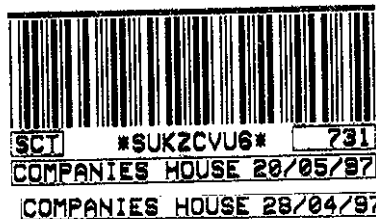


Company Registration Number: SC 75133

# OSPREY COMMUNICATIONS PLC

Report and Financial Statements  
30 September 1996



*WJ*

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## Directors and Advisers

### **Directors:**

Jack Rubins *Chairman*

Clive R Smith *Chief Executive*

Dennis P Murphy\* *Deputy Chairman*

Mark W Bindloss Gibb

Lester W D Corney

Paul F Ranford FCA *Finance Director*

(\*Non-executive)

### **Secretary:**

Paul F Ranford FCA

### **Registrars:**

Independent Registrars Group Ltd

Balfour House

390/398 High Road

Ilford, Essex IG1 1NQ

### **Registered Office:**

100 Union Street, Aberdeen AB9 1QQ

Registered in Scotland

No. SC 75133

**Auditors:**

Deloitte & Touche  
Chartered Accountants  
Hill House  
1 Little New Street, London EC4A 3TR

**Bankers:**

Midland Bank plc  
154 Fleet Street, London EC4A 2DJ

**Stockbrokers:**

Panmure Gordon & Co Limited  
New Broad Street House  
35 New Broad Street, London EC2M 1NH

**Solicitors:**

Field Fisher Waterhouse  
41 Vine Street, London EC3N 2AA

## Chairman's Statement

### Results

The Group made a profit on ordinary activities before interest in the year ended 30 September 1996 of £957,000 compared to a loss of £1,666,000 in the previous year.

Profit before tax was £712,000 compared to a loss of £1,836,000 in 1994/95 and earnings per share amounted to 2.20p compared to a loss of 6.79p in the previous year. The operating profit margin on ordinary activities represents 10.5% of gross profit. The Board does not intend to pay a dividend for the year.

### Business Review

Your Group has shown excellent growth – gross profit for 1995/96 was £9,072,000, up from £6,609,000 in 1994/95, an increase of 37%. This growth is set to continue across all divisions in the Group, particularly through the recently formed direct marketing company, Osprey Direct Limited. It remains the Board's priority to continue to achieve rapid growth and, as a result, increase profits year on year.

The organisational changes that we started in 1994/95 are now fully completed, with Osprey GMBM (recruitment advertising), Osprey Direct Limited and the Group's finance department re-located at 22/23 Little Portland Street, a self contained building close to our Head Office at 10 Little Portland Street, where the Group's advertising, sales promotion, design and studio operations are based.

This improved proximity of all our London businesses, with divisional management now working together through an Operational Board, allows us to provide an even more efficient integrated marketing service to our clients.

The substantial loss made by the Group in 1994/95 was funded

principally from working capital. Profits made this year, together with an injection of loans from three directors totalling £500,000, have alleviated the pressure on working capital. The Group is now cash generative and the directors are satisfied that adequate working capital arrangements are in place.

#### **Outlook**

It is the view of your Board that substantial growth, both organic and acquisitional, is critical to the success and security of the Group. This will require a degree of investment which may have some impact on the first six months' figures. We are hopeful however that the profit for the year ending 30 September 1997 will again show improvement. A decision will be made later this year with regard to returning to the dividend list.

**Jack Rubins F.I.E.A.**  
**Chairman, Osprey Communications plc**



## Review of Operations and Financial Review

### The Market

During 1996 the UK advertising sector continued to grow strongly increasing by 7% on the previous year to reach £8.71 billion. This encouraging trend is forecast to continue with a further growth of 8.5% to £9.45 billion in 1997.

Moreover, Sales Promotion and Direct Marketing are growing even faster (Direct Mail alone grew by over 30% in the year ended September 1996) and it is pleasing that the Group is represented strongly in these sectors of the market as well as in traditional advertising.

### The Osprey Group

During the year the Group made excellent progress in terms of overall growth and has achieved a more balanced spread across all marketing disciplines.

All the companies in the Group were successful with new business, resulting in the Group acquiring several major new clients.

The Group is particularly well placed to take advantage of the move by advertisers towards an integrated approach to their advertising and marketing requirements.

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### "Simple ideas, innovatively and effectively executed"

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During the latter part of our financial year we acquired the business of The Direct Partnership. We also took on the majority of staff of another direct marketing company, Anderson Revill. These two businesses are being integrated with our existing direct marketing activities into a single unit – Osprey Direct.

We see this as an important development in a major growth sector, although there will be a cost impact in the first half of 1996/97. However we are confident that these actions will prove highly beneficial to the Group with a marked improvement in the second half and beyond.

### Osprey Park

The agency's client base continued to expand during the year with wins from Friends Provident, Carpet Depot and Jordans Cereals.

After 16 years Airbus Industrie ceased to be a client but we are pleased that other clients continued to appoint the agency to further areas of business. These included the win of Vauxhall Retailer Support Services and the launch for the Economist Group of European Voice.

### Osprey CSP

CSP continued to demonstrate its ability to gain new business and deliver highly effective campaigns for its clients.

It also successfully established two new business units – PR and Licensing.

The Licensing operation in particular shows significant promise. Our involvement with the licensing for the highly successful childrens' programme Art Attack has already led to two major clients being signed up.

#### **Osprey Design and Marketing (previously SMS)**

Osprey Design had a particularly good year both in terms of growth and profitability. The Studio has strong management and is fully equipped to meet the growing needs of all the Group's companies in London.

During the year major new design work was undertaken for ABB, National Mutual Life, Jordans and Vauxhall.

#### **Osprey RMA**

Since acquiring RMA in November 1994 this company, based in Hampshire, has shown considerable growth with good profitability.

New business wins include the Stannah Stairlifts account, covering advertising in the UK and several overseas countries including the USA and Canada. Other wins include The Coastguard Agency and Hampshire County Council. Osprey RMA has also been retained to handle international press relations on behalf of Hempels Marine Paints, Denmark.

