	<i>Notes</i>				
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities					
Operating profit		44	122	15	122
Depreciation of tangible fixed assets		8	55	62	72
Change in debtors		(11)	10	200	(216)
Change in creditors		1,671	(589)	(3,378)	(231)
Net cash (outflow)/inflow from operating activities		<u>1,712</u>	<u>(402)</u>	<u>3,255</u>	<u>(253)</u>
Returns on investments and servicing of finance	(xix)	24	53	88	99
Taxation		–	–	(61)	–
Capital expenditure and financial investment	(xix)	<u>(97)</u>	<u>(83)</u>	<u>(32)</u>	<u>(263)</u>
Cash flow before financing		<u>1,639</u>	<u>(432)</u>	<u>3,250</u>	<u>(417)</u>
Financing	(xix)	<u>274</u>	<u>20</u>	<u>(81)</u>	<u>–</u>
Increase/(decrease) in cash in the period		<u>1,913</u>	<u>(412)</u>	<u>3,169</u>	<u>(417)</u>

5. Reconciliations of net cash flow to movement in net funds

	<i>Period ended 31 March 2001 £000</i>	<i>Year ended 31 March 2002 £000</i>	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
(Decrease)/increase in cash in the period	1,913	(412)	3,169	(417)
Finance lease	–	(20)	20	–
Change in net funds	1,913	(432)	3,189	(417)
Opening net funds	–	1,913	1,481	4,670
Closing net funds	<u>1,913</u>	<u>1,481</u>	<u>4,670</u>	<u>4,253</u>

6. Notes to the financial information

(i) Segmental reporting

An analysis of turnover by class of business is as follows:

	<i>Year ended 31 March 2002 £000</i>	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
Provision of foreign currency	137,115	271,517	220,848
Arranging car finance	116	262	170
Arranging property finance	1	83	125
	<u>137,232</u>	<u>271,862</u>	<u>221,143</u>

(ii) Operating profit

Operating profit is stated after charging:

	<i>Period ended 31 March 2001 £000</i>	<i>Year ended 31 March 2002 £000</i>	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
Depreciation of tangible fixed assets:				
– owned by the group	8	47	62	72
– held under finance lease or hire purchase contracts	–	8	–	–
Auditor's remuneration:				
– Audit fees	7	17	20	15
Non audit fees	–	–	37	5
Operating lease rentals				
– land and buildings	–	–	31	37
	<u>–</u>	<u>–</u>	<u>31</u>	<u>37</u>

(iii) Directors' emoluments

	<i>Period ended 31 March 2001 £000</i>	<i>Year ended 31 March 2002 £000</i>	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
Directors emoluments	44	106	266	230

No pension contributions were made on behalf of any of the directors (31 March 2003, 2002 and 2001: £nil).

The highest paid director received emoluments and benefits as follows:

	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
Emoluments	<u>85</u>	<u>64</u>

(iv) Staff costs

Staff costs, including directors' emoluments, were as follows:

	<i>Period ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>	<i>Period ended</i> <i>31 December</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Wages and salaries	151	237	952	986
Social security costs	10	18	96	111
	<u>161</u>	<u>255</u>	<u>1,048</u>	<u>1,097</u>

The average monthly number of persons, including executive directors, during the period was:

	<i>Period ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>	<i>Period ended</i> <i>31 December</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>
Sales and administration	<u>6</u>	<u>9</u>	<u>22</u>	<u>32</u>

(v) Interest receivable and similar income

	<i>Period ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>	<i>Period ended</i> <i>31 December</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank interest receivable	<u>26</u>	<u>58</u>	<u>95</u>	<u>100</u>

(vi) Interest payable and similar charges

	<i>Period ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>	<i>Period ended</i> <i>31 December</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts	2	4	2	1
Finance charges under finance lease and hire purchase contracts	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>
	<u>2</u>	<u>5</u>	<u>2</u>	<u>1</u>

(vii) Taxation

	<i>Period ended 31 March 2001 £000</i>	<i>Year ended 31 March 2002 £000</i>	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
UK corporation tax				
Current tax on income for the period	11	49	32	75

(a) Analysis of charge in period

	<i>Period ended 31 March 2001 £000</i>	<i>Year ended 31 March 2002 £000</i>	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
Current tax				
UK corporation tax on profits of the period	11	49	31	71
Adjustment in respect of previous periods	–	–	1	4
Total current note (note (b))	11	49	32	75

(b) Factors affecting tax charge for the period

	<i>Period ended 31 March 2001 £000</i>	<i>Year ended 31 March 2002 £000</i>	<i>Year ended 31 March 2003 £000</i>	<i>Period ended 31 December 2003 £000</i>
Profit on ordinary activities before tax	68	175	108	221
Expected tax at 30.00%	20	53	32	66
Expenses not deductible for tax purposes	1	–	2	2
Depreciation in excess of capital allowances	5	4	7	11
Taxation of profits at marginal/20% rate	(15)	(8)	(10)	(8)
Adjustment in respect of prior periods	–	–	1	4
	11	49	32	75

(viii) Earnings per share

Both basic earnings per share and fully diluted earnings per share are based on a profit of £146,275 (year ended 31 March 2003: £75,879; 2002: £126,359). The basic earnings per share has been calculated on a weighted average of 5,142,850 (year ended 31 March 2003: 5,116,738; 2002: 5,032,300 – as recalculated for the bonus issue) ordinary shares in issue. The diluted earnings per share has been calculated on a weighted average of 5,293,696 (year ended 31 March 2003: 5,573,448; 2002: 5,032,300) ordinary shares in issue and the dilutive potential ordinary shares from warrants.

(ix) Tangible fixed assets

	<i>Leasehold improvements £000</i>	<i>Motor vehicles £000</i>	<i>Office equipment £000</i>	<i>Total £000</i>
Cost				
At 20 January 2000	—	—	—	—
Additions	—	—	96	96
At 31 March 2001	—	—	96	96
Additions	—	38	77	115
Disposals	—	(11)	—	(11)
At 31 March 2002	—	27	173	200
Additions	—	—	32	32
Disposals	—	(27)	—	(27)
At 31 March 2003	—	—	206	206
Additions	150	7	106	263
At 31 December 2003	150	7	312	469
Depreciation				
At 20 January 2000	—	—	—	—
Provided during the period	—	—	8	8
At 31 March 2001	—	—	8	8
Provided during the year	—	8	47	55
At 31 March 2002	—	8	55	63
Provided during the year	—	—	63	63
Written back on disposal	—	(8)	—	(8)
At 31 March 2003	—	—	118	118
Provided during the period	8	2	62	72
At 31 December 2003	8	2	180	190
Net book values				
At 31 March 2001	—	—	88	88
At 31 March 2002	—	19	118	137
At 31 March 2003	—	—	88	88
At 31 December 2003	142	5	132	279

Office equipment includes web-site development costs with a cost of £35,000, depreciation for the year of £8,750 and a net book value of £Nil (31 March 2003: £8,750; 2002: £11,666; 2001: £23,333). The net book amounts under motor vehicles above include £Nil (31 March 2003: £Nil; 2002: £19,139; 2001: £Nil) in respect of assets held under finance leases or hire purchase contracts.

(x) Debtors

	<i>At</i> <i>31 March</i> <i>2001</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2002</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2003</i> <i>£000</i>	<i>At</i> <i>31 December</i> <i>2003</i> <i>£000</i>
Due within one year				
Trade debtors	–	–	143	194
Other debtors	–	1	2	6
Prepayments and accrued income	11	–	58	219
	<u>11</u>	<u>1</u>	<u>203</u>	<u>419</u>

(xi) Creditors: amounts falling due within one year

	<i>At</i> <i>31 March</i> <i>2001</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2002</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2003</i> <i>£000</i>	<i>At</i> <i>31 December</i> <i>2003</i> <i>£000</i>
Amounts falling due within one year				
Trade creditors	1,567	897	4,326	4,014
Corporation tax	11	60	31	106
Other tax and social security	33	12	43	49
Net obligations under finance leases and hire purchase contracts	–	5	–	–
Other creditors	55	139	32	108
Accruals and deferred income	15	34	57	56
	<u>1,681</u>	<u>1,147</u>	<u>4,489</u>	<u>4,333</u>

(xii) Creditors: amounts falling due after more than one year

	<i>At</i> <i>31 March</i> <i>2001</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2002</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2003</i> <i>£000</i>	<i>At</i> <i>31 December</i> <i>2003</i> <i>£000</i>
Amounts falling due after more than one year				
Net obligations under finance lease and hire purchase contracts	–	15	–	–

(xiii) Finance leases

Net obligations under finance lease and hire purchase agreements fall due as follows:

	<i>At</i> <i>31 March</i> <i>2001</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2002</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2003</i> <i>£000</i>	<i>At</i> <i>31 December</i> <i>2003</i> <i>£000</i>
Less than one year	–	5	–	–
Between one and five years	–	15	–	–
	<u>–</u>	<u>20</u>	<u>–</u>	<u>–</u>

(xiv) Financial instruments

Treasury activities take place under procedures and policies and are monitored by the Board. They are designed to minimise the financial risks faced by the Group which primarily arise from interest rate, currency and liquidity risks.

