

## Brulines (Holdings) plc

### Placing and Admission to AIM

Nominated Adviser: RSM Robson Rhodes Corporate Finance  
Broker: Cenkos Securities Limited



The leading provider of volume and revenue protection systems  
for draught alcoholic drinks in the UK licensed on-trade



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

Application has been made for the whole of the issued and to be issued ordinary share capital of Brulines (Holdings) plc to be admitted to trading on AIM, a market operated by the London Stock Exchange ("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. The rules of AIM are less demanding than those of the Official List. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 26 October 2006. All dealings before the commencement of unconditional dealings will be on a "when issued basis", will only be settled if Admission takes place and will be of no effect if Admission does not take place. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be at the sole risk of the parties concerned.

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 advisor. The whole text of this document should be read. Your particular attention is drawn to the risk factors set out in Part II of this document. The whole of this document should be read in light of those risk factors. Neither the UK Listing Authority nor the London Stock Exchange has examined or approved the contents of this document. It is emphasised that no application is being made for admission of these securities to the Official List. The Ordinary Shares are not dealt on any regulated market and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

This document, which comprises an admission document required by the AIM Rules, has been drawn up in compliance with the AIM Rules. This document does not contain an offer of transferable securities to the public within the meaning of the Financial Services and Markets Act 2000 (as amended) and therefore no prospectus within the meaning of section 85 of the Financial Services and Markets Act 2000 (as amended) is required.

The Directors of Brulines (Holdings) plc, whose names appear on page 6 of this document under the heading "Directors, Secretary and Advisers", and Brulines (Holdings) plc accept responsibility individually and collectively for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge of the Directors of Brulines (Holdings) plc (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Ordinary Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared in respect of the Ordinary Shares after admission.

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## Brulines (Holdings) plc

(Incorporated in England and Wales under the Companies Act 1985 – No. 05345684)

### Placing of 6,504,065 Ordinary Shares of 10p each at 123p per share Admission to Trading on AIM

Nominated Adviser

**RSM Robson Rhodes Corporate Finance**

Broker

**Cenkos Securities Limited**

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#### SHARE CAPITAL

(immediately following the Placing)

<i>Authorised</i>			<i>Issued</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£4,000,000	40,000,000	Ordinary Shares of 10p each	£2,399,913	23,999,125

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In connection with the issue of the Placing Shares, Cenkos Securities Limited and any of its affiliates acting as an investor for its own account may take up or otherwise purchase Placing Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with such issue. Accordingly, references in this document to Placing Shares being issued, offered or placed should be read as including any issue, offering or placement of securities to Cenkos Securities Limited and any of its affiliates acting in such capacity. Cenkos Securities Limited does not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

RSM Robson Rhodes Corporate Finance is a division of RSM Robson Rhodes LLP, which is regulated by the Financial Services Authority. RSM Robson Rhodes Corporate Finance and Cenkos Securities Limited, which is regulated by the Financial Services Authority, are acting exclusively for the Company and no-one else in connection with the Placing and Admission. Neither RSM Robson Rhodes Corporate Finance nor Cenkos Securities Limited will regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of RSM Robson Rhodes Corporate Finance or Cenkos Securities Limited respectively, nor for providing advice in relation to the transactions and arrangements detailed in this document. Neither RSM Robson Rhodes Corporate Finance nor Cenkos Securities Limited are making any representation or warranty, express or implied, as to the contents of this document.

RSM Robson Rhodes Corporate Finance has been appointed as nominated adviser to the Company. In accordance with the AIM Rules, RSM Robson Rhodes Corporate Finance has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by RSM Robson Rhodes Corporate Finance for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Company and the Directors are responsible, and, in respect of their reports contained in Parts III, IV and V of this document, Baker Tilly are solely responsible.

This document does not constitute an offer to sell or to subscribe for, or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful and is not for distribution in or into any of United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan (the "Prohibited Territories") or their respective territories or possessions. No Ordinary Shares have been, or will be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States of America or under the applicable securities laws of any of the other Prohibited Territories and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and subject to certain exceptions, may not be offered or sold within any of the other Prohibited Territories or to any national, resident or citizen of any of the Prohibited Territories or their respective territories or possessions.

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of Gordons LLP, Riverside West, Whitehall Road, Leeds LS1 4AW and at the offices of the Company, EDIS House, Wellington Court, Preston Farm Business Park, Stockton-on-Tees TS18 3TA from the date of this document for the period of one month from Admission.

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## DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to, and the operation of AIM
“Board” or “Directors”	the board of directors of the Company as at the date of this document whose names are set out on page 6 of this document
“Box Telematics”	Box Telematics Limited
“Brulines”	Brulines Limited, a wholly owned subsidiary of the Company
“Cenkos Securities”	Cenkos Securities Limited, broker to the Company
“CMS”	Corporate Management Services (International) Limited
“Code” or “City Code”	The City Code of Takeovers and Mergers
“Combined Code”	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance, as amended from time to time
“Company”	Brulines (Holdings) plc
“Companies Acts”	the Companies Act 1985, part V of the Criminal Justice Act 1993 and the Companies Consolidation (Consequential Provisions) Act 1985 and any enactment passed after these Acts which may, by virtue of that or any other such enactment, be cited together with those Acts as the “Companies Acts” (with or without the addition or indication of any date of any such enactment)
“CREST”	the relevant system (defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertified form, which is administered by CRESTCo
“CRESTCo”	CRESTCo Limited, the operator of CREST
“CREST Regulations”	the Uncertified Securities Regulations 2001
“EMI Option”	an option granted pursuant to the EMI Plan
“EMI Plan”	the Brulines Enterprise Management Incentive Plan, details of which are set out in paragraph 6.1 of Part VI of this document
“Employee Option”	an option granted pursuant to the Employee Plan
“Employee Plan”	the Brulines Employee Share Option Plan, details of which are set out in paragraph 6.5 of Part VI of this document
“Employees’ Trust”	the Brulines Employees’ Trust, being a discretionary trust for the benefit of employees of the Group established by deed dated 3 May 2006 and made between the Company and Brulines Trustee Company Limited
“Enlarged Issued Share Capital”	the Existing Ordinary Shares and the Placing Shares
“Executive Option”	an option granted pursuant to the Executive Plan
“Executive Plan”	the Brulines Executive Share Option Plan, details of which are set out in paragraph 6.3 of Part VI of this document
“Existing Ordinary Shares”	the 17,495,060 issued Ordinary Shares in the capital of the Company as at the date of this document

“Group”	the Company and its subsidiaries
“London Stock Exchange”	the London Stock Exchange plc
“Machine Insite”	Machine Insite Limited, a wholly owned subsidiary of the Company
“Management Shareholders”	the Directors, Simon Collin, Alison Martinez, Gareth James and Steven Brown
“Official List”	the Official List of the UK Listing Authority
“Old Ordinary Shares”	ordinary shares of £1 each in the capital of the Company, prior to the subdivision into Ordinary Shares
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Placing”	the placing by Cenkos Securities on behalf of and as agent for the Company of the Placing Shares and as agent for the Selling Shareholders of the Sale Shares, all at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 20 October 2006 between (i) Cenkos Securities (ii) RSM Robson Rhodes Corporate Finance (iii) the Company (iv) the Directors and (v) the Selling Shareholders relating to the Placing, further details of which are set out in paragraph 8.14 of Part VI of this document
“Placing Price”	the price of 123p for each Ordinary Share
“Placing Shares”	the 6,504,065 Ordinary Shares being placed by Cenkos Securities on behalf of the Company at the Placing Price
“Sale Shares”	the 9,402,533 Ordinary Shares being placed by Cenkos Securities on behalf of and as agent for the Selling Shareholders at the Placing Price
“RSM Robson Rhodes Corporate Finance”	RSM Robson Rhodes Corporate Finance, a division of RSM Robson Rhodes LLP
“Selling Shareholders”	Derrick Collin, Stephen James, James Dickson, Simon Collin, Duncan Noble and Steven Brown
“Shareholder”	a holder of Ordinary Shares from time to time
“UK”	United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“VCT”	venture capital trust.

## GLOSSARY

“AWP”	amusements with prizes
“BQM”	brand quality monitoring
“buying-out”	the purchase of products in contravention of the Tie
“Cask Marque”	Cask Marque Trust Limited, a non-profit making organisation dedicated to improving beer quality. Cask Marque is funded by its members who include Punch, Enterprise, Wetherspoons, Mitchells & Butler plc, Greene King, Wolverhampton & Dudley, Carlsberg and many of the regional brewers. Cask Marque has a limited number of associate members, the first of which was Brulines
“Dispense Monitoring”	the measurement and monitoring of draught alcoholic drinks volume against time
“EDIS”	Electronic Draught Information System, the Company’s original data communications platform
“edisBOX”	the Company’s latest data communication platform, developed with Box Telematics
“Enterprise”	Enterprise Inns plc
“Licensed on-trade”	locations that are licensed to serve alcohol on their premises
“on-trade”	the consumption of alcoholic drinks on premises licensed to serve alcohol
“Pubco”	an owner of tenanted pubs
“Punch”	Punch Taverns plc
“Tie”	a contractual arrangement between a Pubco and its tenant whereby, <i>inter alia</i> , the tenant is legally obliged to purchase certain products and services (including beer) through the Pubco’s nominated supply chain
“VRS”	Volume Recovery Services.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	James Henry Newman James William Dickson Mark Hardwick Foster Duncan James Noble Stewart Charles Gilliland	<i>Non-Executive Chairman</i> <i>Chief Executive</i> <i>Finance Director</i> <i>Operations Director</i> <i>Non-Executive Director</i>
<b>Registered and Head Office</b>	EDIS House Wellington Court Preston Farm Business Park Stockton-on-Tees TS18 3TA	
<b>Company Secretary</b>	Mark Hardwick Foster	
<b>Nominated Adviser</b>	RSM Robson Rhodes Corporate Finance St George House 40 Great George Street Leeds LS1 3DQ	
<b>Broker</b>	Cenkos Securities Limited 6.7.8 Tokenhouse Yard London EC2R 7AS	
<b>Legal advisers to the Company</b>	Gordons LLP Riverside West Whitehall Road Leeds LS1 4AW	
<b>Legal advisers to the Nominated Adviser and Broker</b>	Hammonds 2 Park Lane Leeds LS3 1ES	
<b>Reporting Accountants</b>	Baker Tilly Chartered Accountants 2 Whitehall Quay Leeds LS1 4HG	
<b>Auditors</b>	RSM Robson Rhodes LLP Chartered Accountants St George House 40 Great George Street Leeds LS1 3DQ	
<b>Bankers</b>	Bank of Scotland 41/51 Grey Street Newcastle NE1 6EE	
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	



## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this document	20 October 2006
Admission and commencement of unconditional dealings in the Ordinary Shares on AIM	26 October 2006
Crediting of Ordinary Shares to CREST accounts	26 October 2006
Definitive share certificates dispatched (where applicable)	10 November 2006

### Note:

1. Each of the times and dates in the above timetable are subject to change
2. All times are London times or as soon thereafter as practicable

## PLACING STATISTICS

Placing Price	123p
Number of Placing Shares	6,504,065
Number of Sale Shares	9,402,533
Number of Ordinary Shares in issue immediately following Admission	23,999,125
Market Capitalisation at the Placing Price	£29.5 million
Percentage of issued share capital immediately following Admission subject to the Placing	66.3%
Estimated net proceeds of the Placing receivable by the Company	£7.0 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders	£11.1 million

*Note* The net proceeds of the Placing receivable by the Selling Shareholders are stated after deduction of commission payable by the Selling Shareholders of 4 per cent. and stamp duty of 0.5 per cent..

## KEY INFORMATION

*The following summary does not purport to be complete and should be read in conjunction with the more detailed information appearing elsewhere in this document. Investors should read the whole of this document, including the risk factors set out in Part II, and not just rely on the summary information contained in this section.*

### INTRODUCTION

The Group is the leading provider of volume and revenue protection systems for draught alcoholic drinks for the UK Licensed on-trade, in particular the tenanted pub sector.