#### **GMBM**

Recruitment advertising continues to show healthy growth and GMBM has been highly successful in acquiring new business in this buoyant area.

With a marketplace increase of 6.4% GMBM's turnover through a combination of new business wins and growth from existing clients achieved an increase of 56%.

New business includes Office Angels, Instiner, Kudos, Lister Charles, Nortco, Robert Walters and Spillers.

We are confident that under the joint managing directors, Andy Moss and Steve Garlick, this business will continue to prosper.

#### **Future Image**

1995/96 was a year of recovery for Future Image. The company won a number of important clients and established itself as Northern Ireland's leading PR consultancy.

New clients include Phoenix Natural Gas, Premier Power, Hollywood & Donnelly, Cantrell & Cochrane, The National Lottery Charities Board and the Mater Hospital.

In addition, further new client wins in the first quarter of the current year such as the Punjana tea company, the Ideal Home Exhibition (Belfast), Lambert Smith Hampton and projects for the Office of Law Reform will all assist Future Image to make a positive contribution to Group profitability.

#### **Osprey Direct**

Osprey Direct has recently been formed by amalgamating three separate businesses.

It is headed by talented and experienced individuals and has a blue-chip list of clients.

Direct marketing spend in the UK is substantial – more than £5.5 billion in 1995, a 15.4% growth on 1994's figure. It is important to our future that we are well represented in this area.



## Review of Operations and Financial Review

### Financial Review

#### Cash flow

Working capital requirements increased sharply during the year as a result of growth in activity and the requirement to bring creditor balances more into line with normal trading terms. Cash balances decreased by £436,000 despite an injection of loans of £500,000 from three directors. Details of the loans are set out in Note 24 to the accounts. The net overdraft at 30 September 1996 was £1,732,000 (1995 = £1,296,000).

Continuing growth will maintain the Group's demand for working capital. However, the Group is now generating cash and the Board expects that pressure on funding will therefore reduce during 1996/97.

#### Taxation

The liability for Corporation Tax is reduced as a result of available tax losses brought forward. At 30 September 1996 there are tax losses of approximately £750,000 available for relief against future trading profits.

Clive R Smith, Chief Executive  
20 March 1997

# Report of the Directors

The directors present their annual report, together with the audited accounts, for the year ended 30 September 1996.

## Principal activity

The principal activity of the company is that of a holding company, the investments of which are interests in unlisted mostly wholly owned companies providing advertising and marketing services.

## Results and future prospects

The results for the year ended 30 September 1996 are set out in detail on page 19.

The Group made a profit on ordinary activities before interest in the year of £957,000 (1995 – loss of £1,666,000) and a retained profit for the year of £610,000 (1995 – loss of £1,837,000) has been transferred to reserves.

While continuing growth and integration of the Group's businesses will involve some investment in the early part of 1996/97, the Board expects to improve profitability in the year as a whole.

## Dividends

The directors do not recommend the payment of a dividend for the year. (1995 – Nil).

## Acquisitions

On 17 October 1995, the company exercised its option to acquire the 25% of the issued share capital of Seniorbay Limited that it did not already own, for a consideration of £500 paid in cash.

Under the terms of the original acquisition agreement entered into with the vendors of Seniorbay Limited on 15 July 1994 it was agreed that deferred consideration would be payable in tranches dependent on the profits of the three subsidiary companies of Seniorbay over the three years ending 30 September 1997 and any net sale proceeds derived from the sale of two of these subsidiaries. In June 1996 these terms were varied whereby in place of the tranches previously contemplated, the vendors, of whom Messrs. M W Bindloss Gibb, A Caulfield, J E Hall, T Gordon, R N Jeffs, J D Alligan, R Deeks, D Rapley and P E Lovick were directors of Seniorbay Limited or its subsidiaries, agreed to receive a one-off payment in full and final settlement. This was satisfied by the issue by the company to the vendors of 1,305,552 ordinary shares of 25p with a market value of 36p each and an aggregate value of £470,000.

On 2 May 1996 a second tranche of the consideration payable for the acquisition of Roger Mabey & Associates Limited (now Osprey RMA Limited) amounting to £180,000, was paid to the vendor. This was satisfied by the issue of 446,808 ordinary shares of 25p each at a market valuation of 40.3p. On 20 January 1997 payment of the third tranche amounting to £180,000 was satisfied by the issue of 514,285 ordinary shares of 25p each at a market valuation of 35p.

On 9 August 1996 a subsidiary of the company acquired the business assets and goodwill of The Direct Partnership Limited, which was in receivership, for a consideration of £135,000. This subsidiary is now trading as Osprey Direct Limited.

## Report of the Directors

### Directors and their interests

The directors who served during the year were as follows:

J Rubins	–	<i>Chairman</i>
C R Smith	–	<i>Chief Executive</i>
D P Murphy	–	<i>Deputy Chairman</i>
P F Ranford FCA	–	<i>Finance Director</i> (appointed 1 July 1996)
M W Bindloss Gibb		
L W D Corney		

A A Whitaker (resigned 22 January 1996)

Mr Murphy is a non-executive director. He was Chairman of the company from 1981 to 1986 and has been Deputy Chairman since then. He was formerly senior partner of Dennis Murphy, Campbell & Co, stockbrokers.

Mr Ranford, following his appointment during the year, retires and being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Mr Bindloss Gibb retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election. Mr Ranford has a service contract which is terminable by three months' notice. Mr Bindloss Gibb has a service contract which is terminable by twelve months' notice.

Mr Murphy does not have a service contract with the Company. None of the other directors has a service contract which is terminable by more than twelve months' notice.