Interest rate risks

The group has financed its operations primarily through the issue of equity shares and retained profit. The group receives and pays interest on cash balances limited to normal bank interest rates and has no assets or liabilities that are subject to interest rate fluctuations.

Liquidity risk

The Group's treasury management policies are designed to ensure the continuity of funding. The Group has significant surplus cash at the period end.

Foreign currency risk

The Group does not have any foreign currency exposure as all foreign currency is acquired under matched contracts to fulfil contracts with customers.

Interest rate and currency profile of financial assets and liabilities

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or, if material, at the forward contract rate. At the balance sheet date all financial assets and liabilities are denominated in sterling. As permitted by Financial Reporting Standard 13 no further details are set out in respect of short term debtors and creditors.

Borrowing facilities

The Group does not currently require any borrowing facilities.

(xv) Forward delivery contracts and monies due from clients

At the period end, the amount due from clients in respect of open contacts was £9,070,680 (31 March 2003: £13,402,307; 2002: £8,314,463; 2001: £2,986,301).

At the period end, the group had committed to purchase foreign currency from its bankers on behalf of clients at fixed rates amounting to £9,420,911 (31 March 2003: £14,565,570; 2002: £9,211,958; 2001: £4,552,740).

(xvi) Share capital

	<i>At 31 March 2001</i>	<i>At 31 March 2002</i>	<i>At 31 March 2003</i>	<i>At 31 December 2003</i>
Authorised				
1p Ordinary shares – amount (£'000)	13	13	100	100
1p Ordinary shares – number ('000)	1,250	1,250	10,000	10,000
Allotted, called up and fully paid				
1p Ordinary shares (£'000)	10	10	51	51

During the period ended 31 March 2001, 859,800 1p Ordinary Shares were issued for cash at par, 25,000 were issued for cash at a premium of £24,750, 65,000 were issued for cash at a premium of £89,375 and 50,000 were issued for cash at a premium of £149,500.

During the year ended 31 March 2002, 6,660 1p Ordinary Shares were issued for cash at a premium of £19,913.

On 27 May 2002 the authorised share capital of the Company was increased from £12,500 to £100,000 by the creation of 8,750,000 ordinary shares of 1p each, and 4,026,660 ordinary shares were issued and fully paid by way of a bonus issue from its share premium account to the holders of ordinary shares *pro rata* to their existing holding. On 26 June 2002 109,550 ordinary shares with an aggregate nominal value of £1,095 were issued for cash at 60p per share in connection with the admission of the Company to the OFEX trading facility. On 28 June 2002 the Company issued 311,427 warrants which can be exercised at 28p and 467,140 warrants which can be exercised at 60p within 5 years of the issue date.

(xvii) Reserves

	<i>£000</i>
Share premium account	
At 20 January 2000	–
Premium on shares issued during the period	264
At 31 March 2001	264
Premium on shares issued during the period	20
At 31 March 2002	284
Premium on shares issued during the year	65
Nominal value of issue of 4,026,660 bonus shares	(40)
Cost in respect of OFEX flotation	(147)
At 31 March and 31 December 2003	162
Profit and loss account	
At 20 January 2000	–
Profit for the period	57
At 31 March 2001	57
Profit for the year	126
At 31 March 2002	183
Profit for the year	76
At 31 March 2003	259
Profit for the period	146
At 31 December 2003	405

(xviii) Shareholders' funds

	At 31 March 2001 £000	At 31 March 2002 £000	At 31 March 2003 £000	At 31 December 2003 £000
Opening shareholders' funds	—	331	477	472
Profit for the period	57	126	76	146
Issue of shares	274	20	66	—
Costs incurred in respect of Ofex flotation	—	—	(147)	—
Closing shareholders' funds	<u>331</u>	<u>477</u>	<u>472</u>	<u>618</u>

(xix) Gross cash flows

	At 31 March 2001 £000	At 31 March 2002 £000	At 31 March 2003 £000	At 31 December 2003 £000
Returns on investments and servicing of finance				
Interest received	26	58	91	100
Interest paid	(2)	(4)	(3)	(1)
Interest element of finance lease rentals	—	(1)	—	—
	<u>24</u>	<u>53</u>	<u>88</u>	<u>99</u>
Capital expenditure				
Payments to acquire tangible fixed assets	<u>(97)</u>	<u>(83)</u>	<u>(32)</u>	<u>(262)</u>
Financing				
Issue of share capital	274	20	66	—
Expenses paid in connection with issue of shares	—	—	(147)	—
	<u>274</u>	<u>20</u>	<u>(81)</u>	<u>—</u>

(xx) Analysis of changes in net funds

	<i>Cash at bank and in hand £000</i>	<i>Finance Leases £000</i>	<i>Total £000</i>
At 20 January 2000	–	–	–
Cash flows	1,913	–	1,913
At 31 March 2001	1,913	–	1,913
Cash flows	(412)	–	(412)
Other changes	–	(20)	(20)
At 31 March 2002	1,501	(20)	1,481
Cash flows	3,169	–	3,169
Other changes	–	20	(20)
At 31 March 2003	4,670	–	4,670
Cash flows	(640)	–	(640)
Other changes	–	–	–
At 31 December 2003	4,030	–	4,030

(xxi) Transactions with related parties

As permitted by Financial Reporting Standard 8, "Related Party Transactions", the financial statements do not disclose transactions between the parent company and its subsidiaries to the extent that the transactions have been eliminated on consolidation. Transactions with Marwyn Capital Limited during the period, of which Mr J Corsellis is a director, amounted to £44,016. In addition to consultancy fees these amounts included payments for the services of Mr J Corsellis as a director and chairman.

Prior to being appointed a director, Mr G Begley contracted to purchase currency at fixed forward rates on an arm's length basis in the normal course of business. At 31 December 2003, the total due for draw down at fixed future dates to September 2004 amounted to £112,627. The total value of the transaction was £137,627.

(xxii) Controlling party

At 31 December 2003 the Company was controlled by Charles McLeod.

Yours faithfully

PKF

PART V

PROFIT FORECAST FOR THE GROUP FOR THE YEAR ENDING 31 MARCH 2004

As stated in the paragraph entitled "Forecast" in Part II of this document, the Directors have forecast that, in the absence of unforeseen circumstances and on the bases and assumptions set out below, the Group's profit before tax and the costs of Admission for the year ending 31 March 2004 will be not less than £290,000.

The forecast is based upon the audited non-statutory consolidated financial statements of the Company for the nine months ended 31 December 2003, unaudited managed accounts for the two months ended 29 February 2004 and the Company's projections for March 2004 and has been made after due and careful enquiry and has been prepared using the accounting policies normally adopted by the Company, and on the following assumptions:

- trading continues in line with current levels; and
- there is no material change in market conditions.

Corporate Synergy Plc

12 Nicholas Lane
London EC4N 7BN

The Directors
The 4Less Group PLC
160 Brompton Road
London SW3 1HW

22 March 2004

Dear Sirs

The 4Less Group PLC ("4Less")

We have discussed with you your forecast of 4Less's consolidated profit before taxation and before the costs of admission to trading on AIM, for the year ending 31 March 2004, which is included in the prospectus dated 19 March 2004, together with the bases and assumptions upon which the forecast is made. We have also discussed the forecast with PKF and have considered their private letter dated 22 March 2004 addressed to yourselves and ourselves on this matter.

We consider that the forecast, for which you are solely responsible, has been prepared after due and careful enquiry.