The business concept was founded in the early 1990s by Derrick Collin and Brulines was bought out by its management in May 2005.

The principal activity of the Group is to measure, remotely harvest, audit and act on important operational data, primarily for owners of licensed premises but also for licensees. The Dispense Monitoring division, which represents the Group's core product, measures the actual volume of liquid dispensed each hour against legitimate deliveries and protects the pub owners from the potential loss of revenue from 'buying-out'. Dispense Monitoring systems have been installed in over 16,000 sites as at 31 July 2006. Typically Brulines sells its Dispense Monitoring units to customers and then enters into a three to six year contract to provide data management and associated services.

During the current financial year, the Group has developed its BQM (brand quality monitoring) product into commercial trials with three customers. BQM provides a mechanism for owners of licensed premises to measure the quality of draught alcoholic products being served on their premises. On 31 August 2006, Machine Insite acquired the trade and assets of CMS which is involved in the monitoring of AWP (fruit and gaming) machines.

The Group enjoys strong client relationships, reflecting high levels of customer service, with its principal customers having signed three to six year all-inclusive support service contracts covering telecommunication costs, service, warranty and the provision of data management and analysis.

Since Brulines was bought back by Derrick Collin and following the appointment of James Dickson as Managing Director, the business has had a strong financial record in terms of revenue growth, profitability and cash generation, with a significant and growing level of turnover arising from support service contracts, as well as an experienced management team.

### KEY STRENGTHS

The Directors believe that the key strengths of Brulines are as follows:

- Dominant market leader in volume and revenue protection systems for draught alcoholic drinks for the tenanted pub sector with high barriers to entry;
- Strong recurring revenue stream and cash generation;
- Significant growth opportunities in similar UK and international markets;
- New technology in Brand Quality Monitoring & AWP machine data capture;
- Experienced and dynamic Board and management team; and
- Strong financial track record.

## SUMMARY TRADING RECORD

The Company was established for the purposes of effecting the management buy-out of Brulines and has acted purely as a holding company. The consolidated results of the Group, which are set out in Part III of this document, represent the results of the Group for the period from 19 May 2005 (the date of the management buy-out) to 31 March 2006.

The underlying business of the Group has been operated through Brulines and the following is a summary of the trading results of Brulines for the three years ended 31 March 2006. These figures have been extracted without adjustment from the financial information set out in Part IV of this document.

	<i>Year ended 31st March</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	6,847	9,159	12,035
Gross Profit	3,265	4,520	5,566
Operating Profit	1,081	1,967	2,681

## CURRENT TRADING AND PROSPECTS

The Group continues to trade strongly with sales of over 2,000 new Dispense Monitoring units in the first four months of the current financial year, primarily coming from the Enterprise roll out and the Punch replacement and upgrade programme. The Directors are also encouraged by further new orders and installations from other customers such as Belhaven, Eldridge Pope, Camerons, Youngs and, in particular, Union Pub Company which has agreed to roll out Dispense Monitoring installations across the whole of its tenanted estate. The Group's ongoing high levels of new system sales are substantially increasing the business' proportion of recurring income streams from associated support service contracts. The Directors anticipate continued high levels of new sales and further growth in the level of support service income as Brulines' installation base increases. As at 31 July 2006, the Group had over 16,000 Dispense Monitoring System installations.

Following development of its BQM process, the Group has commercial trials ongoing with Scottish & Newcastle, Fullers and Caledonian Breweries, with initial results being positive. Further trials of BQM have been secured with Greene King and Wetherspoons and the Group has been encouraged by interest from Punch following successful BQM trials. Furthermore, Brulines is actively involved with Cask Marque in ongoing initiatives on beer quality.

On 31 August 2006, Machine Insite completed the acquisition of the trade and certain of the assets of CMS, a machine management business with whom Brulines has developed an AWP machine data management and analysis product and service using web based technology. New business has been gained for Machine Insite from S.A. Brain and MOTO.

## REASONS FOR ADMISSION AND USE OF PROCEEDS

The Group is seeking Admission to:

- repay Derrick Collin's loan note and reduce its bank indebtedness, both of which were incurred following the management buy-out of Brulines;
- raise funds to exploit growth opportunities within complementary markets, both in the UK and in international markets;
- raise the profile of the Group;
- enable the Group to recruit, retain and incentivise key staff; and
- better position the Company to take advantage of both organic growth and acquisition opportunities as they arise.

**SUMMARY OF THE PLACING**

The Placing comprises an offer by the Company of 6,504,065 Placing Shares to raise gross proceeds of approximately £8.0 million (£7.0 million, net of expenses) and the sale of an aggregate of 9,402,533 Existing Ordinary Shares by the Selling Shareholders. The Placing Shares will represent 27.1 per cent. of the Enlarged Ordinary Share Capital of the Company.

The Management Shareholders and Derrick Collin have entered into lock-in and orderly market arrangements with RSM Robson Rhodes Corporate Finance and Cenkos Securities.

Further details of the Placing are set out in paragraph 8.14 of Part VI of this document.

**RISK FACTORS**

Risk factors in relation to the Group's business and financial condition, its industry and markets and an investment in the Ordinary Shares are set out in Part II of this document.

## PART I

### INFORMATION ON THE GROUP

Financial information has been extracted without material adjustment from the Accountants' Reports set out in Parts III and IV of this document. Investors should read the whole document and not just rely on key or summarised information.

#### 1. INTRODUCTION

The Group is the leading provider of volume and revenue protection systems for draught alcoholic drinks for the UK Licensed on-trade, in particular the tenanted pub sector.

The principal activity of the Group is to measure, remotely harvest, audit and act on important operational data, primarily for owners of licensed premises but also for licensees. The Dispense Monitoring division, which represents the Group's core product, measures the actual volume of liquid dispensed each hour against legitimate deliveries and protects the pub owners from the potential loss of revenue from 'buying-out'. Dispense Monitoring systems have been installed in over 16,000 sites as at 31 July 2006.

During the current financial year, the Group has developed its BQM product into commercial trials with three customers BQM provides a mechanism for owners of licensed premises to measure the quality of draught alcoholic products being served on their premises. On 31 August 2006, Machine Insite acquired the trade and certain of the assets of CMS which is involved in the monitoring of AWP (fruit and gaming) machines.

The Group enjoys strong client relationships, reflecting high levels of customer service, with its principal customers having signed three to six year all-inclusive support service contracts covering telecommunication costs, service, warranty and the provision of data management and analysis.

Since Brulines was bought back by Derrick Collin and following the appointment of James Dickson as Managing Director, the business has had a strong financial record in terms of revenue growth, profitability and cash generation, with a significant and growing level of turnover arising from support service contracts.

#### 2. HISTORY

The business concept was founded in the early 1990s by Derrick Collin, who following the 1989 Beer Orders Act had bought 21 tenanted pubs from Scottish & Newcastle and realised that his tenants were buying beer illicitly outside of the Tie. After a period of product development and market research, the original product was released onto the market in 1995.

In December 1999, the business was acquired by Comprehensive Business Services PLC ("CBS"), an AIM listed cash shell for a total consideration of £4.35 million, part of which was satisfied by the issue of ordinary shares in CBS. After two successful years trading, the business incurred losses in the year ended 31 March 2002. Derrick Collin made an offer to re-acquire the business, which was accepted by the board of CBS and its shareholders and CBS was subsequently placed into members' voluntary liquidation.

In April 2003, James Dickson, who has extensive experience in the brewing and pub industries, joined Brulines as Managing Director and in May 2005 led a management buy-out of the business. In October 2005, Brulines gained a substantial six year contract with Enterprise.

Following the management buy-out, Derrick Collin relinquished his executive duties and became a non-executive director of the Company. On 10 May 2006 Derrick Collin resigned his directorships of both the Company and Brulines.

#### 3. BACKGROUND TO THE INDUSTRY

Following a monopolies inquiry into the brewing industry, the UK government introduced the Beer Orders Act in 1989 to control vertical links between the large brewers and pub retailing with the aim of widening consumer choice. Under the terms of the Beer Orders Act, the major brewers with estates in excess of

2,000 were required either to cease brewing or to free the majority of their tenanted pub estate from any purchasing Tie.

As a result of the Beer Orders Act, the major brewers started to dispose of a substantial proportion, if not all, of their estates and independent Pubcos were formed to acquire these estates, many of which were tenanted estates.

The nature of a tenancy requires the tenant firstly to pay a below market rent to the Pubco and secondly to purchase, *inter alia*, beer through the Tie. The Pubco's income stream is therefore very dependent on the level of deliveries to its tenants of products governed by the Tie.

The price at which a tenant, through the Tie, has agreed to purchase beer is frequently more expensive than those prices for beer available within the wholesale drinks market, thereby creating an incentive for tenants to purchase beer in contravention of the Tie.

The Directors believe that Pubcos are aware that unauthorised supply is a growing concern and that they have largely developed a zero-tolerance attitude towards buying-out. Historically, the only information available to the Pubcos was the volume of beer that had been legitimately purchased by its tenants through the Tie and not the level of sales made by its tenants.

The potential effect of unauthorised supply for Pubcos can be threefold: loss of volume discount, reduced rent and lower property values resulting from 'apparent' under trading.

#### **4. BUSINESS OVERVIEW**

The Group is the leading provider of volume and revenue protection systems for draught alcoholic drinks for the UK Licensed on-trade, in particular the tenanted pub industry.

##### **Dispense Monitoring Systems**

Dispense Monitoring is the dominant core product of the Group and involves the measuring of actual volume dispensed through each font every hour.

Initially Brulines developed its own data communication platform known as EDIS. In recent years, however, Brulines has partnered with Box Telematics to develop the latest version of its communications platform, the edisBOX. Box Telematics is based in the West Midlands and is a specialist in 'wire free' telecommunication installations, and has strong links with Orange. The edisBOX enables data to be downloaded from a remote location over a GSM connection, rather than by a modem and telephone line as had previously been the case.

When Brulines installs a Dispense Monitoring system, an EDIS 2 or edisBOX system is sited in the pub and flow meters are inserted between the keg and the tap for each font. The flow meters send dispense volume data to the edisBOX through pulse signals and this information is currently downloaded once a week to Brulines. This dispense data is then matched with known delivery/purchase information provided by the Pubco. The data is then reviewed by Brulines' data audit teams who analyse the information and prepare reports for each individual site for each customer. The Directors believe that one of Brulines' strengths is its ability to add value to the collected data by fast turnaround presentation, analysis and website exception reporting.

Historically, the main focus of Brulines was the sale of EDIS systems with less emphasis on providing additional support services to customers. Since the business was bought back by Derrick Collin, and James Dickson's appointment as Managing Director in 2003, the emphasis of the business has moved to providing value added support services for its customers in addition to sales of Dispense Monitoring units.

This has led to Brulines selling the majority of its Dispense Monitoring systems with an all-inclusive support service package, typically for between three and six years. This service package, for which Brulines is paid a recurring fee for each installation, covers:

- service;
- warranty;
- data management and analysis; and
- telecommunication costs.

This has changed the business from being dependent on, potentially, lumpy sales to having a strong and growing support service income, which in the year ended 31 March 2006 accounted for approximately 34.2 per cent. of turnover.

The number of installed units has increased significantly over the last three years from 6,800 to over 14,100 as at 31 March 2006, with a further 2,000 units installed during the first four months of the current financial year. Brulines currently enjoys sole supplier status to Punch, which the Directors believe intends ultimately (where lease agreements allow and where economically viable) to have complete coverage of their tenanted and leased estate, and in September 2005 Brulines signed a contract with Enterprise to install edisBOX systems in 17 of Enterprise's 21 geographic regions.

Whilst the focus of the business is inevitably towards Pubcos, the Directors believe that licensees are also able to benefit from the information provided by Brulines through better evaluation and control of their businesses.

### **Volume Recovery Services**

This division provides an interface between the Pubco and the tenants where it is suspected that the tenant has been buying-out, with one of its roles being to seek financial recompense on behalf of Brulines' customers.