According to the register of directors' interests maintained under the Companies Act, the following interests in the shares of Group companies were held by the directors in office at the year end:

#### 25p Ordinary Shares in Osprey Communications plc

	Nature of Interest	1 October 1995*	30 September 1996
J Rubins	Beneficial	5,238,708	5,370,000
D P Murphy	Beneficial	1,013,285	1,013,285
	Trustee	33,972	33,972
M W Bindloss Gibb	Beneficial	46,667	216,388
L W D Corney	Beneficial	861,360	861,360
C R Smith	Beneficial	1,511,330	1,531,330
	Trustee	495,237	495,237
P F Ranford	–	–	–

\* or date of appointment if later

There have been no changes in these interests at the date of this Report other than for Mr Rubins who has acquired a further 25,000 shares since the year end.

#### £1 Ordinary Shares in Seniorbay Ltd

	Nature of Interest	1 October 1995	30 September 1996
M W Bindloss Gibb	Beneficial	65	–

No rights to subscribe for shares in the company or any Group company were granted to any of the directors or their immediate families, or exercised by them, during the year, or subsequently, except for the options disclosed in Note 6 to the accounts.

#### Material contracts

At no time during the year did any director have a material contract with the Group, other than in relation to the loans made by various directors to the Group which are disclosed in Note 24 to the accounts.

#### Substantial shareholdings

The company has been informed of the following shareholdings at 14 March 1997, being the latest practicable date prior to this report, each representing 3% or more of the current issued share capital:

	No of ordinary shares	%
Credit Suisse London Nominees Limited	2,464,999	8.40
Glyn Mills Nominees (London) Limited	1,400,000	4.77
R N Maber	1,367,125	4.66
Talbot Nominees Limited	1,275,000	4.34
Avocet Investments Limited*	1,013,285	3.45

\* Held to the order of Mr D P Murphy

Apart from these details and the details listed under directors' interests the company is not aware of any holding representing 3% or more of the issued share capital at 14 March 1997.

#### Suppliers' payment policy

The Group's policy is to agree the terms of payment with each supplier and to abide by those terms.

#### CREST

CREST is the UK's new computerised settlement system for the securities industry. It will enable shareholders, if they so wish, to hold and transfer their shares in electronic form rather than paper.

Notice is hereby given in accordance with the Uncertificated Securities Regulations 1995 ("the Regulations") that on 23 January 1997 the company resolved by a resolution of its directors that title to its shares, in issue or to be issued, may be transferred by means of CREST or any other relevant system.

The effect of the Board resolution is to disapply those provisions of the company's articles of association that are inconsistent with the holding and transfer of the company's shares in CREST. It is expected that the CREST system will apply to the company's shares in early April 1997.

## Report of the Directors

Shareholders should also note that under the Regulations they have the right to pass an ordinary resolution at any time to prevent the company's shares from being held or transferred in uncertificated form in CREST. However, shareholders who wish to retain their certificates and to buy and sell shares in certificated form will still be able to do so.

A leaflet issued by CRESTCo Limited giving guidance on the changes which may affect private shareholders is included with this report.

### **Charitable and political donations**

The company made no charitable or political donations during the year under review.

### **Close company**

The directors have been advised that the company is not a close company for taxation purposes.

### **Auditors**

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



P F Ranford FCA, Secretary  
20 March 1997

# Corporate Governance

During the year, the company complied with the recommendations of The Code of Best Practice contained in the Report on the Financial Aspects of Corporate Governance, prepared by the Cadbury Committee, with the exception of paragraphs 1.3, 2.3, 3.3, 4.3 and 4.5. The circumstances of non-compliance are described below. The Board fully supports the recommendations of the Code and intends that as the financial performance of the Group recovers and resources are increased, all these areas of non-compliance will be remedied.

## **Board**

The Board, currently comprising five executive directors and one non-executive director, met regularly throughout the year. The roles of Chairman and Chief Executive are separate. There is a formal schedule of matters specifically reserved to the Board for decision. The Board is responsible to the shareholders for the good standing of the Group, the performance of its assets, its strategy for future development, its acquisition and divestment policy and other major strategic decisions.

Until January 1996, the Board included two non-executive directors. It is the Board's objective to return to this level of representation and it continues to seek a second non-executive director with an appropriate range of skills and experience. The Board does not consider that the size of the Group warrants the appointment of a third non-executive director.

For the period from March 1995 to July 1996, when Mr Ranford was appointed, the Board did not include a full-time finance director. The usual duties and responsibilities of a finance director were assumed by the other Board members, supported by guidance from external advisers.

## **Audit committee**

The Audit Committee, comprising the then non-executive directors, was constituted in 1994 to review and consider the Group's internal control procedures, accounting policies and reporting functions. The Committee has not met during the current year. The Group's non-executive director has, however, discussed the audit and financial results with the Group's external auditors. It is the Board's intention that the full activities and responsibilities of the Audit Committee are resumed once a second non-executive director is appointed.

## **Remuneration policy**

The company has not established a Remuneration or Nomination Committee. The full Board considers matters of appointment, remuneration, incentives and the granting of share options when necessary and does not consider that the size of the Group warrants the formation of these Committees.

Directors' remuneration and granting of share options are based upon performance and are decided by the Board. No director plays a part in any discussion about his own remuneration. Details of directors' remuneration and share options are given in Notes 6 to the accounts and details of their interests are given in the Directors' Report.

All directors are appointed by the Board as a whole and no service contracts are for periods of more than one year.



## Corporate Governance (continued)

### Going concern

The directors have reviewed the Group's detailed trading forecasts to 30 September 1997, in conjunction with longer term expectations of performance. As a result, they have been able to assess the pattern of future cash flows and, at the date of this report, have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### Internal financial control

The directors acknowledge their responsibility for the Group's system of internal financial control. There are inherent limitations in any system of internal financial control and, accordingly, even the most effective system can only provide reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The directors are in the process of reviewing the effectiveness of the Group's internal financial control on the basis of the criteria set out in Guidance for Directors 'Internal Control and Financial Reporting'. This will include a consideration of the major business and financial risks. No formal report on this review has yet been brought before the Board. The directors expect that the review will identify several areas for improvement in the system of financial control but no weaknesses which would be likely, in the future, to lead to material loss, contingencies or uncertainties. As might be expected in a business of this size, a key control during the financial year was the day-to-day supervision of the business by the directors.