Yours faithfully

Lindsay Mair
Managing Director

For and on behalf of Corporate Synergy PLC

PART VI

PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The pro forma statement of net assets set out below has been prepared to illustrate the effect of the Placing on the net assets of the Group as if it had taken place on 31 December 2003.

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 of the Group.

	<i>(note 1)</i> <i>Group</i> <i>£000</i>	<i>(note 2)</i> <i>Placing</i> <i>£000</i>	<i>Pro forma</i> <i>£000</i>
Fixed assets			
Tangible assets	279	–	279
Current assets			
Debtors	419	–	419
Cash at bank and in hand	4,253	1,300	5,553
	4,672	1,300	5,972
Creditors: amounts falling due within one year	(4,333)	–	(4,333)
Net current assets	339	1,300	1,639
Net assets	618	1,300	1,918

Notes:

1. The net assets of the Group have been extracted from the consolidated audited balance sheet of 4Less at 31 December 2003 as set out in Part IV of this document.
2. The placing proceeds are based on estimated gross proceeds of £1,700,000 less estimated costs of £400,000 (including VAT).
3. No account has been taken of the trading performance of the Group since 31 December 2003.



The Directors
The 4Less Group PLC
160 Brompton Road
London SW3 1HW

and

The Directors
Corporate Synergy PLC
12 Nicholas Lane
London EC4N 7BN

22 March 2004

Dear Sirs

THE 4LESS GROUP PLC ("THE COMPANY")

We report on the pro forma statement of net assets set out in Part VI of the prospectus dated 22 March 2004 relating to the Company. This has been prepared, for illustrative purposes only, to show the effects of the proposed placing on the Company and its subsidiaries ("the Group").

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information.

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

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 the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors of the Company.

Opinion

In our opinion:

- The pro forma net assets statement has been properly compiled on the basis stated;
- Such basis is consistent with the accounting policies of the Company; and
- The adjustments are appropriate for the purposes of the pro forma net assets statement as at 31 December 2003 as disclosed.

Yours faithfully

PKF

PART VII

ADDITIONAL INFORMATION

1. Incorporation

- 1.1 The Company was incorporated and registered in England and Wales on 20 January 2000 under the Act as a private limited company with the name www.currencies4Less.com Limited and with registered number 3910588. On 3 May 2001 the Company changed its name to The 4Less Group Limited. On 28 May 2002 the Company re-registered as a public limited company under the name The 4Less Group PLC.
- 1.2 The principal legislation under which the Company operates is the Act.
- 1.3 The Company's registered office is at 160 Brompton Road, Knightsbridge, London SW3 1HW and its head office and principal place of business is at the same address.
- 1.4 The liability of the members of the Company is limited.

2. Subsidiaries

- 2.1 The Company acts as the holding company of the Group. The Company has the following subsidiaries, which are private limited companies, wholly owned and incorporated in England and Wales and the registered office of each of the Subsidiaries is at 160 Brompton Road, Knightsbridge, London SW3 1HW :

<i>Name</i>	<i>Issued and Fully Paid Share Capital</i>	<i>Percentage held by the Company</i>
www.car-finance4Less.com Limited	2 ordinary shares of £1 each	100%
www.property-finance4Less.com Limited	2 ordinary shares of £1 each	100%
www.fx4Less.com Limited	2 ordinary shares of £1 each	100%
www.currencies4LessLimited	1 ordinary share of £1 each	100%
www.BoatFinance4LessLimited	1 ordinary share of £1 each	100%

3. Share Capital

- 3.1 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each. On 20 January 2000 the two subscriber shares in the Company were transferred to Charles McLeod.
- 3.2 On 19 June 2000, by written resolution, each issued and unissued ordinary share of £1 each in the capital of the Company was sub-divided into 100 Ordinary Shares of 1p each and the authorised share capital of the Company was increased to £10 million consisting of 1,000,000,000 Ordinary Shares of 1p each.
- 3.3 On 19 June 2000, the Company issued 79,800 Ordinary Shares, which were allotted at nominal value of 1p and issued fully paid for cash.
- 3.4 On 13 November 2000 by written resolution the Company cancelled 998,750,000 authorised but unissued Ordinary Shares of 1p each and reduced the authorised share capital of the Company by £987,500 to £12,500 divided into 1,250,000 Ordinary Shares of 1p each.
- 3.5 On 13 November 2000 the Company issued 920,000 Ordinary Shares, which were allotted fully paid for cash. On 30 April 2001 the Company allotted 3,330 Ordinary Shares and on 30 January 2002 the Company allotted 3,330 Ordinary Shares, each of which were allotted fully paid for cash.
- 3.6 On 27 May 2002, the authorised share capital of the Company was increased by written resolution to £100,000, consisting of 10,000,000 Ordinary Shares of 1p each and 4,026,640 Ordinary Shares were

issued as bonus shares fully paid out of the Company's share premium account, so that each shareholder received four new Ordinary Shares for each Ordinary Share held as at that date.

3.7 On 27 May 2002 pursuant to resolutions of the Company passed on that date:

- (a) the authorised share capital of the Company was increased from £12,500 to £100,000 by the creation of 8,750,000 Ordinary Shares of 1p each;
- (b) the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) of the Company up to an aggregate nominal amount equal to £100,000 to expire (unless previously renewed, varied, or revoked by the Company in general meeting) on 26 May 2007 except that the Company may, at any time prior to the expiry of the authority, make an offer or agreement which would or might require relevant securities to be allotted after expiry of the authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired;
- (c) the Directors were given power pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority under section 80 of the Act referred to in paragraph (b) above as if section 89(1) of the Act did not apply in relation to:
 - (i) the allotment and issue of up to 415,667 Ordinary Shares pursuant to a placing of shares conducted at the time of admission to trading on OFEX;
 - (ii) the allotment and issue of up to 778,567 Ordinary Shares pursuant to the warrants granted by the Company to Marwyn Partners Limited, James Corsellis and JM Finn & Co;
 - (iii) the allotment and issue of up to 817,500 Ordinary Shares pursuant to certain share options which were proposed to be granted by the Company;
 - (iv) the allotment and issue of equity securities in favour of members where the equity securities respectively attributable to the interests of all members are proportionate (as nearly as may be) to the respective number 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 fractional entitlements or legal problems may arise in any overseas territory or under the requirements of any regulatory body or any stock exchange;
 - (v) the allotment (otherwise than pursuant to the foregoing paragraphs) of equity securities up to an aggregate nominal amount of £5,450to expire (unless previously renewed, varied or revoked by the Company in general meeting) on the date 15 months from the passing of the resolution or at the conclusion of the next annual general meeting of the Company, whichever was the earlier, provided that the Company may before the expiry of the power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred by the resolution had not expired;
- (d) the Company adopted a new memorandum of association and new articles of association in substitution for its existing memorandum of association and articles of association;
- (e) the sum of 40,266.40 being part of the amount standing to the credit of the Company's share premium account, was appropriated as capital to and among those persons whose names appeared on the register of members of the Company as the holders of the ordinary shares of 1 pence each in the capital of the Company as at that date and that the Directors were authorised and directed to apply such sum in paying up in full at par 4,026,640 new ordinary shares of 1 pence each in the capital of the Company and to distribute the same credited as fully paid up to and among such members in the proportion of 4 new ordinary shares of 1 pence each for every one ordinary share of 1 pence each held by such members as at the date of the date of the resolution in satisfaction of their shares and interest in the said capitalised sum and that the said shares so distributed were

treated for all purposes as an increase of the nominal amount of the capital of the Company held by each such member and not as income; PROVIDED THAT the new ordinary shares distributed pursuant to the resolution ranked *pari passu* in all respects with the existing ordinary shares in the capital of the Company;

- (f) the Company was re-registered as a public limited company.

3.8 On 27 February 2004 pursuant to resolutions of the Company passed on that date:

- (a) the authorised share capital of the Company was increased from £100,000 to £140,000 by the creation of 4,000,000 Ordinary Shares of 1 pence each ranking *pari passu* in all respects with the existing Ordinary Shares of 1 pence each in the capital of the Company;
- (b) the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities as defined in section 80(2) up to an aggregate nominal amount of £40,000 for the purposes of the EMI Plan, the EBT and the Executive Options, such authority to expire on 26 February 2009 (provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the said authority has expired). This authority was in substitution for all existing authorities, to the extent unused;
- (c) the Directors were given power pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that such power was limited to the allotment of equity securities up to an aggregate nominal amount of £40,000;
- (d)
 - (i) the rules of the EMI Plan were approved and adopted and the directors were authorised to take such steps as may be necessary to carry the same into effect; and
 - (ii) the Directors were authorised to vote as Directors on any matters connected with the EMI Plan notwithstanding that they may be interested in the same, save that no Director could vote or be counted in the quorum on any matters concerning his own participation in the EMI Plan and any prohibition contained in the Company's Articles of Association was accordingly suspended to that extent;
- (e) the deed establishing the EBT was approved and the Directors were authorised to carry the same into effect.
- (f) the Executive Options to be granted to the trustee of the EBT were approved and the Directors were authorised to carry the same into effect.