The Directors believe that VRS addresses a market opportunity in that, with some Pubcos, the business development managers may find it difficult both to provide the technical development support for tenants and at the same time to regulate the Tie.

Simon Collin heads a team, including dedicated 'contractors', who:

- identify, address and recover lost volumes on behalf of customers;
- remove the confrontational element of 'buying-out' from the Pubcos; and
- help to refocus the Pubco's business development manager resources.

The credibility of the data analysis and services provided by Brulines has been demonstrated by VRS having led, as at 31 August 2006, to nearly 200 injunctions against tenants, with a 100 per cent. success rate, recovering approximately £3 million for its customers in liquidated damage fines in the period since its introduction. The Directors estimate that approximately 28,000 visits to licensed premises will be made by the VRS team in the current financial year.

### **Brand Quality Monitoring**

Brulines has developed an intelligent flow meter ("IFM") which is able to measure temperature, flow rate and liquid type, in addition to volume. By utilising the IFM in the Brand Quality Monitoring ("BQM") product Brulines can remotely capture five of the seven industry recognised key success factors for the "perfect pint" being line cleaning, throughput, cellar temperature, dispense temperature and flow rate, leaving only cleanliness of glass and dispense technique as variables (assuming that the beer supplied is of the required quality).

The Directors believe that within the drinks and, in particular, the beer industry, quality at the point of dispense is becoming increasingly important and that focus on product quality is becoming more evident as pub owners and brewers compete for market share against a background of falling on-premises beer consumption.

This belief is evidenced by industry initiatives such as the British Beer & Pub Association's 'beautiful beer' campaign, Diageo's 'Every Serve Perfect' campaign, InBev's Stella Quality investment, and the growth in membership and activity (beyond cask ales) of Cask Marque. Brulines was invited by Cask Marque to its annual general meeting to give a presentation on the BQM process and is actively involved with Cask Marque in ongoing initiatives on beer quality.

The Directors believe that Brulines' ability to provide report suites and automated exception reporting to target resource and improve return on investment has the potential to enhance the industry's approach to beer quality by enabling highly focused technical and training investment, targeted mystery drinking, increased productivity, improved quality and sales uplift.

Following development of its BQM process, the Group has commercial trials ongoing with Scottish & Newcastle, Fullers and Caledonian Breweries, with initial results being positive. Further trials of BQM have been secured with Greene King and Wetherspoons and the Group has been encouraged by interest from Punch following successful BQM trials.

Brulines recently instructed its patent agents, Rouse Patents, to investigate Brulines' ability to patent its BQM technology and process. During the course of this investigation, Rouse has identified two existing GB patents, held by third parties, which would appear to cover, *inter alia*, elements of the BQM process and which Brulines could potentially be infringing with its BQM process. Rouse Patents has advised the Company that, were a claim to be brought against Brulines in relation to either patent, it believes that such claim could be successfully challenged on the grounds of prior art identified as part of this investigation.

### **AWP Monitoring**

Recognising the opportunity provided by a large installed base of communication platforms, Brulines has been keen to develop potential additional complementary income streams.

Together with CMS, Brulines has developed a web-based reporting package to allow remote monitoring of AWP machines and believes this provides an attractive opportunity for new and existing customers.

The Directors believe that the key features of the AWP monitoring service are:

- independent actual management of performance data;
- it enables a 100 per cent. cash to meter security validation;
- it enables a more focused machine management approach;
- it allows a combination of existing Brulines dispense monitoring data and machine income data; and
- it allows data to be available via the web.

The Directors believe that the service will provide significant competitive advantage over existing machine management companies by virtue of Brulines' existing data communications platform in over 16,000 sites and by being able to provide customers with both dispense monitoring and machine income data.

On 31 August 2006, Machine Insite (a newly formed subsidiary of the Company) acquired the trade and certain of the assets of CMS for a maximum consideration of £180,000, dependent upon the results of Machine Insite. Mike Moran, the owner of CMS, will join Machine Insite as a director. In the year ended 31 December 2005, CMS recorded a loss before taxation of £100,000 on a turnover of £513,000.

The CMS business has recently won two new contracts for S.A. Brain and MOTO and the response from further potential customers, following presentations, has been encouraging. The Group is also developing a product for the remote capture of data to enhance the AWP monitoring service.

## **5. GROWTH STRATEGY**

The Group's strategy for its future growth is centred around the following:

- The core dispense monitoring business is well positioned to deliver sustained growth by increasing the number of installations in the tenanted market. Brulines is the market leader with an estimated coverage of approximately 52 per cent. of the tenanted market as at 31 July 2006. In addition, Brulines expects to benefit from migration of managed pubs to the leased sector as the turnover hurdle rate for a successful managed pub increases. Brulines intends to increase this significantly with greater penetration of the tied estates by focusing on:
  - growth of existing long term contracts in the growing and acquisitive customers;
  - proven capability to install and service its growth plans using its own in-house operations;
  - strong service backed by service charter and financial guarantees;
  - proven VRS with strong customer testimonials; and
  - edisBOX becoming the key information provider to customers' management information systems.

Furthermore the Brand Quality Monitoring technology can be used to enhance the current dispense monitoring offering.

In addition, the Group intends to start marketing to the independent free trade sector of the market, although this is likely to be on a rental basis due to the relatively high capital cost of dispense monitoring systems.



- VRS provides a growth opportunity as the operation is expanded and the VRS concept is tested beyond the tenanted sector.

VRS is evolving to a stage where it may provide complete pub audits with potential for new revenue streams in the future, such as:

- stock checks;
  - legislative inspections;
  - AWP machine audit and regulation; and
  - pub quality audits.
- The Group plans to gain penetration into the managed sector by providing a product portfolio that comprises dispense monitoring, brand quality monitoring and AWP machine management.
  - AWP Machine Monitoring systems' commercial launch took place on 1 September 2006 following the acquisition by Machine Insite of the trade and certain of the assets of CMS. The market place has already responded positively to recent joint presentations by the Group and CMS, with new business having recently been won from S.A. Brain and MOTO and several Pubcos seeking follow up visits and trial presentations.
  - The Directors believe that the success of the business can be replicated in other countries, although the dynamics of the particular marketplace may differ slightly to those in the UK. Brulines has had preliminary discussions with third parties about overseas expansion and will continue to evaluate opportunities. Any overseas expansion is likely to be made in partnership, both financially and commercially, with local operators who have direct knowledge of their local licensed industry and the relevant contacts necessary for an effective sales channel.
  - The Directors believe that opportunities exist to grow the Group through acquisition of businesses offering complementary products or services into the licensed trade where those businesses could be enhanced by either the Group's technology platform or customer base.

## 6. LICENSED PREMISES AND CUSTOMERS

The Directors estimate that the population for licensed premises in the UK is approximately as follows:

Pubs	—	tenanted/leased	31,000
	—	managed	12,000
	—	independent	17,000
			<hr/>
			60,000
Hotels, Restaurants, Bars			58,000
Clubs			29,000
			<hr/>
			147,000
			<hr/> <hr/>

Source: Pub Industry Handbook (2005); British Beer & Pub Association.

The tenanted/leased pub market is dominated by Punch Taverns and Enterprise, and the Directors estimate that the approximate market share in this industry of the key participants is as follows:

	No.	%
Punch Taverns	7,850	25.3
Enterprise Inns	7,700	24.8
Union Pub Company	1,900	6.1
Admiral Taverns	1,800	5.8
Scottish & Newcastle	1,600	5.2
Greene King	1,500	4.8
Others	8,650	28
	<hr/>	<hr/>
	31,000	100
	<hr/> <hr/>	<hr/> <hr/>

The Directors believe that Brulines enjoys an excellent relationship with the key participants noted above (as well as other significant tenanted pub operators) and in particular with Punch and Enterprise. The Directors also believe that these Pubcos are the main consolidators within the tenanted pub market and that Brulines will benefit from any further consolidation both from an increased share of the market for its customers and also from the 'churn' of their estates into smaller Pubcos.

Brulines currently has sole supplier status with Punch, which the Directors believe intends ultimately (where lease agreements allow and where economically viable) to have complete coverage of its tenanted and leased estate. In December 2005, Punch announced the acquisition of Spirit Group, which owned an estate of 1,832 managed pubs, and stated that it intended to convert around 750 of the acquired pubs to a leased/tenanted format over the first two years. Brulines has already started to receive the first orders from this conversion. Brulines has also recently received an order from Punch for the replacement and upgrade of 1,550 units, together with a five year all-inclusive service package.

In October 2005, Brulines signed a significant contract with Enterprise to install edisBOX systems (together with an associated six year all-inclusive service package) in 17 of Enterprise's 21 geographic regions. Approximately one third of the estimated total installations were completed by 31 March 2006, with the balance estimated to be completed during the current and next financial years.

As set out above, the Directors estimate that Punch and Enterprise account for approximately 50% of the tenanted/leased pub sector. The strong relationships with, and recent acquisitions by, Punch and Enterprise have led to them being Brulines' dominant customers accounting for 74.2 per cent. 76.3 per cent. and 81.2 per cent. of Brulines' turnover in the three financial years ended 31 March 2006 respectively.

## 7. FINANCIAL INFORMATION

The Company was established to effect the management buy-out of Brulines in May 2005 and has acted purely as a holding company. Financial information on the Company for the period ended 31 March 2006 is set out in Part III of this document. The consolidated results of the Company set out in Part III represent the results of the Group for the period from 19 May 2005 (the date of the management buy-out) to 31 March 2006.

The underlying business of the Group has been operated through Brulines and the following is a summary of the trading results of Brulines for each of the three years ended 31 March 2006. These figures have been extracted without adjustment from the financial information set out in Part IV of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	<i>Years ended 31 March</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>(£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>
Turnover	6,847	9,159	12,035
Gross profit	3,265	4,520	5,566
Gross profit margin	47.6%	49.3%	46.2%
Earnings before interest, tax, depreciation and amortisation	1,500	2,397	3,066
Operating profit	1,081	1,967	2,681

The results for the three years ended 31 March 2006 reflect the strong growth of the business with the installed unit base growing from approximately 6,800 to 14,100 over this period (year ended 31 March 2004 – 1,575 units installed; 2005 – 2,106; 2006 – 3,652), primarily arising from the strong relationships with Punch and Enterprise. This in turn has also led to a significant increase in the levels of support service income, with an unaudited analysis of turnover being as follows:

	Years ended 31 March		
	2004	2005	2006
	£'000	£'000	£'000
Unit sales	3,609	3,992	5,986
Support service income	2,135	3,581	4,116
VRS	520	911	1,366
Other	583	675	567
	<u>6,847</u>	<u>9,159</u>	<u>12,035</u>

(Source: Brulines management accounts)

In October 2005, Brulines agreed a significant contract with Enterprise to install edisBox systems in 17 of Enterprise's 21 geographic regions. Approximately one third of the estimated total installations were completed by 31 March 2006, with the balance estimated to be completed during the current and next financial years.

Over the three years ended 31 March 2006, support service income has nearly doubled, primarily as a direct result of the increase in EDIS/edisBox installations increasing from 6,800 to 14,100 over the same period. However, the support service income for the year ended 31 March 2006 did not grow in line with the increase in the number of the installed base due to installations for the Enterprise contract being heavily weighted to the last three months of that financial year.

Gross margin in the year ended 31 March 2006 slightly declined largely as a result of the Enterprise contract, in terms of both pricing for new units and also having to recruit and train new and contract engineers in line with the agreed installation programme.

The Directors anticipate a small decrease in gross margins in the current financial year as Brulines completes its record high level of installations arising from its significant order book. Thereafter the Directors would expect the gross margin to return to historic levels.