By order of the Board



Clive R Smith, Chief Executive  
20 March 1997

# Review Report to the Directors on Corporate Governance Matters

In addition to and separate from our audit of the financial statements, we have reviewed the directors' statement on page 13 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by The London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

## **Basis of opinions**

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to and we do not express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures or on the ability of the company to continue in operational existence.

## **Opinions**

With respect to the Directors' statement on going concern and internal financial control on page 14, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 13 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Hill House  
1 Little New Street  
London EC4A 3TR  
20 March 1997

## Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial period and of the profit or loss of the Group for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Report of the Auditors to the members of Osprey Communications plc

We have audited the financial statements on pages 19 to 37 which have been prepared under the accounting policies set out on pages 23 and 24.

## **Respective responsibilities of directors and auditors**

As described on page 16 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group as at 30 September 1996 and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Hill House  
1 Little New Street  
London EC4A 3TR  
20 March 1997

## The Accounts

Osprey

## Consolidated Profit and Loss Account

		1996	1995
	Note	£'000	£'000
<b>Turnover – continuing activities</b>	1, 2	32,641	26,509
Cost of sales		<u>(23,569)</u>	<u>(19,900)</u>
<b>Gross profit</b>		9,072	6,609
Administrative expenses		<u>(8,115)</u>	<u>(8,275)</u>
<b>Operating profit/(loss) – continuing activities</b>		957	(1,666)
Net interest payable	3	<u>(245)</u>	<u>(170)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	4	712	(1,836)
Taxation on profit/(loss) on ordinary activities	7	<u>(78)</u>	<u>–</u>
<b>Profit/(loss) on ordinary activities after taxation</b>		634	(1,836)
Equity minority interests		<u>(24)</u>	<u>(1)</u>
<b>Profit/(loss) for the year transferred to/(from) reserves</b>	16	<u>610</u>	<u>(1,837)</u>
<b>Earnings/(loss) per share</b>	9	<u>2.20p</u>	<u>(6.79p)</u>

A reconciliation of movements in shareholders' funds is given in note 18 to the accounts.

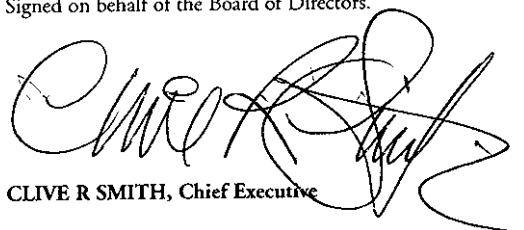
A statement of total recognised gains and losses is not included as there are no recognised gains or losses other than profit for the current year and loss for the previous year.



## Consolidated Balance Sheet

	Note	1996		1995	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	10		867		1,048
<b>Current assets</b>					
Work in progress		972		1,135	
Debtors	12	6,167		5,488	
Cash at bank and in hand		-		914	
		<u>7,139</u>		<u>7,537</u>	
<b>Creditors</b>					
Amounts falling due within one year	13	<u>(8,420)</u>		<u>(9,444)</u>	
<b>Net current liabilities</b>			<u>(1,281)</u>		<u>(1,907)</u>
<b>Total assets less current liabilities</b>			<u>(414)</u>		<u>(859)</u>
<b>Creditors</b>					
Amounts falling due after more than one year	13		(93)		(140)
<b>Provisions for liabilities and charges</b>					
Deferred taxation	14		(11)		(43)
<b>Equity minority interests</b>			<u>(33)</u>		<u>(27)</u>
			<u>(551)</u>		<u>(1,069)</u>
<b>Capital and reserves</b>					
Called up share capital	15		7,208		6,770
Share premium account	16		386		174
Shares to be issued	11		360		-
Acquisition reserve	16		(6,562)		(5,460)
Profit and loss account	16		<u>(1,943)</u>		<u>(2,553)</u>
<b>Equity shareholders' funds</b>			<u>(551)</u>		<u>(1,069)</u>

These financial statements were approved by the Board of Directors on 20 March 1997.  
Signed on behalf of the Board of Directors.



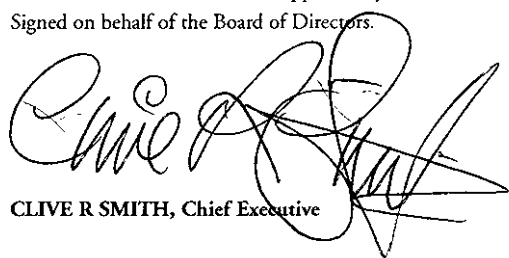
CLIVE R SMITH, Chief Executive

# Company Balance Sheet

		1996		1995	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	10		131		168
Investments in subsidiaries	11		1,444		403
			<u>1,575</u>		<u>571</u>
<b>Current assets</b>					
Debtors	12	8,926		7,541	
Cash at bank and in hand		—		133	
		<u>8,926</u>		<u>7,674</u>	
<b>Creditors</b>					
Amounts falling due within one year	13	(3,057)		(1,799)	
<b>Net current assets</b>			<u>5,869</u>		<u>5,875</u>
<b>Total assets less current liabilities</b>			<u>7,444</u>		<u>6,446</u>
<b>Creditors</b>					
Amounts falling due after more than one year	13		—		(20)
			<u>7,444</u>		<u>6,426</u>
<b>Capital and reserves</b>					
Called up share capital	15		7,208		6,770
Share premium account	16		544		332
Shares to be issued	11		360		—
Capital reserve	16		111		111
Profit and loss account	16		(779)		(787)
<b>Equity shareholders' funds</b>			<u>7,444</u>		<u>6,426</u>

These financial statements were approved by the Board of Directors on 20 March 1997.

Signed on behalf of the Board of Directors.