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

<i>Authorised (Ordinary Shares having a nominal value of 1p each)</i>		<i>Issued and fully paid (Ordinary Shares having a nominal value of 1p each)</i>	
<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
14,000,000	140,000	5,142,850	51,428.50

3.10 At Admission the authorised and issued share capital of the Company will be:

<i>Authorised (Ordinary Shares having a nominal value of 1p each)</i>		<i>Issued and fully paid (Ordinary Shares having a nominal value of 1p each)</i>	
<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
14,000,000	140,000	7,976,183	79,761.83

3.11 The Company has shareholder authority to grant three Executive Options in respect of an aggregate amount of 2,173,386 Ordinary Shares. The Executive Options are described further in paragraph 7.4

below. In addition, the Company is committed to grant options in respect of an aggregate amount of 137,500 Ordinary Shares to certain employees of the Company. The Company intends to grant these further options under the terms of the EMI Plan referred to in paragraph 7 below.

- 3.12 The Company has granted share warrants to Marwyn Partners Limited, James Corsellis and JM Finn & Co in respect of an aggregate amount of 778,567 Ordinary Shares. The warrant granted to Marwyn Partners Limited is in respect of 311,427 Ordinary Shares and is exercisable at a price of 28 pence per share. The warrant granted to James Corsellis is in respect of 155,713 Ordinary Shares and is exercisable at a price of 60 pence per share. The warrant granted to JM Finn & Co is in respect of 311,427 Ordinary Shares and is exercisable at a price of 60 pence per share. The warrants granted to Marwyn Partners Limited and James Corsellis may be exercised in whole or in part at any time up until 27 May 2007. The warrant granted to JM Finn & Co may be exercised in whole or in part at any time up until 27 June 2007. At the date of this document, each of the warrants remains fully exercisable. The terms of the warrants are described further at paragraph 8(a) below. Marwyn Partners Limited has assigned its entire interest in its warrant to two of its directors.
- 3.13 The Company has granted a warrant to Corporate Synergy which is conditional upon Admission occurring. This warrant gives Corporate Synergy the right to subscribe for 79,762 Ordinary Shares and is exercisable at a price of 60 pence per share. It may be exercised in whole or in part at any time prior to the fifth anniversary of Admission. The terms of this warrant are described further at paragraph 8(a) below.
- 3.14 At Admission, following the allotment and issue of the New Ordinary Shares to be issued pursuant to the Placing, 6,023,817 Ordinary Shares will remain authorised and unissued. Of this up to 4,000,000 Ordinary Shares may be allotted and issued pursuant to the Share Options, pursuant to the authority granted on 27 February 2004. A further 2,023,817 Ordinary Shares may be allotted and issued pursuant to the authority pursuant to Section 80 of the Act proposed to be granted at the EGM, notice of which is set out at the back of this document.
- 3.15 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply to the authorised but unissued share capital of the Company to the extent not disapplied (a) pursuant to the resolution passed on 27 February 2004 (described in paragraph 3.8(c) above) and (b) pursuant to the proposed resolution 2 as described in the notice of EGM set out at the back of this document.
- 3.16 Save as disclosed in this Part VII:
- (a) no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
 - (b) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) no commission, discount, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.

4. Memorandum and Articles of Association

4.1 Memorandum

The Memorandum of Association of the Company provides that the Company's principal objects are to act as a holding company and general commercial company. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association.

4.2 Articles of Association

(a) *Rights attaching to Ordinary Shares*

The following is a description of the rights attaching to the Ordinary Shares based on the Company's Articles of Association (the "Articles") and English law. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

(i) *Voting rights*

Subject to any special terms as to voting upon which any shares may be issued, or may from time to time be held, and to the provisions of the articles of association of the Company, every member who (being an individual) is present in person or (being a corporation) is present by a representative not being himself a member shall have one vote on a show of hands 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) *Transfer of shares*

Any member may transfer all or any of his shares by an instrument of transfer in writing in any usual or common form or in any other form which the directors may approve. Any instrument of transfer of a share shall be signed by or on behalf of the transferor and, except in the case of fully-paid shares, by or on behalf of the transferee. The Directors may, in their absolute discretion and without giving any reason refuse to register any transfer of shares (not being fully paid shares) and may also refuse to register a transfer of shares unless the instrument of transfer:

(A) is lodged (duly stamped if so required by law in order to be registered) at the Company's registered office or at such other place as the Directors may appoint accompanied by the relevant share certificate(s);

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

(C) is in favour of not more than four persons jointly.

The Directors may also decline to register any transfer of shares upon which the Company has a lien or which is made in favour of an infant, a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which remains undischarged or a person who is then suffering from mental disorder and where any of the events relating to the disqualification of directors pursuant to the articles of association of the Company has occurred in relation to him.

(iii) *Dividends*

Subject to the Act, the Company may by ordinary resolution declare dividends to be paid to members of the Company according to their rights, but not exceeding the amount recommended by the directors. If, in the opinion of the Directors, the profits of the Company available for distribution justify such payments, the Directors may from time to time pay interim dividends. Subject to any special rights attaching to shares, all dividends will be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Act.

The Directors may deduct from any dividend or other moneys payable regarding any shares all sums of money payable by a shareholder to the Company on accounts of calls or otherwise in relation to shares in the Company.

No dividend or other moneys payable in respect of a share shall bear interest against the Company. All dividends unclaimed may be invested or otherwise used by the Directors for

Company's benefit until unclaimed and all unclaimed dividends for a period of 12 years after the declaration of the same shall, unless the Directors otherwise resolve, be forfeited and shall revert to the Company.

(iv) ***Disclosure of interests in shares***

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to Section 212 of the Act or, having been duly served with such a notice, has in purported compliance with it made a statement which in the opinion of the Directors is false or misleading in any material particular and has been served with a further notice by the Directors requiring him to supply the correct information and is in default in supplying to the Company the information thereby required within 14 days from the service of such notice the Directors may serve on such member a notice (a "direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that the member shall not be entitled to vote at any general meeting or class meeting of the Company in respect of the default shares or any other shares held by him. Where the default shares represent at least 0.25 per cent. of the issued shares of the same class the direction notice may in addition direct that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest.

No member shall be entitled to vote in respect of any share held by him if any call or other sum payable by him to the Company remains unpaid.

(v) ***Winding up***

On a winding up, the liquidator may, with the sanction of an ordinary resolution and any other sanction required by the Act divide amongst the members *in specie* or in whole the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and, for that purpose set such values as he deems fair upon any property to be divided and determine how the division shall be carried out between members.

(vi) ***Alteration of share capital***

Subject to the provisions of the Act the Company may from time to time by ordinary resolution increase its share capital; consolidate and divide all or any of its share capital into shares of larger amount; cancel any unissued shares and diminish the amount of its capital by the amount of the shares so cancelled; or sub-divide its shares, or any of them, into shares of smaller amount. Subject to the provisions of the Act, the Company may purchase any of its own shares (including any redeemable shares) at any price; and the Company may also by special resolution reduce its share capital, any capital redemption reserve and any share premium account or distributable reserve in any way.

(vii) ***Variation of Rights***

Subject to the Act, the rights attached to any class of shares may (unless otherwise provided by the terms of the issue of shares of that class) be varied, modified or abrogated, whether or not the Company is being wound up, either (a) in such manner (if any) as may be provided by such rights or (b) in the absence of any such provision either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). The provisions in the articles of association of the Company relating to general meetings shall apply to every such separate general meeting save that (a) the necessary quorum shall be at least two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum); (b) any holder of shares of the class present in person or by proxy may demand a poll; (c) the holders of share of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively.