## 8. CURRENT TRADING AND PROSPECTS

The Group continues to trade strongly with sales of over 2,000 new Dispense Monitoring units in the first four months of the current financial year, primarily from the Enterprise contract and Punch replacement and upgrade programme. The Directors are also encouraged by further new orders from other customers such as Belhaven, Eldridge Pope, Camerons, Youngs and, in particular, Union Pub Company which has agreed to roll out Dispense Monitoring installations across the whole of its tenanted estate. The Group's ongoing high levels of new system sales are substantially increasing the business' proportion of recurring income streams from associated support and service contracts. The Directors anticipate continued high levels of new sales and further growth in the level of support service income as the installation base increases. As at 31 July 2006, the Group had over 16,000 Dispense Monitoring system installations.

Following development of its BQM process, the Group has commercial trials ongoing with Scottish & Newcastle, Fullers and Caledonian Breweries, with initial results being positive. Further trials of BQM have been secured with Greene King and Wetherspoons and the Group has been encouraged by interest from Punch following successful BQM trials. Furthermore, Brulines is actively involved with Cask Marque in ongoing initiatives on beer quality.

On 31 August 2006, Machine Insite completed the acquisition of the trade and certain of the assets of CMS, a machine management business with whom Brulines has developed an AWP machine data management and analysis product and service using web based technology. New business has been gained for Machine Insite from S.A. Brain and MOTO.

## 9. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### 9.1 Executive Directors

#### James William Dickson, BSc, MBA, Chartered Director, aged 47 (Chief Executive)

Prior to joining Brulines in 2003, James had worked in the brewing industry since 1990. Following an MBA at IMD, Lausanne in 1989 he joined Scottish & Newcastle, where he held several posts including Operations Director, and National Account Director for Pub Groups and Wholesalers. In 1997 James

joined Whitbread as UK Dispense Director before being appointed Marketing & Sales Director for Heineken.

**Mark Hardwick Foster, FCA, aged 44 (Finance Director)**

Mark joined the Company in January 2006, having previously been Finance Director of Harrison & Clough Limited, a large independent distributor of fasteners and hand tools. Prior to this, Mark had worked as a Financial Controller in National Power plc, and Chief Financial Accountant at Pubmaster Limited (acquired in 2003 by Punch). Mark trained and qualified as a Chartered Accountant with KPMG. Mark is also responsible for the Group's company secretarial, human resources department and central support services department.

**Duncan James Noble, aged 32 (Operations Director)**

Duncan joined Brulines as Operations Director in July 2003 and was made a Director of Brulines in December 2003. Prior to joining Brulines, Duncan had held management roles with Ericsson which he joined after spending 6 years in the British Army. In addition to being Operations Director, Duncan is also responsible for the Information Technology and Brand Quality Monitoring departments. Duncan was made a Director of the Group in May 2006.

**9.2 Non-Executive Directors**

**James Newman, FCA, MCT, aged 56 (Non-executive Chairman)**

James, who was appointed Non-Executive Chairman of the Group in May 2006, was Chairman of Waste Recycling Group plc until its takeover in July 2003. He was previously Deputy Chief Executive and Group Finance Director of Kelda Group plc, and before that Group Finance Director of various public companies, including BRIDON plc and Watmoughs (Holdings) plc.

He is currently non-executive Chairman of Straight plc and Infoserve Group plc, and is a non-executive director of Dignity plc, Scott Wilson plc and a number of other companies. He is also a Governor of Sheffield Hallam University. He is a Chartered Accountant and a member of the Association of Corporate Treasurers.

**Stewart Gilliland, BA (Hons), aged 49 (Non-Executive Director)**

Stewart joined the Company as a Non-Executive Director on 2 May 2006. In 1984 following sales roles with Pedigree pet foods, Stewart joined Whitbread's beer division where he held senior sales and marketing roles, becoming Chief Executive Officer of this division when the business was acquired by Interbrew UK in 2001. In September 2003 he was appointed President Canada, and in January 2005 was promoted to Zone President Western Europe, leaving InBEV business to return to the UK in January 2006. Stewart joined Müller Dairy (UK) Limited as Chief Executive in July 2006.

**9.3 Other Senior Management**

**Steven Brown, aged 31 (Head of Information Technology)**

Steven joined Brulines in 2000, originally as Head of Software before being appointed to his current position leading a department of 8 people who are responsible for the design and delivery of software, application and web based services for the Group.

**Ron Colley, aged 51 (Commercial and Marketing Director)**

Ron, who joined Brulines in May 2006, is a sales and marketing professional, with experience in developing and executing sales and marketing strategy. Most recent roles were Customer Service Director of Smartertrader Limited for three years, and before that, eight years as Marketing and Development Director at Landmark Cash & Carry Group.

**Simon Collin, aged 36 (VRS Director)**

Simon joined Brulines in April 1996 and was instrumental in developing the VRS Division, overseeing a department of 30 personnel involved in identifying and recovering lost revenues for customers. Simon has tendered his resignation to pursue other interests, but has agreed to remain with Brulines until 31 December 2006 to ensure a smooth handover with customers.

### **Gareth James, aged 39 (Account Director – Licensed Retail)**

Gareth joined Brulines in June 2004 as Customer Service Manager and in early 2005 he was appointed Director of Business Development with responsibility for the Data Auditing Department as well as new business. In September 2006 he was appointed Account Director – Licensed Retail with responsibility for Brulines business and sales to all pub group customers excluding Enterprise and Punch. Prior to joining Brulines, Gareth was a Captain in the British Army.

### **Alison Martinez, aged 38 (Customer Development Director)**

Alison joined Brulines as an Account Manager in August 2003, having previously been a Business Development Manager with Punch. In June 2004 she was promoted to the role of Customer Development Director with responsibility for sales to the tenanted sector, and for a team of four Account Managers, who ensure that Brulines service delivery meets its customers' expectations. In September 2006 Alison was appointed Customer Services Director with responsibility for Data Auditing Department, Volume Recovery Service, Enterprise, Punch and Brulines customer help desk.

## **9.4 Employees**

The number of employees of the Group (including Directors) and their functions during the three years ended 31 March 2006 was as follows:

	31 March		
	2004	2005	2006
Management	6	6	6
Customer Service/Data Audit	27	40	62
Operations	40	41	55
Information Technology	4	5	7
Account Development	4	4	5
Administration	11	8	8
	<u>92</u>	<u>104</u>	<u>143</u>

## **10. PROPERTY**

The Group currently leases a 10,000 sq.ft. property at Preston Farm Business Park, Stockton on Tees, with six years of the lease remaining. Following the growth of the business in recent years and in anticipation of its future growth plans, the Group has been looking for new premises.

The Group is currently in negotiations with a property developer for the purchase of new offices, close to its existing location, to be constructed on a bespoke basis for the Group, which would provide in excess of 15,000 sq.ft. The anticipated cost of the premises, fully fitted out, is likely to be around £3 million and the Group has provisionally arranged bank finance to support the potential acquisition of the property.

## **11. SHARE SCHEMES**

The Directors believe that the success of the Company will depend to a high degree on the future performance of the management team. The Directors also recognise the importance of ensuring that all employees are well motivated and identify closely with the Company's success.

The Company has established three share option plans: the EMI Plan, the Executive Plan and the Employee Plan (together the "Plans"). A summary of the rules of each of the Plans is set out in paragraphs 6.1, 6.3 and 6.5 of Part VI of this document.

Options over 340,000 Ordinary Shares have been granted at a price of 50 pence per Ordinary Share and over 230,000 Ordinary Shares at a price of 67.2 pence per Ordinary Share under the EMI Plan. No further options will be granted under this Plan.

In addition, options to acquire 430,000 Ordinary Shares have been granted under the Executive Plan, further details of which are set out in paragraph 6.4 of Part VI of this document. These options are conditional on Admission and have an exercise price per Ordinary Share equal to the Placing Price. The exercise of 40 per cent. of these options is subject to certain performance criteria.

Options to acquire 36,000 Ordinary Shares and 24,000 Ordinary Shares at the Placing Price have been granted to James Newman and Stewart Gilliland respectively, conditional upon Admission. The exercise of 40 per cent. of these options is subject to the same performance criteria as those granted under the Executive Plan.

Options to acquire an aggregate of 286,500 Ordinary Shares have been granted to 127 employees under the Employee Plan. These options are conditional on Admission and have an exercise price per Ordinary Share equal to the Placing Price.

Following Admission the number of unissued Ordinary Shares under option at any one time will not exceed 10 per cent of the Company's issued share capital from time to time. Options granted under the Plans on or before Admission will not count towards this limit.

Full details of the options granted under the Plans are set out in paragraphs 6.2, 6.4 and 6.6 of Part VI of this document.

On 3 May 2006 the Company established the Employees' Trust to acquire 23,000 Old Ordinary Shares from Stephen James and to facilitate in the delivery of Ordinary Shares under the Plans. A summary of the terms of the Employees' Trust is set out in paragraph 6.7 of Part VI to this document.

## **12. CORPORATE GOVERNANCE**

The Directors recognise the importance of corporate governance and intend, in so far as practicable, and having regard to the Company's size and constitution of the Board, to comply with the Combined Code on Corporate Governance applicable to companies which are listed on the Official List.

The Directors have established an audit committee and a remuneration committee. Each of these committees comprises the two Non-executive Directors and will meet regularly, and at least twice a year.

The audit committee, consists of James Newman, who will chair the committee, and Stewart Gilliland. The audit committee will determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Group reporting, internal control and risk management procedures and the scope, quality and results of the external audit.

The remuneration committee consists of Stewart Gilliland, who will chair the committee, and James Newman. It will review the performance of the executive directors and the senior management team and will set their remuneration and benefits packages, including bonuses and share schemes. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees.

The Company has adopted a share dealing code for Directors and employees after Admission. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings.

The Directors intend to establish a nominations committee, consisting of James Newman, Stewart Gilliland and James Dickson.

## **13. DIVIDEND POLICY**

The declaration and payment of future dividends is subject to the Group's underlying profitability, working capital, future prospects and other factors deemed to be relevant at the time.

Notwithstanding the above, the Directors believe that the business is cash-generative and intend to adopt a progressive dividend policy. The Directors intend that the first dividend to be paid by the Company will be a final dividend in respect of the year ending 31 March 2007.

## **14. DETAILS OF THE PLACING**

Cenkos Securities has conditionally placed, as agent for the Company and pursuant to the Placing Agreement, 6,504,065 Placing Shares, representing in aggregate approximately 27.1 per cent of the Enlarged Ordinary Share Capital of the Company. The Placing is conditional, *inter alia*, on Admission taking place on 6 October 2006, or such later date as Cenkos Securities, RSM Robson Rhodes Corporate Finance and the Company may agree, being not later than 10 November 2006. After the expenses of the Placing and Admission payable by the Company, estimated to be £1.0 million in total excluding VAT, the Placing is expected to raise £7.0 million for the Company.

The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of this document.

Application has been made for the Placing Shares and the Existing Ordinary Shares to be admitted to AIM. The Placing Shares have not been marketed in whole or in part to the public in conjunction with the application for Admission. It is expected that Admission will take place on 26 October 2006.

Cenkos Securities has also conditionally placed, as agent for the Selling Shareholders and pursuant to the Placing Agreement, 9,402,533 Existing Ordinary Shares. The Sale Shares represent, in aggregate, approximately 39.2 per cent of the Enlarged Issued Share Capital. The Selling Shareholders have agreed to meet any liability to stamp duty or stamp duty reserve tax at the basic rate arising on the sale of their Existing Ordinary Shares in accordance with the terms of the Placing Agreement.

Further details of the Placing Agreement are set out in paragraph 8.14 of Part VI of this document.

## **15. REASONS FOR THE PLACING AND USE OF PROCEEDS**

The Directors believe that Admission to AIM will assist the Company in achieving its growth aspirations. The net proceeds from the Placing are estimated to amount to approximately £7.0 million and will be used as follows:

- £4.1 million to enable the Company to repay Derrick Collin's loan note which was issued by the Company to finance part of the consideration payable for the acquisition of Brulines; and
- £2.9 million to repay bank debt and to provide working capital for the Group for future growth.