CLIVE R SMITH, Chief Executive

## Consolidated Cash Flow Statement

	Note	1996		1995	
		£'000	£'000	£'000	£'000
<b>Net cash (outflow)/inflow from operating activities</b>	19		(394)		38
<b>Returns on investments and servicing of finance</b>					
Net interest paid		(240)		(163)	
Interest element of finance lease payments		(5)		(7)	
Ordinary dividends paid to minority interests		(18)		(18)	
Net cash outflow from return on investments and servicing of finance			(263)		(188)
<b>Taxation</b>					
UK corporation tax recovered		—		279	
ACT paid		(4)		—	
			(4)		279
<b>Investing activities</b>					
Purchase of tangible fixed assets		(149)		(272)	
Purchase of subsidiaries		(32)		150	
Disposal of tangible fixed assets		19		75	
Purchase of goodwill		(45)		—	
Net cash outflow from investing activities			(207)		(47)
Net cash (outflow)/inflow before financing			(868)		82
<b>Financing</b>					
Capital element of finance lease rentals		(66)		(11)	
Loans received from directors		500		—	
Repayment of other loans		(2)		—	
Net cash inflow/(outflow) from financing			432		(11)
<b>(Decrease)/increase in cash and cash equivalents</b>	20		(436)		71

# Notes to the Accounts

## 1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

### (a) Accounting convention

The accounts are prepared under the historical cost convention.

### (b) Basis of consolidation

The consolidated accounts reflect the accounts of Osprey Communications plc and all its subsidiaries, made up to 30 September 1996.

### (c) Acquisitions and disposals

On the acquisition of a business, fair values are ascribed to the Group's share of net tangible assets. Where the costs of acquisition exceed the value attributable to such net assets, the difference is treated as purchased goodwill and written off directly to reserves in the year of acquisition.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

### (d) Turnover

Turnover (which excludes VAT) represents the value of amounts invoiced to clients in respect of fees, advertising media charges, and advertising production costs.

### (e) Depreciation

Depreciation is not provided on freehold land. On other assets it is provided so as to write off the cost of tangible fixed assets over their estimated useful lives.

The following are the main annual rates used:

Freehold Buildings	– 2% on cost.
Leasehold Property	– Written off on straight line basis over unexpired term with a minimum rate of 2%.
Motor Vehicles	– 25% on reducing balance basis.
Computer Equipment	– 20% on cost.
Office Equipment	– 15% on reducing balance basis.

### (f) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### (g) Pensions

Payments are made on behalf of various executives to defined contribution schemes. These payments are charged to the profit and loss account as they arise.

## Notes to the Accounts

(h) **Work in progress**

Work in progress is valued at the lower of cost and estimated net realisable value.  
Cost comprises production and media costs not yet invoiced to clients.

(i) **Lease and hire purchase contracts**

Assets held under hire purchase contracts and the related hire purchase obligations are recorded in the balance sheet at the fair value of the assets at the inception of the contracts. The amounts by which the contract payments exceed the recorded contract obligations are treated as finance charges which are amortised over each contract term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

(j) **Investments**

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

2 **Segmental analysis**

The directors consider that all the activities of the Group now fall into the category of marketing services and that the segmental information provided in previous years is no longer particularly informative to users of the accounts. Accordingly, no segmental information is provided in these accounts.

All turnover and profits/losses were generated in the United Kingdom.

Turnover can be analysed by destination as follows:

	1996	1995
	£'000	£'000
UK	22,065	18,976
Rest of Europe	8,873	5,624
USA	1,703	1,909
	<u>32,641</u>	<u>26,509</u>

## Notes to the Accounts

<b>3 Net interest payable</b>	<b>1996</b>	<b>1995</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans and overdrafts repayable within five years	240	163
On finance leases and hire-purchase contracts	5	7
	<u>245</u>	<u>170</u>

<b>4 Profit/(loss) on ordinary activities before taxation</b>	<b>1996</b>	<b>1995</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation of owned assets	261	268
Depreciation of assets held under finance lease contracts	50	58
Loss on sale of tangible fixed assets	-	45
Rental of premises		
- land and buildings	412	422
- other	244	169
Auditors' remuneration - audit services	68	63
- non-audit services	33	57
	<u>33</u>	<u>57</u>

<b>5 Employee costs</b>	<b>1996</b>	<b>1995</b>
	<b>£'000</b>	<b>£'000</b>
The average number of employees, including directors, and their associated costs during the year, were as follows:		
Wages and salaries	3,528	3,646
Social security costs	367	337
Other pension costs	86	90
	<u>3,981</u>	<u>4,073</u>
Average number of employees:	<b>No.</b>	<b>No.</b>
Marketing	95	73
Administration	42	37
	<u>137</u>	<u>110</u>



## Notes to the Accounts

## 6 Directors' emoluments

	1996	1995
	£'000	£'000
Management remuneration	286	325
Fees	20	25
Payments to third parties for services of directors	92	93
Compensation for loss of office	—	27
	<u>398</u>	<u>470</u>

	Fees	Basic	Pension	Benefits	1996	1995
	£'000	salaries	contributions	in kind	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Executive directors						
J Rubins (Chairman and highest paid director)	—	88	—	7	95	100
C R Smith	—	92	—	—	92	93
L W D Corney	—	83	—	5	88	89
M W Bindloss Gibb	—	69	7	3	79	79
P F Ranford (from 1.7.96)	—	21	1	2	24	—
M Rands	—	—	—	—	—	84
Non-executive director						
D P Murphy	20	—	—	—	20	20
A A Whitaker	—	—	—	—	—	5
	<u>20</u>	<u>353</u>	<u>8</u>	<u>17</u>	<u>398</u>	<u>470</u>

\*The payment in relation to Mr Smith's services was paid to a third party.

## Directors' share options

No rights to subscribe for shares in the company or any Group company were granted to any of the directors or their immediate families, or exercised by them, during the year except as described below:

25p ordinary shares in Osprey Communications plc						
	At 1 October 1995	Granted during the year	Lapsed during the year	At 30 September 1996	Exercise price	Expiry date
L W D Corney	34,909	20,000	34,909	20,000	25p	Feb 2006
M W Bindloss Gibb	—	30,000	—	30,000	25p	Feb 2006

The mid-market value of the shares at 30 September 1996 was 32p.