(b) *Directors*

(i) *Number and appointment of directors*

Subject to any ordinary resolution of the Company to the contrary, the number of directors (other than alternate directors) shall not be subject to any maximum but shall not be less than two. The board of directors shall have power to appoint any person to be a director to fill a casual vacancy or as additional director. The Company may subject to the provisions of the articles of association of the Company by ordinary resolution appoint any person to be such a director and may also determine the rotation in which any additional directors are to retire.

(ii) *Emoluments and expenses of directors*

On 27 February 2004 pursuant to a special resolution of the Company, the provisions of the Articles of Association of the Company were altered by the deletion of the following provision:

"The fees paid to and benefits in kind received by the Directors shall not exceed in aggregate £350,000 per annum except that the Company may by ordinary resolution increase the amount of the remuneration payable under this Article."

The directors may still be paid all expenses properly incurred by them in attending meetings of the directors or any committee of the directors or general or class meetings of the members or of debenture holders or otherwise in connection with the business of the Company. Any director who holds any executive office or who serves on any committee of the directors or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, commission or otherwise, as the directors may determine.

(iii) *Directors' interests*

Subject to his declaring his interest in accordance with the Statutes, a director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit of the Company or any other company in which the Company is interested and he (or any firm of which he is a member) may act in a professional capacity for the Company (otherwise than as an auditor) or any such other company and be remunerated therefore and in any such case as aforesaid (save as otherwise agreed by him) he shall not be liable to account for any benefits accruing to him thereunder or in consequence thereof but shall be entitled to retain them for his own benefit.

A director shall not vote at a meeting of the directors on any resolution concerning any contract or arrangement or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him within the meaning of Section 346 of the Act) is a material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company, provided that the foregoing prohibition shall not apply to a resolution:

- (A) relating to the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- (B) relating to the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (C) relating to an offer of securities of or by the Company or any of its subsidiary undertakings in which offer the director is, or may be, entitled to participate as a holder

of securities or interested as a participant in the underwriting or sub-underwriting thereof;

- (D) relating to another company in which he and any persons connected with him within the meaning of Section 346 of the Act do not to his knowledge hold an interest in shares (as that term is used in Sections 198 to 211 (inclusive) of the Act) representing one per cent. or more of either any class of the equity share capital or the voting rights in such company;
- (E) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award to him any privilege or benefit not awarded to the employees to whom such arrangement relates; or
- (F) *concerning insurance which the Company proposes to maintain or purchase for the benefit of any directors or for the benefit of persons including directors.*

A director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.

(iv) ***Retirement of directors***

At each annual general meeting, any director who shall be bound to retire by reason of having previously been appointed as an addition to the existing board of directors or to fill in a casual vacancy or by reason of having attained a particular age in accordance with the terms of the articles of association of the Company, and one-third of the directors from time to time (or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) shall retire from office by rotation. The directors to retire by rotation shall be those who have been longest in office since their last appointment but as between persons who became or were last appointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(v) ***Borrowing powers***

Subject as provided below, the directors may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets (including uncalled capital) or any part thereof and, subject to the Act, to issue debentures, debenture stock and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

The directors must however restrict the borrowings of the Company and, so far as they are able, of its subsidiary undertakings, so as to secure that the aggregate amount from time to time remaining undischarged of all moneys borrowed by the Company and its subsidiary undertakings (excluding amounts borrowed by any of them from any persons outside the Company and its subsidiary undertakings) shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the aggregate of the amount paid up or credited as paid up on the issued share capital of the Company and the amount standing to the credit of the consolidated capital and revenue reserves (including any share premium account and capital redemption reserve) of the Company and its subsidiary undertakings but subject to the deductions and adjustments set out in the articles of association of the Company.

5. Directors' and other interests

- 5.1 The interests of the Directors (all of which are beneficial unless otherwise specified) in the issued share capital of the Company and which have been notified to the Company pursuant to sections 324 and 328 of the Act or which are required to be entered into the register maintained under section 325 of the Act and of persons connected with them as defined in section 346 of the Act, which would, if the connected person were a Director, be required to be notified to the Company pursuant to sections 324 and 328 of the Act or entered in the register maintained under section 325 of the Act and the existence of which is

known or could with reasonable diligence be ascertained by that Director are as at the date of this document, and immediately at Admission:

<i>Name</i>	<i>As at the date of the document</i>		<i>At Admission</i>		
	<i>No. of Ordinary Shares</i>	<i>% of Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>	<i>Number of Options and Warrants*</i>
Charles McLeod**	3,260,662	63.40	2,810,662	35.23	0
Greg Begley	nil	0	41,666	0.52	795,000
Nigel Paul	nil	0	41,666	0.52	795,000
Tim Sullivan	48,330	0.94	48,330	0.61	583,386
James Corsellis	nil	0	0	0	155,713

* The terms of these warrants and options are described further in paragraphs 7 and 8 below.

** Fifth Avenue Capital Inc. has an option to acquire 125,000 Ordinary Shares from Charles McLeod.

- 5.2 Save as disclosed in paragraphs 5.1 above, none of the Directors (or persons connected with the Directors within the meaning of section 346 of the Act) has any interest in the share capital of the Company.
- 5.3 None of the Directors, nor any member of any Director's family, has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Company's securities, including a contract for differences or a fixed odds bet.
- 5.4 The Directors are aware of the following persons, other than the Directors and persons connected with the Directors (within the meaning of section 346 of the Act), who are at the date of this document or will, immediately following completion of the Placing and assuming maximum subscription of New Ordinary Shares, be interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>As at the date of the document</i>		<i>At Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>% of Ordinary Share Capital*</i>	<i>Number of Ordinary Shares</i>	<i>% of Ordinary Share Capital*</i>
Bertrand Picot	357,500	5.96	357,500	4.48
Valier Trading Limited	325,000	5.41	325,000	4.07
J M Finn & Co**	311,427	5.19	311,427	3.90
Ringwood Investments Limited	250,000	4.17	250,000	3.13
David Williams**	233,570	3.89	233,570	2.93

* The percentages shown in these columns are shown on the assumption that warrants described in paragraph 8(a) below have been exercised.

** The interests arise pursuant to warrants which remain exercisable and are described in paragraph 8(a) below.

- 5.5 Save as disclosed in paragraphs 5.1 and 5.4, the Directors are not aware of any other interests (within the meaning of Part VI of the Act) which represent 3 per cent. or more of the issued share capital of the Company or any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 5.6 No Director has or has had an interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company or any member of the Group in the current or immediately preceding financial year or which was effected in an earlier financial year and which remains in any respect outstanding or unperformed.
- 5.7 There are no outstanding loans granted by the Company or any member of the Group to any Director nor any guarantee being provided by the Company or any member of the Group for the benefit of any Director.

- 5.8 Other than directorships of the Group, the Directors' current directorships and partnerships and directorships and partnerships held over the previous five years are as follows:

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Eric Peacock	Stevenage Packaging Ltd Baby Deer Ltd Dragon International Ltd Hertfordshire Business Centre Services Ltd Eupac Ltd Exec-IP Ltd	VT Plus Training Plc Achieve Learning (UK) Ltd Ideation Group Ltd Loewy Holdings Ltd Rotary Group Holdings Ltd Rotary Watches Ltd Rotary Overseas Ltd The Little Big Food Company Ltd
Charles McLeod	Tauristic Marketing Ltd	Tauristic Properties Ltd Tauristic Developments Ltd Tauristic Insurance Services Ltd
Greg Begley	Matrix Inventory Finance Ltd Matrix Trade Bills Ltd Matrix Operations Ltd UCM Timber Plc	Ellis-Hill Ltd
<i>Name</i>	<i>Current</i>	<i>Previous</i>
Nigel Paul	Emenenco Ltd Screen Net Ltd Crystal Taverns Ltd Matrix Inventory Finance Ltd Matrix Trade Bills Ltd Matrix Operations Ltd Publishing Services Network Ltd Invision Microsystems Ltd Bisco-Invision Ltd Camborne Consultants Ltd Nigel Paul Cooper Ltd Invision LED Systems Ltd Wilder Coe Paul Peters Partnership Stephens Paul	
Timothy Sullivan		Ravensmanor Ltd Guy Salmon Highgate Ltd Clive Sutton Group Ltd
James Corsellis	Marwyn Investments Group Ltd Marwyn Capital Ltd Marwyn Partners Ltd Marwyn Investment Management Ltd Orpheus Capital Partners LLP (Limited Partner)	Corsellis-Montford Interactive Ltd icollector plc Interactive Collector Ltd Zero Degrees Ltd