The Directors believe that Admission will:

- strengthen the Company's balance sheet;
- raise the profile of the Group;
- enable the Group to recruit, retain and incentivise staff; and
- better position the Company to take advantage of both organic and acquisition opportunities for growth as they arise.

## **16. ADMISSION, SETTLEMENT AND DEALINGS**

The Company has applied for the Ordinary Shares in issue at Admission to be admitted to trading on AIM. It is expected that Admission will take place, and that dealings in the Ordinary Shares will commence, on 26 October 2006.

Application will be made for the Ordinary Shares to be admitted to CREST upon Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place through CREST.

CREST is a paperless settlement procedure which allows securities to be evidenced without a certificate and transferred other than by written instrument. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Notwithstanding the election by placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to a placee, or as it may direct, will be sent through the post at the placee's risk.

## **17. LOCK-INS AND ORDERLY MARKET ARRANGEMENTS**

The Management Shareholders have undertaken to RSM Robson Rhodes Corporate Finance and Cenkos Securities that they will not, save in certain limited circumstances:

- (a) sell or dispose of any Ordinary Shares in which they are interested until the publication by the Company of its interim results for the six months ending 30 September 2007;
- (b) sell or dispose of more than 25 per cent. of their Ordinary Shares during the period from the announcement of the Company's interim results for the period ending 30 September 2007 until the publication by the Company of its preliminary results for the year ending 31 March 2008; and

- (c) sell or dispose of more than 25 per cent. of their Ordinary Shares during the period from the announcement of the Company's preliminary results for the year ending 31 March 2008 until announcement of the Company's interim results for the six months ending 30 September 2008.

The Management Shareholders have entered into an orderly market agreement with Cenkos Securities in relation to (b) and (c) above.

Derrick Collin has also undertaken to RSM Robson Rhodes Corporate Finance and Cenkos Securities that he will not, save in certain limited circumstances, sell or dispose of any Ordinary Shares in which he is interested until publication by the Company of its preliminary results for the year ending 31 March 2007. In addition, he has entered into an orderly market agreement with Cenkos Securities for the following 12 month period.

## **18. UK TAXATION**

The attention of investors is drawn to the information regarding taxation in relation to the Placing and Admission which is set out in Paragraph 7 of Part VI of this document. These details are, however, intended only as a general guide to the current position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

## **19. ADDITIONAL INFORMATION**

Prospective investors should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. In particular, the attention of potential investors is drawn to the risk factors set out in Part II of this document and the additional information set out in Part VI of this document.



## PART II

### RISK FACTORS

An investment in Ordinary Shares involves a high degree of risk. Accordingly, before deciding whether to invest in the Ordinary Shares, prospective investors should carefully consider the risks described below together with all other information contained in this document. If any of the following risks actually occur, the Group's business, financial condition and/or results of operations could be materially and adversely affected. In such a case, the trading price of the Ordinary Shares would decline and an investor may lose all or part of his investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business and the risks described below do not necessarily comprise all those associated with an investment in the Group.

#### 1. BUSINESS RISKS

##### 1.1 Reliance on key customers

The Directors estimate that Punch and Enterprise own approximately 50 per cent. of the tenanted pub sector. Punch and Enterprise are significant customers of the Group and in the year ended 31 March 2006 accounted for 81.2 per cent. of Brulines' turnover. The loss of either or both customer(s) would have a significant detrimental effect on the Group.

##### 1.2 Reliance on key suppliers

Brulines' telecommunications platforms have been developed in conjunction with, and are manufactured by, Box Telematics, which has granted Brulines an exclusive 25 year licence to use the technology in the leisure sector. Box Telematics own the intellectual property rights to the edisBOX hardware and firmware designs. Should Box Telematics cease trading, Brulines has the right to recover the designs, which are lodged with a solicitor, and which include component and supplier costs. In these circumstances Brulines would need to find an alternative supplier, which could result in delays in being able to install edisBOX to customers.

##### 1.3 Size of market and new products

Brulines' core product is dispense monitoring, which is primarily aimed at the tenanted pub sector, where Brulines is the dominant player. The tenanted pub sector is estimated to amount to 31,000 pubs and may not grow to any significant extent.

Consequently Brulines' turnover relating to new unit sales may decrease or even cease as they near a saturation point in the sector, unless new products or markets can be developed and are commercially viable. Brulines currently has in excess of 16,000 installations representing approximately 52 per cent. of this market.

##### 1.4 Support service contracts

Brulines enters into support service contracts with customers to cover service, warranty, data management and analysis and telecommunication costs, typically for a three to six year period. There is no guarantee that these support service contracts will be renewed at the end of the initial contract period and, were they not to be renewed, the level of support service income would decrease.

##### 1.5 Competition

Brulines has limited competition in the products and services that it offers customers in the tenanted pub market. Although the Directors believe that there are high barriers to entry into this market, there is a risk of new competitors emerging which could have a significant effect on the position that Brulines currently occupies. In addition, Brulines is looking to enter new markets where there could be increased competition from businesses offering complementary products.

##### 1.6 Changes in legislation

The relationship between Pubcos and tenants has been the subject of inquiry by various bodies, most recently by the Select Committee on Trade and Industry of the House of Commons. Whilst no substantial changes have arisen from these inquiries, were the Tie to be abolished in the future, this might have a detrimental effect on Brulines' business.

## **1.7 International markets**

The Directors believe that one of the growth opportunities available to the Group is by expansion into international markets. Whilst Brulines has been successful in the UK, the dynamics of international markets may not be appropriate for Brulines' products.

## **1.8 Patents**

Rouse Patents have identified two existing GB patents, held by third parties, which would appear to cover, *inter alia*, elements of the BQM process and which Brulines could potentially be infringing with its BQM process. Were Brulines to be successfully challenged in relation to either or both of these patents, there could ultimately be a final injunction ordered preventing Brulines from selling or using the BQM product, together with an order for damages or an account of profit generated from BQM sales.

## **2. OTHER**

### **2.1 Accounting principles and standards**

Brulines prepared its financial statements in accordance with UK GAAP ("UK Generally Accepted Accounting Practice"). Companies listed on AIM will have to comply with International Financial Reporting Standards ("IFRS") for each year beginning on or after 1 January 2007. Therefore Brulines will have to comply with IFRS from 1 April 2007 and will need to prepare comparable data in accordance with IFRS for the year ending 31 March 2007. A detailed analysis of the impact that conversion from UK GAAP to IFRS will have on Brulines' financial results has not been undertaken, but a high level comparison of IFRS principles and the Group's current accounting practices has been carried out. This review has not identified any significant adverse impacts on reported earnings. There are also differences in the presentation of financial statements under IFRS compared to UK GAAP.

### **2.2 Dividends**

The payment of dividends in respect of Ordinary Shares will rely on the underlying performance of the Group and, in particular, the dividend policy mentioned in Part I of this document should not be construed as a dividend or profit forecast.

## **3. SHARES**

### **3.1 Investments in AIM quoted securities**

Investments in securities on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

### **3.2 Share price volatility and liquidity**

The share prices of quoted companies can be highly volatile and shareholdings illiquid. The prices at which the Ordinary Shares are quoted and the prices which investors may realise for their Ordinary Shares, will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect quoted companies generally. These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

### **3.3 Substantial future sales of Ordinary Shares could impact their market price**

Following the Placing, there will be 23,999,125 Ordinary Shares in issue. The possibility of sales of a substantial number of Ordinary Shares by the Shareholders following Admission could have an adverse effect on the market trading prices of the Ordinary Shares irrespective of the fact that the Directors and Selling Shareholders have agreed to certain restrictions on the sale of Ordinary Shares for various limited periods of time following Admission, as described in Part I of this document under the heading 'Lock-ins and Orderly Market Arrangements'.

## **PART III**

### **SECTION A**

#### **FINANCIAL INFORMATION ON THE COMPANY**

The historic financial information for the Company for the period from incorporation on 28 January 2005 to 31 March 2006 is set out in Section A of Part III of this document. The Company was established for the purposes of effecting the management buy-out of Brulines and has acted purely as a holding company. The consolidated results of the Group represent the results of the Group for the period from 19 May 2005 (the date of the management buy-out) to 31 March 2006. This financial information does not comprise statutory accounts within the meaning of section 240 of the Act. Statutory accounts for the period ended 31 March 2006 have been delivered to the Registrar of Companies.

In respect of the statutory accounts for the period ended 31 March 2006, RSM Robson Rhodes LLP, Chartered Accountants, have made an unqualified report under Section 235 of the Companies Act 1985 and such report did not contain any statement under section 237(2) or (3) of that Act.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of the Company for that period. In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial information of the Company and to enable them to ensure that the Company's financial information complies with the requirements of Annex 1 of the Prospectus Rules as applied by Part (a) of Schedule Two to the AIM Rules. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section B of Part III of this document sets out a report from Baker Tilly, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	<i>Period ended 31 March 2006 £</i>
<b>Turnover</b>	2	11,076,643
Cost of sales		(5,901,226)
		<hr/>
<b>Gross profit</b>		5,175,417
Administrative expenses		(3,009,026)
		<hr/>
<b>Operating profit</b>	3	2,166,391
Interest receivable	6	48,114
Finance costs	7	(588,092)
		<hr/>
<b>Profit on ordinary activities before taxation</b>		1,626,413
Tax on profit on ordinary activities	8	(627,397)
		<hr/>
<b>Profit on ordinary activities after taxation</b>	19	999,016
		<hr/> <hr/>
Dividend per share		–
		<hr/> <hr/>
<b>Earnings per share</b>		
Basic	9	77.83 pence
		<hr/> <hr/>
Diluted	9	77.83 pence
		<hr/> <hr/>

The results included above relate to the period from 19 May 2005 to 31 March 2006.

Turnover and operating profit all derive from continuing obligations.

There are no recognised gains or losses other than those shown in the profit and loss account above.

## CONSOLIDATED BALANCE SHEET

		<i>As at</i>
		<i>31 March</i>
		<i>2006</i>
	<i>Notes</i>	<i>£</i>
<b>Fixed assets</b>		
Intangible assets	10	9,382,325
Tangible assets	11	280,976
		<u>9,663,301</u>
<b>Current assets</b>		
Stocks	13	920,191
Debtors	14	6,238,448
Cash at bank and in hand		2,649,418
		<u>9,808,057</u>
<b>Creditors:</b> amounts falling due within one year	15	<u>(7,698,030)</u>
<b>Net current assets</b>		<u>2,110,027</u>
<b>Total assets less current liabilities</b>		11,773,328
<b>Creditors:</b> amounts falling due after more than one year	16	(9,024,431)
<b>Provisions for liabilities and charges</b>	17	(15,375)
		<u>2,733,522</u>
<b>Net assets</b>		<u>2,733,522</u>
<b>Capital and reserves</b>		
Called up share capital	18	1,734,506
Profit and loss account	19	999,016
		<u>2,733,522</u>
<b>Equity shareholders' funds</b>	20	<u>2,733,522</u>

## CONSOLIDATED CASH FLOW STATEMENT

		<i>Period ended</i> <i>31 March</i> <i>2006</i>
	<i>Notes</i>	<i>£</i>
<b>Net cash inflow from operating activities</b>	21	2,485,719
<b>Returns on investments and servicing of finance</b>		
Interest received		48,114
Interest paid		(562,364)
Interest element of finance lease rental payments		(25,728)
		<u>(539,978)</u>
<b>Taxation paid</b>		
UK corporation tax		(461,759)
<b>Capital expenditure</b>		
Payments for tangible fixed assets		(117,202)
Receipts from sale of tangible fixed assets		611,193
		<u>493,991</u>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertaking		(12,485,591)
		<u>(10,507,618)</u>
<b>Cash flow before financing</b>		<u>(10,507,618)</u>
<b>Financing</b>		
Repayment of facility		(322,048)
Capital element of finance lease rental payments		(291,511)
Repayment of loan note		(50,000)
Old Ordinary Shares issued		1,734,505
Bank funding		6,000,000
Loan notes		4,265,495
		<u>11,336,441</u>
<b>Increase in cash</b>	22,23	<u><u>828,823</u></u>

**NOTES TO THE FINANCIAL INFORMATION**

**1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial information.

**Basis of preparation**

The financial information has been prepared in accordance with the historical cost convention.