## Notes to the Accounts

### 7 Taxation on profit/(loss) on ordinary activities

United Kingdom corporation tax at 33% based on the profit for the year

Transfer from deferred taxation

Irrecoverable ACT written off

1996	1995
£'000	£'000
106	—
(32)	—
4	—
78	—

The tax charge for the year is disproportionately low because of the utilisation of losses brought forward.

There are losses of approximately £750,000 available for relief against future trading profits.

### 8 Profit attributable to shareholders

The parent company's profit for the year amounted to £8,000 (1995 – loss of £813,000).

No profit and loss account is presented for Osprey Communications plc as is permitted by section 230 of the Companies Act 1985.

### 9 Earnings/(loss) per ordinary share

The calculation of earnings/(loss) per ordinary share is based on a profit of £610,000 (1995 – loss of £1,837,000) and on 27,691,862 shares (1995 – 27,042,656 shares) being the weighted average number of ordinary shares in issue during the year.

## Notes to the Accounts

## 10 Tangible fixed assets

	Freehold land and buildings £'000	Long and short leasehold land and buildings £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
<b>Group</b>					
<b>Cost</b>					
At 1 October 1995	68	138	478	1,980	2,664
Additions	—	1	33	115	149
Disposals	—	—	(38)	—	(38)
At 30 September 1996	68	139	473	2,095	2,775
<b>Depreciation</b>					
At 1 October 1995	22	88	265	1,241	1,616
Charge for the year	2	21	58	230	311
On disposals	—	—	(19)	—	(19)
At 30 September 1996	24	109	304	1,471	1,908
<b>Net book value</b>					
At 30 September 1996	44	30	169	624	867
At 30 September 1995	46	50	213	739	1,048
<b>Company</b>					
<b>Cost</b>					
At 1 October 1995	—	47	52	204	303
Additions	—	1	—	14	15
At 30 September 1996	—	48	52	218	318
<b>Depreciation</b>					
At 1 October 1995	—	8	6	121	135
Charge for the year	—	10	11	31	52
At 30 September 1996	—	18	17	152	187
<b>Net book value</b>					
At 30 September 1996	—	30	35	66	131
At 30 September 1995	—	39	46	83	168

Included in the above figures for the Group are motor vehicles held under hire-purchase contracts with a net book value of £145,000 (1995 – £187,000). The equivalent figure for the company is £25,000 (1995 – £32,000).

# Notes to the Accounts

## 11 Fixed asset investments

	Shares in subsidiaries £'000
<b>Cost</b>	
At 1 October 1995	1,915
Additions	1,041
At 30 September 1996	<u>2,956</u>
<b>Provisions</b>	
At 1 October 1995	1,512
Provided in year	—
At 30 September 1996	<u>1,512</u>
<b>Net book value</b>	
At 30 September 1996	<u>1,444</u>
At 30 September 1995	<u>403</u>

### Additions

On 2 May 1996 the second tranche of the consideration, amounting to £180,000, was paid in respect of the year ended 30 September 1995 in connection with the acquisition of Roger Mabey & Associates Limited (now Osprey RMA Limited) ("RMA"). This was satisfied by the issue to the vendor of 446,808 ordinary shares of 25p each in the company at a market valuation of 40.3p each. Since the year end payment of a third tranche was made on 20 January 1997 in respect of the year ended 30 September 1996 amounting to £180,000 satisfied by the issue of 514,285 ordinary shares of 25p each at a market value of 35p.

The final tranche of the consideration, up to a maximum of £180,000, is payable for the year ending 30 September 1997 dependent on the performance of RMA in that year. This will also be settled by the issue of new ordinary shares of 25p each in the company.

On 3 June 1996 the terms of the agreement for the acquisition of Seniorbay Limited were varied so that instead of deferred consideration dependent on the profits for the three years ending 30 September 1997 to be payable in tranches, a one-off payment be made in full and final settlement. This payment, amounting to £470,000, was satisfied by the issue of 1,305,552 ordinary shares of 25p each in the company at a market valuation of 36p.

Legal and professional costs of £31,000 were incurred in relation to this transaction and have been included in the cost of the investment.

# Notes to the Accounts

The principal subsidiaries of the Group are:

	Country of incorporation, registration and operation	Class of Capital	Percentage held	Description of activity
Creative Sales Propositions Limited	England and Wales	Ordinary	100% Indirect	Sales promotions
Osprey SMS Limited	England and Wales	Ordinary	100% Indirect	Advertising agency
Future Image Limited	Northern Ireland	Ordinary Deferred	100% 100% Indirect	Public relations
Osprey Design & Marketing Limited (formerly The SMS Communications Group Limited)	England and Wales	Ordinary	100% Indirect	Advertising and marketing services
Osprey Direct Limited	England and Wales	Ordinary	100% Direct	Direct marketing
Osprey Group Limited (formerly Osprey Asset Finance Limited)	England and Wales	Ordinary	100% Direct	Lease management and investment
Osprey RMA Limited	England and Wales	Ordinary	100% Direct	Advertising, marketing and public relations services
Osprey Park Limited (formerly Park Limited)	England and Wales	Ordinary	100% Indirect	Advertising agency
GMBM Limited	England and Wales	Ordinary	80% Indirect	Recruitment advertising

# Notes to the Accounts

## 12 Debtors

	1996		1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	5,382	9	4,726	28
Amounts owed by subsidiary undertakings	—	8,691	—	7,368
ACT recoverable	40	—	31	—
Other debtors	547	50	387	42
Prepayments and accrued income	198	176	344	103
	<u>6,167</u>	<u>8,926</u>	<u>5,488</u>	<u>7,541</u>

Included in amounts owed by subsidiary undertakings is a debtor of £6,364,000 which is due after more than one year (1995 – £6,364,000).