- 5.9 Eric Peacock is a director of Baby Deer Limited. On 10 March 1993, an administrative receiver was appointed by the Bank of Scotland pursuant to a debenture, and the principal debt owed to the secured creditor at that time was £728,000. On 3 September 1993, the claims of preferential creditors were estimated at £234,000, and the claims of unsecured creditors were estimated at £500,000.
- 5.10 Nigel Paul is a licensed insolvency practitioner who has undertaken corporate reconstructions of financially ailing companies. On 4 May 1999 he was appointed a director of Invision Microsystems Ltd and Bisco-Invision Ltd., with a view to restructuring the businesses. Based on his advice both

companies were placed into administration on 20 September 1999. On 20 September 1999, an administrator was appointed in relation to Invision Microsystems Limited; the administrator was discharged and an order was made to wind-up the company on 19 January 2000; then, on 10 February 2000 an administrative receiver was appointed. On 20 September 2000, Invision Microsystems Ltd was estimated to have a deficiency of £902,000 as regards unsecured creditors. On 20 September 2000, an administrator was appointed in relation to Bisco-Invision Limited; the administrator was discharged and an order was made to wind-up the company on 3 July 2000; then, on 4 July 2000 an administrative receiver was appointed. On 20 September 2000, Bisco-Invision Ltd was estimated to have a deficiency of £293,000 excluding intercompany debt.

5.11 On 18 September 2001, James Corsellis resigned as director of icollector plc and Interactive Collector Limited at the same time as the sale of his interest in these businesses to a third party buyer. On 12 March 2002 both these companies were placed into creditors voluntary liquidation; at such time icollector plc was estimated to have a deficiency of £2,958,000 as regards creditors, and Interactive Collector Limited was estimated to have a deficiency of £23,703,000 as regards creditors.

5.12 Save as disclosed in paragraphs 5.9, 5.10 and 5.11 none of the Directors has:

- (a) any unspent convictions for any indictable offence;
- (b) ever been declared bankrupt or been the subject of an individual voluntary arrangement;
- (c) ever been a director of a company which has been placed into receivership, compulsory liquidation, creditors' voluntary liquidation or administration or has entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors either whilst he was a director of that company or within twelve months of him ceasing to be a director of that company;
- (d) been a partner in a partnership which has been placed in compulsory liquidation or administration or entered into any partnership voluntary arrangement, either whilst he was a partner of that partnership or within twelve months of him ceasing to be a partner of that partnership;
- (e) had any asset which has been placed in receivership or been a partner of any partnership whose assets have been placed in receivership, either whilst he was a partner of that partnership or within twelve months of him ceasing to be a partner of that partnership;
- (f) been the subject of any public criticism by any statutory or regulatory authority (including recognized professional bodies); or
- (g) been disqualified by court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6 Directors' Service Contracts

6.1 William Eric Peacock

Eric Peacock receives an annual fee of £10,000 as non-executive chairman. His engagement may be terminated in the event of breach or in accordance with the provisions of the Articles of Association of the Company.

Charles McLeod

Charles McLeod receives a basic salary of £85,000 per annum, such salary to be reviewed annually but with no obligation to increase it. Mr McLeod is also entitled to participate in the Share Options, such permanent health insurance and private health insurance scheme as may be established by the Company, and to 20 days holiday in each year (excluding statutory holidays). His service agreement is terminable by the Company or the executive at any time giving the other party not less than twelve months' notice in writing.

Greg Begley

Greg Begley receives a basic salary of £85,000 per annum (plus £3,000 guaranteed bonus), such salary to be reviewed annually but with no obligation to increase it. Mr Begley is also entitled to participate in the Share Options, and to 30 days holiday in each year (excluding statutory holidays). His service agreement is for an initial fixed term of twelve months from 1 October 2003. Thereafter it is terminable by the Company or the executive at any time giving the other party not less than six months' notice in writing.

Nigel Paul

Nigel Paul receives a basic salary of £85,000 per annum (plus £3,000 guaranteed bonus), such salary to be reviewed annually but with no obligation to increase it. Mr Paul is also entitled to participate in the Share Options, and to 30 days holiday in each year (excluding statutory holidays). His service agreement is for an initial fixed term of twelve months from 1 October 2003. Thereafter it is terminable by the Company or the executive at any time giving the other party not less than six months' notice in writing.

Tim Sullivan

Tim Sullivan receives a basic salary of £75,000 per annum. His remuneration is to be reviewed annually but with no obligation to increase it. Mr Sullivan is also entitled to participate in the Share Options, such permanent health insurance and private health insurance scheme as may be established by the Company, and to 20 days holiday in each year (excluding statutory holidays). His service agreement is terminable by the Company or the executive at any time giving the other party not less than six months' notice in writing.

James Corsellis

James Corsellis receives an annual fee of £13,500 plus expenses as non-executive director. His engagement may be terminated in the event of breach or in accordance with the provisions of the Articles of Association of the Company.

- 6.2 The Company proposes to introduce a performance based bonus scheme based on a percentage of the excess of actual profits over budgeted profits and which will be available to all employees and Directors at the discretion of the Remuneration Committee.
- 6.3 Save as disclosed in paragraph 6.1, there are no existing or proposed service agreements between any Director and any company within the Group which are not terminable within one year by the employing company without payment of compensation other than statutory compensation.
- 6.4 In the year ended 31 March 2003, the total aggregate of the remuneration paid and benefits in kind granted to the Directors by the Group was £266,375. The total aggregate amount of remuneration and benefits in kind payable to the Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 31 March 2004 are estimated to be £350,000.

7. Share Options

- 7.1 At the annual general meeting held on 27 February 2004, shareholder approval was obtained for the following share option arrangements, which the Company is now in the process of implementing:— (a) The 4Less Group plc 2004 Enterprise Management Incentive Plan (the "EMI Plan"), (b) The 4Less Group 2004 Employee Settlement (the "EBT"), and (c) share options to be granted in respect of three directors, namely Nigel Paul, Gregory Begley and Timothy Sullivan (the "Executive Options").
- 7.2 The terms of the EMI Plan are as follows:
 - (a) The EMI Plan will be operated by the Board (acting where appropriate, through the Remuneration Committee). Options granted under the EMI Plan should qualify for favourable tax treatment provided various conditions set out in the Income Tax (Earnings and Pensions) Act 2003 are met. Any employee or director of the Group who works at least 25 hours per week for the Group or

who spends at least 75 per cent. of his working time for the Group will be eligible to participate in the EMI Plan at the discretion of the Board.

- (b) No payment will be required for the grant of an option. Options are not pensionable benefits, are not transferable and may only be exercised by the person to whom they were granted or, following his death, his personal representatives. Generally, options may only be granted under the EMI Plan within the six weeks following the date on which either: (i) the plan is adopted by the Company; (ii) the Company announces its results for any period; or (iii) there is a change announced in the legislation relating to share option plans. Options may also be granted where there are circumstances considered by the Board to be exceptional or from the commencement of an eligible employee's employment with a Group Company. Options may be granted over both newly issued shares and shares purchased in the market. If the Company is permitted by law, it would be entitled to use treasury shares to satisfy options granted under the EMI Plan.
- (c) No employee may at any one time hold subsisting EMI options over shares worth more than £100,000 (calculated by reference to the value of shares at the relevant date of grant). In addition, no employee may be granted options under the EMI Plan worth more than 100 per cent. of his annual remuneration, unless the Board determines that exceptional circumstances exist which justify exceeding this limit.
- (d) The price per share payable on the exercise of an option will not be less than (a) the higher of the value of the share at the date of grant or (b) (where shares are to be subscribed) their nominal value.
- (e) The Company intends as soon as practicable following Admission, and subject to tax advice, to make an initial grant of options to the maximum extent permitted under the relevant EMI legislation to each of Nigel Paul, Gregory Begley and Timothy Sullivan (the "First Options"). The First Options are proposed to be granted with exercise prices of 55 pence. In addition, the Company proposes to grant options over an additional 137,500 Ordinary Shares (in aggregate) to certain other employees under the terms of the EMI Plan, with an exercise price of 60 pence per share, to satisfy existing commitments to grant options to these employees.
- (f) The overall number of new Ordinary Shares which may be issued or issuable under the EMI Plan or any other share plans adopted by the Company in any ten-year period should not exceed 5 per cent. of the issued Ordinary Share capital of the Company from time to time. For the purposes of this limit, options or other rights to acquire shares which lapse or have been released without being exercised do not count. In addition, the First Options will not count towards this limit. Shares subscribed by the trustees of the proposed new EBT to satisfy rights granted under any employees' share plans adopted by the Company do count towards this limit. However, the Executive Options (described further in paragraph 7.4 below) will not count towards this limit.
- (g) An option will normally be exercisable between three and ten years following its grant provided that any specified exercise conditions have been satisfied. The First Options will be subject to exercise conditions but will be exercisable as soon as these conditions are satisfied. It is intended that the First Options will be exercisable if the Company's share price is at or above 55 pence for a continuous three month period or if the Company is subject to an offer at or above that price. In addition, the Executive Options will not be exercisable to the extent the First Options have been exercised and vice versa.
- (h) If a participant leaves employment with the Group, including by reason of death, his options will ordinarily lapse unless and to the extent the Board determines otherwise. In the event of a takeover, reconstruction or winding up of the Company, options granted under the EMI Plan may be exercised within six months of the time the person has obtained control of the company. If the exercise conditions have not been satisfied, the Board may allow options to be exercised. In the event of an internal reorganisation, options may be exchanged for new equivalent options where appropriate within two months from the date of the reorganisation. In this case, generally any exercise conditions continue unless the Board determines otherwise.