**Basis of consolidation**

The Group's financial information consolidates the financial information of Brulines (Holdings) Limited and its subsidiary undertaking drawn up to 31 March each year. The acquisition method has been used for consolidation. Investments held as fixed assets are stated at cost less provision for any impairment value. No profit and loss account is presented for Brulines (Holdings) Limited as permitted under section 230 of the Companies Act 1985. The profit for the period dealt with in the accounts of the parent company was £1,037,630.

**Goodwill**

Goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities.

Goodwill is shown in the balance sheet as an asset and is amortised evenly over its estimated useful economic life up to a presumed maximum of 20 years. In addition to systematic amortisation, the book value is written down to its recoverable amount when any impairment is identified.

**Other intangible fixed assets**

Patents and trademarks purchased by the Group are amortised to nil by annual instalments over their useful economic lives, generally their respective unexpired periods of 20 years.

**Fixed assets and depreciation**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Leasehold improvements	Period of the lease
Plant and machinery	50% reducing balance
Office equipment	25% per annum straight line
Motor vehicles	25% per annum straight line
EDIS Rental systems	Term of hire
Web site	33 <sup>1</sup> / <sub>3</sub> per annum straight line

Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

The website is used in the day to day running of the business. Planning costs and the ongoing costs of maintaining and operating the website are written off to the profit and loss account as incurred. Design and content development costs are capitalised, in accordance with UITF 29 'Website development costs', to the extent that they deliver demonstrable benefits to the Group and are amortised over three years.

**Leased assets**

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

## 1. Accounting policies (*continued*)

### **Government grants**

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate. Revenue based grants are credited to the profit and loss account when received.

### **Post retirement benefits**

The Group makes contributions into an executive pension plan in respect of one of the directors. The amount charged against profits represents the contributions payable in respect of the accounting period.

### **Research and development expenditure**

Development costs in respect of specific projects are capitalised in accordance with SSAP 13, "Accounting for Research and Development", and are written off over 4 years. The Directors consider that such costs should not be treated as realised losses for the purposes of determining the Company's distributable profits.

Expenditure on all other research and development is charged to the profit and loss account in the year in which it is incurred.

### **Stocks and work in progress**

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net book value is based on estimated selling price less further costs to completion. Payments received on account are deducted from work in progress or, if in excess of work in progress, are included within creditors.

### **Taxation**

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS19 deferred tax is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

### **Turnover**

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

## 2. Turnover

Turnover relates to the principal activity and is all within the United Kingdom.



### 3. Operating profit

	<i>Period ended 31 March 2006 £</i>
Operating profit is stated after charging:	
Auditors' remuneration:	
– audit	10,000
– other	11,620
– corporate finance (£254,434 debited to acquisition costs)	
Depreciation and other amounts written off tangible fixed assets:	
– owned	212,302
– leased	76,919
Operating lease rentals:	
– land and buildings	24,835
Amortisation of intangible fixed assets	432,493
Research and development expenditure not capitalised	53,542
	<hr/> <hr/>
And after crediting:	
Rentals received under operating leases	432,329
	<hr/> <hr/>

### 4. Directors

	<i>Period ended 31 March 2006 £</i>
Directors' emoluments	336,556
Pension contribution	–
	<hr/> <hr/>
	336,556

	<i>No.</i>
The number of directors accruing benefits under an executive pension plan	1
	<hr/> <hr/>

The amounts in respect of the highest paid director are as follows:

	<i>Period ended 31 March 2006 £</i>
Emoluments	78,692
Pension contribution	–
	<hr/> <hr/>
	78,692

The highest paid director did not exercise any share options during the period.

## 5. Staff numbers and costs

The average monthly number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	<i>Period ended 31 March 2006</i>
	<i>Number of employees</i>
Management and administration	124

The aggregate payroll costs of these persons were as follows:

	£
Wages and salaries	2,244,087
Social security costs	222,266
Other pension costs	—
	<u>2,466,353</u>

## 6. Interest receivable

	<i>Period ended 31 March 2006</i>
	£
Bank interest	48,114

## 7. Finance costs

	<i>Period ended 31 March 2006</i>
	£
Interest payable on bank loans and bank facility	562,364
Finance charges payable in respect of finance leases and hire purchase contracts	25,728
	<u>588,092</u>

## 8. Taxation

### a. Analysis of charge in period

	<i>Period ended 31 March 2006 £</i>
<b>Current tax</b>	
UK corporation tax on profits of the period	352,276
Tax on pre-acquisition profits	260,081
<b>Total current tax (note 8b)</b>	<u>612,357</u>
<b>Deferred tax (note 17)</b>	
Reversal of timing differences	15,040
	<u>627,397</u>

### b. Factors affecting tax charge for period

The tax assessed differs from the standard rate of corporation tax in the UK (30%). The differences are reconciled below:

	<i>Period ended 31 March 2006 £</i>
Profit on ordinary activities before tax	1,626,413
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	<u>487,924</u>
Effects of:	
Expenses not deductible for tax purposes	42,026
Goodwill amortisation	100,167
Capital allowances for period in excess of depreciation	(15,945)
Rate difference	(1,815)
<b>Current tax charge for period (note 8a)</b>	<u>612,357</u>

## 9. Earnings per Old Ordinary Share

The calculation of the earnings per Old Ordinary Share for the period, on both a basic and diluted basis, is calculated on the profit for the period of £999,016. The undiluted weighted average number of Old Ordinary Shares in issue during the period was 1,283,616. The diluted earnings per Old Ordinary Share takes account of share options outstanding, however, as the exercise prices were higher than the average market value in the period, there is no adjustment to the weighted average number of shares.

## 10. Intangible fixed assets

	<i>Goodwill</i> £	<i>Patents and trademarks</i> £	<i>Total</i> £
<b>Cost</b>			
Subsidiary acquisition	9,803,775	14,003	9,817,778
At 31 March 2006	<u>9,803,775</u>	<u>14,003</u>	<u>9,817,778</u>
<b>Amortisation</b>			
Subsidiary acquisition	–	2,960	2,960
Charge for the period	431,451	1,042	432,493
At 31 March 2006	<u>431,451</u>	<u>4,002</u>	<u>435,453</u>
<b>Net book value</b>			
At 31 March 2006	<u><u>9,372,324</u></u>	<u><u>10,001</u></u>	<u><u>9,382,325</u></u>

Goodwill relates to the difference between purchase costs and separable net assets of Brulines Limited at date of acquisition.

Consideration comprises:	£
Old Ordinary Shares	1,734,505
Loan notes	4,265,495
Cash consideration	6,115,000
Costs of acquisition	370,591
	<u>12,485,591</u>
Separable net assets of Brulines Limited as at 19 May 2005	
Intangible assets	11,043
Tangible assets	730,956
Stocks	651,063
Debtors	1,233,004
Cash	1,820,595
Creditors	(1,764,845)
	<u>2,681,816</u>
Goodwill	<u><u>9,803,775</u></u>
<b>Pre-acquisition performance of Brulines Limited</b>	
Summarised profit and loss account from 1 April 2005 to 19 May 2005	
Turnover	958,112
Operating profit	113,407
Profit before taxation	121,309
<b>Year ended 31 March 2005</b>	
Profit for the financial year	<u><u>1,377,946</u></u>

## 11. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>EDIS Rental systems</i>	<i>Website</i>	<i>Total</i>
	£	£	£	£	£	£	£
<b>Cost</b>							
Subsidiary acquisition	76,575	85,310	329,008	363,879	650,646	96,696	1,602,114
Additions	6,750	15,535	86,719	150,969	-	-	259,973
Disposals	-	-	-	(459,271)	(553,661)	-	(1,012,932)
At 31 March 2006	83,325	100,845	415,727	55,577	96,985	96,696	849,155
<b>Depreciation</b>							
Subsidiary acquisition	16,799	57,840	184,194	148,748	370,825	92,752	871,158
Charge for period	6,519	14,689	102,063	82,242	81,918	1,790	289,221
Disposals	-	-	-	(207,356)	(384,844)	-	(592,200)
At 31 March 2006	23,318	72,529	286,257	23,634	67,899	94,542	568,179
<b>Net book value</b>							
At 31 March 2006	60,007	28,316	129,470	31,943	29,086	2,154	280,976

Included in the total net book value of fixed assets is £39,745 in respect of assets held under finance leases and hire purchase agreements. Depreciation for the period on these assets was £76,919. The gross amount of assets held for rental on operating leases was £116,396 and the related accumulated depreciation charges are £87,310.

## 12. Investments

The Company acquired the entire share capital of Brulines Limited on 19 May 2005.

The principal activities of Brulines Limited are those of design, product development, manufacture, sale and rental of fluid monitoring equipment, together with the provision of data management and related services, to the licensed trade. The Company is registered in England and Wales.

## 13. Stocks

	<i>As at 31 March 2006</i>
	£
Raw materials	772,084
Work in progress	148,107
	<u>920,191</u>

## 14. Debtors

	<i>As at 31 March 2006</i>
	£
Trade debtors	6,041,706
Other debtors	35,794
Prepayments and accrued income	160,948
	<u>6,238,448</u>

Included within other debtors is £650 due from a director, D Collin, which was repaid after the period end.

The maximum amount outstanding during the period was £20,360.

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

	<i>As at 31 March 2006 £</i>
Obligations under finance leases and hire purchase contracts	14,886
Debt	<u>14,886</u>
Bank facility	877,952
Trade creditors	1,307,592
Corporation tax	461,598
Other taxation and social security	1,185,508
Accruals and deferred income	3,850,494
	<u><u>7,698,030</u></u>

**16. Creditors: amounts falling due after more than one year**

	<i>As at 31 March 2006 £</i>
Obligations under finance leases and hire purchase contracts	8,936
Bank facility	4,800,000
Loan notes	4,215,495
	<u><u>9,024,431</u></u>

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

The bank facility is secured by a fixed charge over the Company's assets.

**17. Provisions for liabilities and charges**

	<i>As at 31 March 2006 £</i>
Accelerated capital allowances	15,375
<b>Provision for deferred tax</b>	<u>15,375</u>
Subsidiary undertaking	335
Deferred tax charge in profit and loss account for period (note 8)	15,040
<b>Provision at end of period</b>	<u><u>15,375</u></u>

## 18. Called up share capital

	<i>As at</i> <i>31 March</i> <i>2006</i> £
<b>Authorised</b>	
Equity: Old Ordinary Shares of £1 each	2,500,000
	£
<b>Allotted, called up and fully paid</b>	
Equity: Old Ordinary Shares of £1 each	1,734,506

The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 Old Ordinary Shares of which one was issued.

On 16 May 2005 the authorised share capital of the Company was increased from £1,000 to £2,500,000 divided into 2,500,000 Old Ordinary Shares.

On 19 May 2005 the Company issued and allotted 1,734,505 Old Ordinary Shares in part consideration for the transfer of the entire issued share capital of Brulines Limited to the Company.