## 13 Creditors

	1996		1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Loans	17	—	2	—
Bank loans and overdrafts	1,732	1,975	2,210	1,231
Obligations under hire-purchase contracts	28	20	64	3
Trade creditors	4,629	362	5,602	177
Amounts owed to subsidiary undertakings	—	—	—	177
Corporation tax	116	5	—	—
Other taxes and social security	266	85	247	61
Other creditors	411	110	245	150
Directors' loans (Note 24)	500	500	—	—
Accruals and deferred income	721	—	1,074	—
	<u>8,420</u>	<u>3,057</u>	<u>9,444</u>	<u>1,799</u>
Amounts falling due after more than one year:				
Bank loans	77	—	94	—
Obligations under hire-purchase contracts	16	—	46	20
	<u>93</u>	<u>—</u>	<u>140</u>	<u>20</u>

Obligations under hire-purchase contracts are secured over the relevant assets.

Bank loans and overdrafts are secured by fixed and floating charges over the Group's assets.



## Notes to the Accounts

## 13 Creditors (continued)

Amounts falling due after more than one year are payable as follows:

Group	1996		1995	
	Bank loans £'000	Hire purchase creditors £'000	Bank loans £'000	Hire purchase creditors £'000
Between one and two years	3	16	3	16
Between two and five years	11	—	11	30
Over five years	63	—	80	—
	<u>77</u>	<u>16</u>	<u>94</u>	<u>46</u>

Company	£'000	£'000
Between one and two years	—	6
Between two and five years	—	14
	<u>—</u>	<u>20</u>

The bank loan is a commercial mortgage with a term of 25 years. Capital and interest are repaid quarterly and interest is payable at a rate of 3% over base rate. The loan expires in 2013.

## 14 Deferred taxation

	Group £'000
Balance at 1 October 1995	43
Utilised in year	(32)
At 30 September 1996	<u>11</u>

Provision for timing differences has been made as follows:

	1996 £'000	Provided 1995 £'000
Accelerated capital allowances	—	(2)
Other short-term timing differences	11	45
	<u>11</u>	<u>43</u>

There is no unprovided deferred tax.

## Notes to the Accounts

### 15 Called up share capital

	1996 £'000	1995 £'000
Authorised:		
38,000,000 (1995 – 30,000,000)		
Ordinary shares of 25p each	<u>9,500</u>	<u>7,500</u>
Allotted and fully paid:		
28,830,613 (1995 – 27,078,253)		
Ordinary shares of 25p each	<u>7,208</u>	<u>6,770</u>

On 2 May 1996, 446,808 ordinary shares of 25p each were issued as further consideration for the acquisition of Roger Mabey & Associates Limited (now Osprey RMA Limited) (see Note 11).

On 3 June 1996, 1,305,552 ordinary shares of 25p each were issued as consideration in full and final settlement for the acquisition of Seniorbay Limited (see Note 11).

At 30 September 1996 the following options had been granted and were still outstanding under the company's Discretionary Share Option Scheme:

Number of shares	Option price	Dates normally exercisable
6,546	77.9p	1991 to 1998
21,819	44p	1993 to 2000
20,000	34.5p	1996 to 2003
100,000	32.5p	1997 to 2004
65,224	27p	1998 to 2005
352,224	25p	1999 to 2006

During the year the mid-market price of the shares ranged from 18p to 42p. At 30 September 1996, the mid-market price of the shares was 32p.

Options may only be exercised if, in any three financial periods of the Company, commencing with the financial period in which the options are granted or any subsequent financial period, the percentage growth in earnings per share exceeds the percentage increase in the Retail Prices Index.

The terms of the service agreement with Mr Roger Mabey, the Managing Director and vendor of Osprey RMA Limited ("RMA"), provide for the grant to Mr Mabey of options to subscribe for shares in the company dependent upon the performance of RMA in the three years ending 30 September 1997; the option price to be not less than the then mid-market price of the shares. The performance criteria for the two years ended 30 September 1996 have not been achieved and the balance of the value of the options attributable to the year ending 30 September 1997 is now £60,000.

## Notes to the Accounts

## 16 Reserves

	Share premium account £'000	Acquisition reserve £'000	Capital reserve £'000	Profit and loss account £'000
<b>Group</b>				
Balance at 1 October 1995	174	(5,460)	–	(2,553)
Goodwill written off on acquisitions (Note 17)	–	(1,102)	–	–
Premium arising on issue of shares	212	–	–	–
Retained profit for the year	–	–	–	610
Balance at 30 September 1996	<u>386</u>	<u>(6,562)</u>	<u>–</u>	<u>(1,943)</u>
<b>Company</b>				
Balance at 1 October 1995	332	–	111	(787)
Retained profit for the year	–	–	–	8
Premium arising on issue of shares	212	–	–	–
Balance at 30 September 1996	<u>544</u>	<u>–</u>	<u>111</u>	<u>(779)</u>

## 17 Goodwill written off on acquisitions

Goodwill written off on acquisitions arises as follows:

	£'000
Additional consideration in connection with:	
(1) acquisition of Osprey RMA Limited (Note 11)	540
(2) acquisition of Seniorbay Limited (Note 11)	470
Acquisition of the business of The Direct Partnership Limited by a subsidiary	45
Legal and professional expenses relating to the above acquisitions	47
	<u>1,102</u>

# Notes to the Accounts

## 18 Reconciliation of movements in shareholders' funds

	1996		1995	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Opening shareholders' funds	(1,069)	6,426	760	7,114
Retained profit/(loss) for the year	610	8	(1,837)	(813)
Shares issued	438	438	102	102
Shares to be issued	360	360	—	—
Goodwill written off on acquisitions (Note 17)	(1,102)	—	(117)	—
Premium arising on issues of shares	212	212	23	23
Closing shareholders' funds	<u>(551)</u>	<u>7,444</u>	<u>(1,069)</u>	<u>6,426</u>

## 19 Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities

	1996	1995
	£'000	£'000
Operating profit/(loss)	957	(1,666)
Depreciation	311	326
Loss on sale of fixed assets	—	45
Decrease/(increase) in work in progress	163	(467)
(Increase)/decrease in debtors	(670)	930
(Decrease)/increase in creditors	(1,155)	788
Provision for permanent diminution in value of property	—	82
Net cash (outflow)/inflow from continuing operating activities	<u>(394)</u>	<u>38</u>