- (i) Shares allotted or transferred under the EMI Plan will rank equally with all other Ordinary Shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the option). In the event of any variation of share capital of the Company, the Board may make such adjustments, as they consider appropriate to the number of shares subject to options and the price payable on the exercise of options.
- (j) The Board may alter the EMI Plan. However, any alterations to the advantage of the participants to the rules governing eligibility, limits on the number of new shares available under the EMI Plan, the option price, terms of exercise, adjustment of options and amendment of the EMI Plan must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the EMI Plan, to comply with the provisions of any existing or proposed legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or group companies.

7.3 The terms of the EBT which the Company is in the process of establishing are as follows:

- (a) The EBT will be a discretionary trust capable of benefiting all employees and former employees of the Company and its subsidiaries and certain of their dependents. The trustee will be Dominion Employee Benefit Trustees Limited based in Jersey. The proposed trustees of the EBT are entirely independent of the Company. The Company cannot give any instructions to the trustees but can make recommendations to the trustees.
- (b) The EBT will be a discretionary trust established principally to provide benefits to employees, former employees and their families and dependants. Since the EBT will be a discretionary trust, the trustees can determine in their absolute discretion whom they wish to benefit and to what extent. The Company will make an initial contribution of £100 to the trustees but may make further contributions to the trustees from time to time. It is proposed that the Company will also grant to the trustees the Executive Options to be held under the terms of the EBT.

7.4 The Company intends to grant three Executive Options as soon as practicable following Admission, in respect of an aggregate amount of 2,173,386 Ordinary Shares. These Executive Options are proposed to be granted (subject to tax advice) to the trustee of the EBT, in respect of three directors, namely Nigel Paul, Gregory Begley and Timothy Sullivan. The Executive Options in relation to Nigel Paul and Gregory Begley are proposed to be granted in respect of 795,000 Ordinary Shares each, and the Executive Option in relation to Timothy Sullivan is proposed to be granted in respect of 583,386 Ordinary Shares. Each Executive Option will be granted subject to the same terms and conditions as apply to options granted under the EMI Plan, subject to the following:

- (a) one Executive Option will be subject to the continued employment of Nigel Paul, one to the continued employment of Gregory Begley and the third to the continued employment of Timothy Sullivan;
- (b) the Executive Options granted in respect of each of Nigel Paul and Gregory Begley will be exercisable in three tranches of 265,000 shares, the first tranche at an exercise price of 55 pence, the second at an exercise price of 70 pence and the third at an exercise price of 90 pence. The Executive Option granted in respect of Mr Sullivan will be exercisable in three tranches of 194,462 shares, also exercisable at prices of 55 pence, 70 pence and 90 pence respectively;
- (c) each tranche will be exercisable only if the Company's share price has been not less than the relevant exercise price for a continuous period of three months;
- (d) in the event of a takeover offer, if the offer price at least equals the exercise price then the exercise condition is deemed to be satisfied;
- (e) once the exercise condition has been met the Executive Option will be immediately exercisable over the corresponding tranche of shares;
- (f) each Executive Option will only be exercisable if the corresponding First Option granted under the EMI Plan to the relevant executive has not been exercised; and

- (g) the Executive Options will be assignable by the trustees.

8. Material Contracts

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

(a) Warrants

On 28 May 2002, the Company granted warrants in favour of Marwyn Partners Limited and James Corsellis. On 28 June 2002, the Company granted a warrant in favour of JM Finn & Co. The warrant granted to Marwyn Partners Limited is in respect of 311,427 Ordinary Shares and is exercisable at a price of 28 pence per share. The warrant granted to James Corsellis is in respect of 155,713 Ordinary Shares and is exercisable at a price of 60 pence per share. The warrant granted to JM Finn & Co is in respect of 311,427 Ordinary Shares and is exercisable at a price of 60 pence per share. The warrants granted to Marwyn Partners Limited and James Corsellis may be exercised in whole or in part at any time up until 27 May 2007. The warrant granted to JM Finn & Co may be exercised in whole or in part at any time up until 27 June 2007. At the date of this document, each of the warrants remains fully exercisable. Marwyn Partners Limited has assigned its entire interest in its warrant to two of its directors.

On 22 March 2004, the Company granted a warrant in favour of Corporate Synergy. Such warrant is conditional upon Admission, and is in respect of 79,762 Ordinary Shares and is exercisable at a price of 60p per Ordinary Share.

Each of the warrants may be assigned by the holder (save that the warrants granted to JM Finn & Co and Corporate Synergy are assignable only to employees or associates of JM Finn & Co and Corporate Synergy respectively, and any such assignment shall be limited to a maximum of 20 per cent. of the shares covered by the warrant). The number of shares covered by the warrant and/or the exercise price may be adjusted in the event of any rights issue or other issue of Ordinary Shares by way of capitalisation of reserves or profits or any sub-division or consolidation or reduction of the Company's share capital.

For so long as these warrants remain exercisable, the Company requires the prior written consent of each warrant holder in order to take certain actions, including: (a) to make any distribution of capital profits or capital reserves or issue securities by way of capitalisation of profits and reserves, except by means of a capitalisation issue in the form of fully paid shares; (b) to modify the class rights of the Ordinary Shares or create any new class of shares with rights more favourable than the Ordinary Shares; (c) to effect certain forms of reduction of share capital, share premium account or reserves.

(b) Currency Trading Software

The Company has a licence from Impress Solutions Limited to use the Impress Currency Trader software. This is a specialist platform for currency trading used by the Company. The licence is for a 12 month rolling period, which may be terminated immediately by either party in the event of breach by the other.

(c) Bank of Ireland facilities

On 30 September 2002 a Foreign Exchange Facility was made available by the Bank of Ireland to the Company (the "FX Facility"). The FX Facility amount relates to a maximum contingent risk amount outstanding at any time (as determined by the Bank of Ireland in its absolute discretion) of £4,750,000 relating to the outstanding Spot and Forward Contracts and is subject to a maximum maturity date for each transaction of 12 months. The FX Facility is an on-demand facility and the Bank of Ireland is entitled to withdraw it at any time. The FX Facility is secured by two Charges on Deposit granted by the Company dated 8 March 2000 and 7 August 2002. The FX Facility is due for review on 31 May 2004, although the Company has received a letter of comfort from the Bank of Ireland indicating that

the Bank of Ireland is presently unaware of any reason why the facility should not be renewed at its present level until 30 June 2005.

On 29 July 2002 the Bank of Ireland granted an overdraft facility to Car-Finance4Less for up to £40,000. On 29 August 2002, the Bank of Ireland granted overdraft facilities for up to £15,000 each to Chequered Flag Finance (a division of Car-Finance4Less) and to Property-Finance4Less.