## Share options

Details of share options granted under the EMI Plan held by the Directors and senior employees:

<i>Name of director/ senior employee</i>	<i>Date of grant</i>	<i>Number of options</i>	<i>Exercise price</i>	<i>Exercise date</i>
M H Foster	31 March 2006	15,000	672p	By 31 March 2016
D J Noble	31 March 2006	4,000	672p	By 31 March 2016
D Glass	31 March 2006	2,000	672p	By 31 March 2016
M Bristow	31 March 2006	2,000	672p	By 31 March 2016
D J Noble	31 March 2006	8,000	500p	By 31 March 2016
A Martinez	31 March 2006	9,000	500p	By 31 March 2016
G James	31 March 2006	9,000	500p	By 31 March 2016
G Turley	31 March 2006	8,000	500p	By 31 March 2016

## 19. Reserves

	<i>Profit and loss account</i> £
Profit for the financial period	999,016

**20. Reconciliation of movements in shareholders' funds**

	<i>As at 31 March 2006 £</i>
Profit for the financial period	999,016
Old Ordinary Shares issued	1,734,506
<b>Increase in shareholders' funds</b>	<u>2,733,522</u>
Opening shareholders' funds	—
<b>Closing shareholders' funds</b>	<u><u>2,733,522</u></u>

**21. Reconciliation of operating profit to net cash inflow from operating activities**

	<i>Period ended 31 March 2006 £</i>
Operating profit	2,166,391
Depreciation	289,221
Amortisation	432,493
Profit on sale of tangible fixed assets	(213,276)
Increase in stocks	(269,128)
Increase in debtors	(5,005,443)
Increase in creditors	5,085,461
Net cash inflow from operating activities	<u><u>2,485,719</u></u>

**22. Reconciliation of net cash flow to movement in net debt**

	<i>Period ended 31 March 2006 £</i>
Increase in cash	828,823
Increase in bank facility	(5,677,952)
Cash outflow from change in debt finance	291,512
New finance leases	(153,630)
Change in net debt from cash flow	<u>(4,711,247)</u>
Net funds acquired	1,658,891
Net debt at 31 March	<u><u>(3,052,356)</u></u>



### 23. Analysis of net debt

	<i>As at</i> 31 Jan 2006 £	<i>Cash</i> <i>Flow</i> £	<i>Acquisition</i> £	<i>Other non-</i> <i>cash</i> <i>changes</i> £	<i>As at</i> 31 March 2006 £
Cash at bank and in hand	–	828,823	1,820,595	–	2,649,418
Bank facility	–	(5,677,952)	–	–	(5,677,952)
	–	(4,849,129)	1,820,595	–	(3,028,534)
Finance leases	–	291,512	(161,704)	(153,630)	(23,822)
Loan notes	–	(4,215,495)	–	–	(4,215,495)
	–	(3,923,983)	(161,704)	(153,630)	(4,239,317)
Net debt	–	(8,773,112)	1,658,891	(153,630)	(7,267,851)

### 24. Pension scheme

The Company contributes to an executive pension plan in respect of Mr D Collin. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £nil.

At 31 March 2006 no pension contributions are outstanding.

### 25. Financial commitments

At 31 March 2006, the Group had annual commitments under non-cancellable operating leases expiring as follows:

	<i>Land and</i> <i>buildings</i> £
Operating leases which expire: After more than five years	45,000

### 26. Related party disclosures

The Group has taken advantage of the FRS 8 exemption not to disclose related party transactions between group undertakings as these have all been eliminated within the consolidated financial information.

### 27 Post balance sheet events

On 7 April 2006, an Employee Benefit Trust (EBT), Brulines Trustee Company Limited, was set up.

On 18 April 2006 a wholly owned subsidiary company, GWECO 298 Limited was incorporated. On 10 May 2006, this Company changed its name to Machine Insite Limited.

On 28 April 2006, the Company issued and allotted 15,000 Old Ordinary Shares at a subscription price of £5.00 per Old Ordinary Share.

The EBT purchased 23,000 Old Ordinary Shares on 3 May 2006. Brulines Trustee Company Limited is a 100% owned subsidiary of Brulines (Holdings) Limited.

On 10 May 2006 the authorised share capital of the Company was:

- (i) increased from £2,500,000 to £4,000,000 divided into 4,000,000 Old Ordinary Shares; and
- (ii) sub-divided (including the 1,749,506 Old Ordinary Shares which had been issued and credited as fully paid) into Ordinary Shares resulting in the authorised share capital of the Company being £4,000,000 divided into 40,000,000 Ordinary Shares, of which 17,495,060 were issued and credited as fully paid.

On 18 May 2006 Brulines (Holdings) Limited re-registered as Brulines (Holdings) Plc.

On 31 August 2006 Machine Insite Limited acquired the trade and certain of the assets of Corporate Management Services (International) Limited for a maximum consideration of £180,000.

On 19 October 2006 the Company granted options over 430,000 Ordinary Shares under the Executive Plan and 286,500 Ordinary Shares under the Employee Plan, at an exercise price equal to the Placing Price. The options are conditional on Admission.

On 19 October 2006 the Company granted options over 60,000 Ordinary Shares under standalone option agreements. The terms of the options are the same as those applying to options granted under the Executive Plan. These options are conditional on Admission.

## 28. Derivatives and financial instruments

The Group's financial instruments comprise loan notes, bank facilities, cash and finance leases and hire purchase contracts. The purpose of these financial instruments is to finance the Group's operations.

All are considered to be stated at fair value. Short term debtors and creditors have been omitted from all disclosures.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is interest rate risk.

### *Financial assets*

The only financial asset held that is sufficiently material to require disclosure is cash at bank which attracts interest at 0.2% below base rate.

Amounts held at 31 March 2006 were:

	2006 £
Sterling	2,649,418

### *Financial liabilities*

The interest rate profile at 31 March 2006 was

	<i>Floating Rate £</i>	<i>Fixed Rate £</i>	<i>Total £</i>
Sterling	9,893,447	23,822	9,917,269

The bank facility is an agreed facility which commenced in May 2005 at £6m and reduces by £1.2m on each anniversary. It bears interest based on 2.65% over the bank's base rate.

Of the £4,215,495 loan notes, £4,125,495 attracts interest at 1% over LIBOR, the remaining £90,000 attracts interests at 1% below LIBOR.

Finance leases and hire purchase contracts are secured on the specific asset to which the agreement relates. The weighted average interest rate is 3.6%.

## PART III

### SECTION B – ACCOUNTANTS’ REPORT ON THE COMPANY

The following is the full text of a report on Brulines (Holdings) Plc from Baker Tilly, the Reporting Accountants, to the Directors of the Company.



**BAKER TILLY**

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Leeds  
LS1 4HG  
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The Directors  
Brulines (Holdings) Plc  
EDIS House  
Wellington Court  
Preston Farm Business Park  
Stockton on Tees  
TS18 3TA

20 October 2006

Dear Sirs

#### **BRULINES (HOLDINGS) PLC (“the Company”) and its subsidiary undertaking (together “the Group”)**

We report on the financial information which has been prepared for inclusion in Section A of Part III (pages 26 to 40) of the admission document dated 20 October (“Admission Document”) of Brulines (Holdings) Plc on the basis of the accounting policies set out in note 1 of this financial information. This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

#### **Responsibilities**

As described in the introduction to Part III, the Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial 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 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 Admission Document, a true and fair view of the state of affairs of the Group as at the date stated and of its profits, cash flows and recognised gains and losses and in accordance with UK GAAP for the period then ended in accordance with the basis of preparation set out in note 1.

### **Declaration**

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

### **Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## **PART IV**

### **SECTION A**

#### **FINANCIAL INFORMATION ON BRULINES**

The historic financial information for Brulines for the three years ended 31 March 2006 is set out in Section A of Part IV of this document. This financial information does not comprise statutory accounts within the meaning of section 240 of the Act. Statutory accounts for the three years ended 31 March 2006 have been delivered to the Registrar of Companies.

In respect of the statutory accounts for the three years to 31 March 2006, RSM Robson Rhodes LLP, Chartered Accountants, have made an unqualified report under Section 235 of the Companies Act 1985 and such report did not contain any statement under section 237(2) or (3) of that Act.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in Brulines next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of Brulines for that period. In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial information of Brulines Limited and to enable them to ensure that Brulines Limited's financial information complies with the requirements of Annex 1 of the Prospectus Rules as applied by Part (a) of Schedule Two to the AIM Rules. They are also responsible for safeguarding the assets of Brulines Limited and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section B of Part IV of this document sets out a report from Baker Tilly, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

## PROFIT AND LOSS ACCOUNTS

		<i>Year ended</i> 31 March 2004	<i>Year ended</i> 31 March 2005	<i>Year ended</i> 31 March 2006
	<i>Notes</i>	£	£	£
<b>Turnover</b>	2	6,847,391	9,159,251	12,034,756
Cost of sales		<u>(3,582,854)</u>	<u>(4,639,493)</u>	<u>(6,468,835)</u>
<b>Gross profit</b>		3,264,537	4,519,758	5,565,921
Administrative expenses		<u>(2,183,405)</u>	<u>(2,552,864)</u>	<u>(2,884,815)</u>
<b>Operating profit</b>	3	1,081,132	1,966,894	2,681,106
Net returns from fixed asset investments	4	664,342	–	–
Interest receivable	8	10,079	65,698	57,799
Interest payable and similar charges	9	<u>(66,296)</u>	<u>(25,906)</u>	<u>(27,513)</u>
<b>Profit on ordinary activities before taxation</b>		1,689,257	2,006,686	2,711,392
Tax on profit on ordinary activities	10	<u>(325,853)</u>	<u>(628,740)</u>	<u>(358,186)</u>
<b>Profit on ordinary activities after taxation</b>	19	<u><u>1,363,404</u></u>	<u><u>1,377,946</u></u>	<u><u>2,353,206</u></u>

Turnover and operating profit all derive from continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

## BALANCE SHEETS

		<i>As at</i> 31 March 2004 £	<i>As at</i> 31 March 2005 £	<i>As at</i> 31 March 2006 £
<b>Fixed assets</b>				
Intangible assets	11	674,570	624,265	586,433
Tangible assets	12	694,083	764,026	280,976
		<u>1,368,653</u>	<u>1,388,291</u>	<u>867,409</u>
<b>Current assets</b>				
Stocks	13	663,049	651,063	920,191
Debtors	14	1,254,813	1,233,004	6,238,447
Cash at bank and in hand		1,533,707	1,512,885	2,649,418
		<u>3,451,569</u>	<u>3,396,952</u>	<u>9,808,056</u>
<b>Creditors:</b> amounts falling due within one year	15	(2,614,294)	(1,662,467)	(6,730,859)
<b>Net current assets</b>		<u>837,275</u>	<u>1,734,485</u>	<u>3,077,197</u>
<b>Total assets less current liabilities</b>		2,205,928	3,122,776	3,944,606
<b>Creditors:</b> amounts falling due after more than one year	16	(523,862)	(62,764)	(8,936)
<b>Provisions for liabilities and charges</b>	17	(335)	(335)	(15,375)
<b>Net assets</b>		<u>1,681,731</u>	<u>3,059,677</u>	<u>3,920,295</u>
<b>Capital and reserves</b>				
Called up share capital	18	250,000	250,000	276,988
Share premium	19	—	—	80,424
Profit and loss account	19	1,431,731	2,809,677	3,562,883
<b>Equity shareholder's funds</b>	20	<u>1,681,731</u>	<u>3,059,677</u>	<u>3,920,295</u>

## CASH FLOW STATEMENTS

		<i>Year ended</i> <i>31 March</i> <i>2004</i>	<i>Year ended</i> <i>31 March</i> <i>2005</i>	<i>Year ended</i> <i>31 March</i> <i>2006</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Net cash outflow from operating activities</b>	21	239,428	1,675,238	2,663,201
<b>Returns on investments and servicing of finance</b>				
Interest received		10,079	65,698	57,799
Interest paid		(54,481)	(13,266)	–
Interest element of finance lease rental payments		(11,814)	(12,640)	(27,513)
Income from shares in group undertakings		1,750,000	–	–
		<u>1,693,784</u>	<u>39,792</u>	<u>30,286</u>
<b>Taxation paid</b>				
UK Corporation tax		(123,141)	(677,739)	(461,759)
<b>Capital expenditure</b>				
Payments for tangible fixed assets		(288,982)	(309,914)	(130,702)
Receipts from sale of tangible fixed assets		5,300	13,140	634,009
Refund on investment		37,556	–	–
		<u>(246,126)</u>	<u>(296,774)</u>	<u>503,307</u>
<b>Cash flow before financing</b>		1,563,945	740,517	2,735,035
<b>Financing</b>				
Repayment of bank loan		(244,977)	(707,702)	–
Capital element of finance lease rental payments		(106,238)	(123,788)	(291,512)
New shares issued		–	–	26,988
Share premium		–	–	80,424
Dividend		–	–	(1,600,000)
Inter company		–	–	255,749
		<u>(351,215)</u>	<u>(831,490)</u>	<u>(1,528,351)</u>
<b>Increase/(decrease) in cash</b>	22,23	<u><u>1,212,730</u></u>	<u><u>(90,973)</u></u>	<u><u>1,206,684</u></u>



## NOTES TO THE FINANCIAL INFORMATION

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Brulines' financial information.