## 20 Analysis of changes in cash and cash equivalents during the year

	1996	1995
	£'000	£'000
Balance at 1 October 1995	(1,296)	(1,367)
Net cash (outflow)/inflow	(436)	71
Balance at 30 September 1996	<u>(1,732)</u>	<u>(1,296)</u>

# Notes to the Accounts

## 21 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1996 £'000	1995 £'000	1994 £'000	Change in year £'000	Change in previous year £'000
Cash at bank and in hand	—	914	618	(914)	296
Bank loans and overdraft	(1,732)	(2,210)	(1,985)	478	(225)
	<u>(1,732)</u>	<u>(1,296)</u>	<u>(1,367)</u>	<u>(436)</u>	<u>71</u>

## 22 Analysis of changes in financing during the year

	Share capital £'000	Loans and finance lease obligations £'000
Balance at 1 October 1995	6,770	206
Repayment of loan	—	(8)
Issue of shares	438	—
Hire-purchase repayments	—	(60)
Balance at 30 September 1996	<u>7,208</u>	<u>138</u>

## 23 Financial commitments and contingent liabilities

### (a) Obligations under operating leases

At 30 September 1996 the Group had commitments under operating leases to make payments in the next year as follows:

	Land and buildings £'000	Other £'000
Operating leases which expire:		
Within one year	46	44
Between one and two years	—	79
Between two and five years	326	32
	<u>372</u>	<u>155</u>

### (b) Capital expenditure

There was no capital expenditure authorised or contracted at 30 September 1996 or 30 September 1995.

### (c) Guarantees

There exist between the company and certain of its subsidiaries reciprocal guarantees covering their overdraft facilities.

## Notes to the Accounts

### 24 Related party transactions

Loans from the directors to the Group during the year were as follows:

Director	C R Smith
Loan to Creative Sales Propositions Limited:	£
(Included in other creditors)	
Balance at 30 September 1995	45,000
Balance at 30 September 1996	25,000
Maximum balance outstanding during the year ended 30 September 1996	45,000

This loan was provided interest free and has been repaid in full since the year end.

	J Rubins	D P Murphy	C R Smith
	£	£	£
Loan to Osprey Communications plc:			
Balance at 30 September 1995	—	—	—
Loans provided/(repaid)			
11 March 1996	500,000	—	—
24 April 1996	(250,000)	—	—
10 May 1996	(250,000)	—	—
9 September 1996	<u>166,667</u>	<u>166,666</u>	<u>166,667</u>
Balance at 30 September 1996	<u>166,667</u>	<u>166,666</u>	<u>166,667</u>

The terms attaching to these loans were as follows:

- (1) The £500,000 loan advanced by Mr Rubins on 11 March 1996 attracted interest at a fixed rate of 6% per annum.
- (2) The loans advanced on 9 September 1996 by Mr Rubins, Mr Murphy and Mr Smith attracted interest at a rate of 2½% above the base rate of Midland Bank plc and are repayable on demand.

## Osprey Communications plc 5 Year History

## Five year performance history

	1992	1993 16 months (as restated)	1994	1995	1996
	£'000	£'000	£'000	£'000	£'000
Turnover	25,595	39,946	28,948	26,509	32,641
Cost of sales	(18,628)	(30,211)	(21,640)	(19,900)	(23,569)
Gross profit	6,967	9,735	7,308	6,609	9,072
Administrative expenses	(6,875)	(10,025)	(6,919)	(8,275)	(8,115)
Operating profit/(loss)	92	(290)	389	(1,666)	957
Net interest payable	(428)	(462)	(124)	(170)	(245)
Exceptional items	—	(4,329)	(73)	—	—
Profit/(loss) on ordinary activities before taxation	(336)	(5,081)	192	(1,836)	712
Taxation	53	172	140	—	(78)
Profit/(loss) on ordinary activities after taxation	(283)	(4,909)	332	(1,836)	634
Minority interests	—	—	(26)	(1)	(24)
Profit/(loss) for the period	(283)	(4,909)	306	(1,837)	610

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the sixteenth Annual General Meeting of Osprey Communications plc will be held at Osprey House, 10 Little Portland Street, London W1N 6LX, on Thursday 24 April 1997 at 10am, for the following purposes:

## Ordinary Business

1. To receive the Directors' Report and Accounts for the financial year ended 30 September 1996.
2. To re-elect Mr P F Ranford as a director of the company.
3. To re-elect Mr M W Bindloss Gibb as a director of the company.
4. To re-appoint Deloitte & Touche as auditors and to authorise the directors to fix their remuneration.

## Special Business

To consider and, if thought fit, to pass the following Resolution:

## Special Resolution

5. THAT the directors be and are hereby empowered for the period commencing on the date of the passing of this Resolution and expiring on whichever is the earlier of fifteen months from the passing of this Resolution or the date of the next Annual General Meeting to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) of the company as if Section 89(1) of the Act did not apply to any such allotment. Provided that this power shall be limited to allotments of equity securities of an aggregate nominal amount not exceeding £366,811 save that the company may before the expiry of the power hereby conferred 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 offer or agreement as if the power hereby conferred had not expired.

On behalf of the Board  
P F Ranford  
Company Secretary  
Osprey House  
10 Little Portland Street  
London W1N 6LX

## Notes:

- (1) Resolution 5 authorises the directors to allot ordinary shares for cash up to an amount not exceeding 5% of the issued ordinary share capital without first being required to offer such shares to existing shareholders. The directors have no present intention of allotting shares other than in relation to options under the company's share option scheme and pursuant to existing contractual obligations.
- (2) A member entitled to attend and vote at the Meeting may appoint a proxy (who need not also be a member of the company) to attend and vote in his/her place. A form of proxy is enclosed and proxies must be lodged with the Company Secretary at Osprey House, 10 Little Portland Street, London W1N 6LX not later than 48 hours before the time appointed for the Meeting. The return of a proxy card will not preclude a member from attending and voting at the Meeting.