(d) *Placing Agreement*

The Company has entered into a Placing Agreement dated 22 March 2004 with the Directors and Corporate Synergy. Under the Agreement, Corporate Synergy has undertaken, as agent for the Company and the Selling Shareholder, to use its reasonable endeavours to procure subscribers for and purchasers of the Placing Shares at the Placing Price. The Placing is not underwritten. The Placing Agreement contains warranties and indemnities given by the Company and the Executive Directors to Corporate Synergy and a tax indemnity given by the Executive Directors in respect of certain tax liabilities of the Company.

The Placing Agreement also contains undertakings by the Directors not, without the prior written consent of Corporate Synergy, to dispose of the Ordinary Shares held by them for a period of twelve months from the date of Admission except in certain limited circumstances.

(e) *Bertrand Picot termination of employment*

Bertrand Picot resigned as a director of the Company on 11 March 2004, and a compromise agreement was signed on the same date relating to the proposed termination of his employment with the Company. Pursuant to the terms of the compromise agreement, Mr Picot's employment with the Company will cease on 31 March 2004 and he will receive a payment of £18,750 in respect of pay in lieu of notice and holiday pay, together with a payment of £1,000 in respect of certain restrictive covenants. It is proposed to enter into a consultancy agreement with Mr Picot for a period of one year commencing on 1 April 2004, pursuant to which he will receive a fee of £80,250. The consultancy agreement will also provide for Mr Picot to receive a commission in relation to clients introduced to the Group. This commission will be 20 per cent. of the net income generated in respect of such clients for a period of 3 years, reducing to 15 per cent. in the fourth year and 10 per cent. in the fifth year.

9. Working Capital

The Directors are of the opinion having made due and careful enquiry that taking into account existing facilities available to the Group and the net proceeds of the Placing, the Group will have sufficient working capital for its present requirements, that is at least twelve months from Admission.

10. Litigation

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

11. General

11.1 The total proceeds of the Placing (assuming maximum subscription of New Ordinary Shares) will be £1.7 million. It is estimated that the total expenses payable by the Company in connection with the Placing, will amount to approximately £400,000 (including VAT) which will include commission of £68,000 payable to Corporate Synergy for procuring placees, and the net proceeds of the Placing after such expenses are expected to be £1.3 million (assuming maximum subscription).

11.2 The Placing Price of 60p represents a premium of 59p over the nominal value of 1p per Ordinary Share.

11.3 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Company's Articles of Association permit the holding and transfer of Ordinary Shares under CREST. The Company has applied for the New Ordinary Shares to be admitted to CREST and is expected that the New Ordinary Shares will be

so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

11.4 The Ordinary Shares are in registered form. No temporary documents of title will be issued.

11.5 No annual general meeting was held in 2003 in contravention of the Act and as a result the Company and every officer of it who is in default is potentially liable to a fine. An annual general meeting was held on 27 February 2004 to remedy this defect, and the Directors have introduced measures to avoid a similar breach in the future.

11.6 In the Directors' opinion the minimum amount which must be raised pursuant to the Placing of New Ordinary Shares for the purposes set out in paragraph 21(a) of Schedule 1 to the POS Regulations is £1,700,000 to be applied as follows:

(i) purchase price of any property purchased or to be purchased	£nil
(ii) commissions and expenses payable under the Placing	£400,000
(iii) repayment of monies borrowed in respect of (i) and (ii) above	£nil
(iv) group development, working funding reserve and working capital	£1.3 million

There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the proceeds of the Placing or from the Company's existing resources.

11.7 The following paragraph is intended as a general guide to certain aspects of current tax law and United Kingdom Inland Revenue practice. The statements made relate to Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as an asset of a financial trade. Prospective subscribers for Ordinary Shares who are in any doubt about their tax position and, in particular, those who are subject to taxation in a jurisdiction other than the United Kingdom, are strongly advised to consult their own professional advisor.

Under UK taxation legislation, no tax is withheld at source from dividend payments made by the Company. A Shareholder (other than a company) receiving a dividend from the Company also receives a tax credit in respect of the dividend of an amount equal to one ninth of the amount of the dividend which is 10 per cent. of the sum of the dividend and the tax credit. Generally, the liability to United Kingdom income tax is calculated on the sum of the dividend and the tax credit ("the dividend income"). Individual Shareholders whose income is within the starting rate or basic rate tax bands will be subject to income tax at the rate of 10 per cent. on their dividend income, so that such Shareholders will have no further liability to income tax on that dividend income. The higher rate of income tax is 32.5 per cent. in respect of dividend income. A higher rate tax payer may set the tax credit against his liability to income tax on the dividend income and will have further tax to pay of 22.5 per cent. of the dividend income. A Shareholder who is not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or part of it) from the Inland Revenue, save where the dividend is paid on or before 5 April 2004 in respect of shares held in an individual savings account or Personal Equity Plan.

11.8 Other than as described in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2003, being the date to which the last audited figures of the Group were prepared.

11.9 The financial information contained in Part IV of this document (and elsewhere within this document) does not constitute statutory accounts within the meaning of Section 240 of the Act. Copies of the audited accounts for the year ended 31 March 2003 have been delivered to the Registrar of Companies. The auditors' reports on those accounts were unqualified within the meaning of section 262 of the Act and did not contain any statement under section 237 of the Act.

11.10 PKF have given and not withdrawn their written consent to the inclusion in this document of their reports and letters set out in Part IV and VI of this document and the references thereto and to their name in the form and context in which they appear.

With reference to and for the purposes of paragraph 45(1)(b)(iii) of Part VII of Schedule 1 to the POS Regulations, PKF accept responsibility in relation to this document for the report set out in Part IV of this document.

11.11 Corporate Synergy has given and not withdrawn its consent to the issue of this document with the inclusion herein of its letter in Part V and references to it in the form and context in which they appear.

11.12 The Directors are unaware of any exceptional factors which have influenced the Company's activities.

11.13 Save as disclosed in paragraphs 8(b) and 8(c) above, the Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.

11.14 Save for fees of £85,000 payable to Marwyn Capital Limited in connection with the Placing and Admission (James Corsellis is a shareholder in Marwyn Capital Limited) and £45,000 to RSM Robson Rhodes in connection with the Share Options, no person (excluding professional advisors otherwise disclosed in this document and trade suppliers) has:

11.14.1 received directly or indirectly from the Company within the twelve months preceding the date of this document any fees with the value of £10,000 or more, or securities in the Company with the value of £10,000 or more, or any other benefit with the value of £10,000 or more; or

11.14.2 entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company any fees with the value of £10,000 or more, or securities in the Company with the value of £10,000 or more, or any other benefit with the value of £10,000 or more.

11.15 There are no investments in progress which are, or which may be significant to the Group

12. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Mishcon de Reya during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until 22 April 2004:

- (i) the memorandum and articles of association of the Company;
- (ii) the audited accounts of the Company for the financial period to 31 December 2003;
- (iii) the reports and letters by PKF set out in Parts IV and VI of this document;
- (iv) the service agreements and non-executive appointment letters summarized in paragraph 6.1 above;
- (v) the material contracts referred to in paragraph 8 above;
- (vi) the written consents referred to in paragraphs 11.8 and 11.9 above;
- (vii) the EBT, the EMI Plan and the Executive Options; and
- (viii) this document.

Dated 22 March 2004

THE 4LESS GROUP PLC

(registered in England with registered Number 3910588)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at Summit House, 12 Red Lion Square, London WC1R 4QD on 14 April 2004 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

1. THAT the Directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £48,571.50; provided that this authority is for a period expiring five years from the date of this resolution but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in addition to the authority granted on 27 February 2004.

SPECIAL RESOLUTION

2. THAT, subject to the passing of the previous resolution, the Directors be and they are empowered until the earlier of 19 June 2005 or the next annual general meeting of the Company pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £28,333.33 in connection with a placing of shares; and
 - (c) otherwise than pursuant to sub-paragraphs (a) and (b) above, up to an aggregate nominal amount of £7,976.18 for any other purpose

save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This authority is in addition to the authority granted on 27 February 2004.

BY ORDER OF THE BOARD

NIGEL PAUL

Secretary

Registered Office:
160 Brompton Road
Knightsbridge
London SW3 1HW

Date: 22 March 2004

NOTES:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy (or proxies) to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's registrars so as to be received not later than 48 hours before the time appointed for holding the EGM. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. The register of interests of the Directors and their families in the share capital of the company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the EGM.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the date of the EGM shall be entitled to attend and vote at the meeting and no transfer of securities in the certified form will be registered from that time until the close of the meeting.