#### Basis of preparation

The financial information has been prepared in accordance with the historical cost convention.

#### Goodwill

Goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities.

Goodwill is shown in the balance sheet as an asset and is amortised evenly over its estimated useful economic life up to a presumed maximum of 20 years. In addition to systematic amortisation, the book value is written down to its recoverable amount when any impairment is identified.

#### Other intangible fixed assets

Patents and trademarks purchased by Brulines are amortised to nil by annual instalments over their useful economic lives, generally their respective unexpired periods of 20 years.

#### Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Leasehold improvements	Period of the lease
Plant and machinery	50% reducing balance
Office equipment	25% per annum straight line
Motor vehicles	25% per annum straight line
EDIS Rental systems	Term of hire
Web site	33 <sup>1</sup> / <sub>3</sub> per annum straight line

Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

The website is used in the day to day running of the business. Planning costs and the ongoing costs of maintaining and operating the website are written off to the profit and loss account as incurred. Design and content development costs are capitalised, in accordance with UITF 29 'Website development costs', to the extent that they deliver demonstrable benefits to Brulines and are amortised over three years.

#### Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with Brulines' normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

#### Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate. Revenue based grants are credited to profit and loss account when received.

#### Post retirement benefits

Brulines makes contributions into an executive pension plan in respect of one of the directors. The amount charged against profits represents the contributions payable in respect of the accounting period.

## **1. Accounting policies (continued)**

### **Research and development expenditure**

Development costs in respect of specific projects are capitalised in accordance with SSAP 13, "Accounting for Research and Development", and are written off over 4 years. The Directors consider that such costs should not be treated as realised losses for the purposes of determining Brulines' distributable profits.

Expenditure on all other research and development is charged to the profit and loss account in the year in which it is incurred.

### **Stocks and work in progress**

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net book value is based on estimated selling price less further costs to completion. Payments received on account are deducted from work in progress or, if in excess of work in progress, are included within creditors.

### **Taxation**

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS19 deferred tax is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

### **Turnover**

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

## **2. Turnover**

Turnover relates to the principal activity and is all within the United Kingdom.

### 3 Operating profit

	<i>Year ended 31 March 2004 £</i>	<i>Year ended 31 March 2005 £</i>	<i>Year ended 31 March 2006 £</i>
Operating profit is stated after charging:			
Auditors' remuneration:			
– audit	7,000	7,500	7,500
Depreciation and other amounts written off tangible fixed assets:			
– owned	276,744	302,630	255,745
– leased	80,676	76,794	90,904
Operating lease rentals:			
– land and buildings	13,912	21,664	29,351
Amortisation of intangible fixed assets	61,662	50,305	37,832
Research and development expenditure not capitalised	111,293	70,184	53,542
And after crediting:			
Rentals received under operating leases	517,333	457,816	296,405

### 4 Net returns from fixed asset investments

	<i>Year ended 31 March 2004 £</i>	<i>Year ended 31 March 2005 £</i>	<i>Year ended 31 March 2006 £</i>
Income from shares in group undertakings	1,750,000	–	–
Less: impairment of investments	(1,085,658)	–	–
	664,342	–	–

The income from shares in group undertakings is undistributable to the extent that it is still represented by goodwill, see note 10.

### 5 Dividends

	<i>Year ended 31 March 2004 £</i>	<i>Year ended 31 March 2005 £</i>	<i>Year ended 31 March 2006 £</i>
Equity dividends paid	–	–	1,600,000
Dividend per share	–	–	£5.78

## 6 Directors

	<i>Year ended 31 March 2004 £</i>	<i>Year ended 31 March 2005 £</i>	<i>Year ended 31 March 2006 £</i>
Directors' emoluments	512,313	487,479	401,090
Pension contribution	11,250	15,000	–
	<u>523,563</u>	<u>502,479</u>	<u>401,090</u>
	<i>No.</i>	<i>No.</i>	<i>No.</i>
The number of directors accruing benefits under an executive pension plan	<u>1</u>	<u>1</u>	<u>1</u>
The amounts in respect of the highest paid director are as follows:	<i>2004 £</i>	<i>2005 £</i>	<i>2006 £</i>
Emoluments	150,000	130,000	93,000
Pension contribution	11,250	15,000	–
	<u>161,250</u>	<u>145,000</u>	<u>93,000</u>

The highest paid director exercised 12,338 of share options at 398p during the year ended 31 March 2006.

## 7 Staff numbers and costs

The average monthly number of persons employed by Brulines (including directors) during the year, analysed by category, was as follows:

	<i>Year ended 31 March 2004 Number of employees</i>	<i>Year ended 31 March 2005 Number of employees</i>	<i>Year ended 31 March 2006 Number of employees</i>
Management and administration	<u>81</u>	<u>103</u>	<u>124</u>

The aggregate payroll costs of these persons were as follows:

	<i>£</i>	<i>£</i>	<i>£</i>
Wages and salaries	1,162,638	2,204,306	2,652,103
Social security costs	161,965	220,183	262,678
Other pension costs	11,250	15,000	–
	<u>1,335,853</u>	<u>2,439,489</u>	<u>2,914,781</u>

## 8 Interest receivable

	<i>Year ended 31 March 2004 £</i>	<i>Year ended 31 March 2005 £</i>	<i>Year ended 31 March 2006 £</i>
Bank interest	<u>10,079</u>	<u>65,698</u>	<u>57,790</u>

## 9 Interest payable and similar charges

	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Year ended</i> <i>31 March</i> <i>2005</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £
Interest payable on bank loans and facility	54,482	13,266	–
Finance charges payable in respect of finance leases and hire purchase contracts	11,814	12,640	27,513
	<u>66,296</u>	<u>25,906</u>	<u>27,513</u>

## 10 Taxation

### (a) Analysis of charge in period

	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Year ended</i> <i>31 March</i> <i>2005</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £
<b>Current tax</b>			
UK corporation tax on profits of the period	360,000	651,000	352,276
Adjustment in respect of prior periods	(1,859)	(22,260)	(9,130)
<b>Total current tax (note 10b)</b>	<u>358,141</u>	<u>628,740</u>	<u>343,146</u>
<b>Deferred tax (note 17)</b>			
Reversal of timing differences	(32,288)	–	15,040
	<u>325,853</u>	<u>628,740</u>	<u>358,186</u>

### (b) Factors affecting tax charge for period

The tax assessed differs from the standard rate of corporation tax in the UK (30%). The differences are reconciled below:

	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Year ended</i> <i>31 March</i> <i>2005</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £
Profit on ordinary activities before tax	1,689,257	2,006,686	2,711,392
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%, 2004: 30%)	506,777	602,006	813,418
Effects of:			
Expenses not deductible for tax purposes	(146,777)	48,994	42,026
Adjustment in respect of prior periods	(1,859)	(22,260)	(9,130)
Schedule 23 FA 2003 deduction	–	–	(318,512)
Group relief	–	–	(168,711)
Depreciation in excess of capital allowances	–	–	(15,945)
<b>Current tax charge for period (note 10a)</b>	<u>358,141</u>	<u>628,740</u>	<u>343,146</u>

## 11 Intangible fixed assets

	<i>Goodwill</i>	<i>Development costs</i>	<i>Patents and trademarks</i>	<i>Total</i>
	£	£	£	£
<b>Cost</b>				
At 1 April 2003, 31 March 2004, 31 March 2005 and 31 March 2006	732,646	28,765	14,003	775,414
<b>Amortisation</b>				
At 1 April 2003	33,750	4,898	534	39,182
Charge for the year	49,200	11,394	1,068	61,662
At 31 March 2004	82,950	16,292	1,602	100,844
Charge for the year	36,632	12,473	1,200	50,305
At 31 March 2005	119,582	28,765	2,802	151,149
Charge for the year	36,632	–	1,200	37,832
At 31 March 2006	156,214	28,765	4,002	188,981
<b>Net book value</b>				
At 31 March 2004	649,696	12,473	12,401	674,570
At 31 March 2005	613,064	–	11,201	624,265
At 31 March 2006	576,432	–	10,001	586,433

## 12 Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>EDIS Rental systems</i>	<i>Website</i>	<i>Total</i>
	£	£	£	£	£	£	£
<b>Cost</b>							
At 1 April 2003	65,518	48,346	128,793	180,102	278,849	90,246	791,854
Additions	9,124	36,964	60,289	105,713	170,854	6,450	389,394
Disposals	–	–	–	(23,200)	–	–	(23,200)
At 31 March 2004	74,642	85,310	189,082	262,615	449,703	96,696	1,158,048
Additions	1,933	–	129,568	98,644	233,411	–	463,556
Disposals	–	–	–	(11,380)	(32,468)	–	(43,848)
At 31 March 2005	76,575	85,310	318,650	349,879	650,646	96,696	1,577,756
Additions	6,750	15,535	97,077	164,969	–	–	284,331
Disposals	–	–	–	(459,271)	(553,661)	–	(1,012,932)
At 31 March 2006	83,325	100,845	415,727	55,577	96,985	96,696	849,155
<b>Depreciation</b>							
At 1 April 2003	550	4,223	22,518	15,505	57,405	29,544	129,745
Charge for year	7,348	20,892	58,851	59,816	159,079	51,434	357,420
Disposals	–	–	–	(23,200)	–	–	(23,200)
At 31 March 2004	7,898	25,115	81,369	52,121	216,484	80,978	463,965
Charge for year	7,625	30,190	91,134	85,047	154,012	11,416	379,424
Disposals	–	–	–	(4,267)	(25,392)	–	(29,659)
At 31 March 2005	15,523	55,305	172,503	132,901	345,104	92,394	813,730
Charge for year	7,795	17,224	113,754	98,089	107,639	2,148	346,649
Disposals	–	–	–	(207,356)	(384,844)	–	(592,200)
At 31 March 2006	23,318	72,529	286,257	23,634	67,899	94,542	568,179
<b>Net book value</b>							
At 31 March 2004	66,744	60,195	107,713	210,494	233,219	15,718	694,083
At 31 March 2005	61,052	30,005	146,147	216,978	305,542	4,302	764,026
At 31 March 2006	60,007	28,316	129,470	31,943	29,086	2,154	280,976

Included in the total net book value of fixed assets is £39,745 (2005: £228,926, 2004: £210,493) in respect of assets held under finance leases and hire purchase agreements. Depreciation for the year on these assets was £90,904 (2005: £76,794, 2004: £59,816). The gross amount of assets held for rental on operating leases was £96,985 (2005: £349,879, 2004: £449,703) and the related accumulated depreciation charges are £67,899 (2005: £132,901, 2004: £216,484).

## 13 Stocks

	<i>As at 31 March 2004</i>	<i>As at 31 March 2005</i>	<i>As at 31 March 2006</i>
	£	£	£
Raw materials	579,532	613,308	772,084
Work in progress	83,517	37,755	148,107
	<u>663,049</u>	<u>651,063</u>	<u>920,191</u>

## 14 Debtors

	<i>As at</i> <i>31 March</i> <i>2004</i> £	<i>As at</i> <i>31 March</i> <i>2005</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Trade debtors	1,201,095	1,109,183	6,041,706
Other debtors	4,870	32,078	35,793
Prepayments and accrued income	48,848	91,743	160,948
	<u>1,254,813</u>	<u>1,233,004</u>	<u>6,238,447</u>

Included within other debtors is £650 due from a director, D Collin (2005: £20,360, 2004: £16,042). The maximum amount outstanding during the year was £20,360.

## 15 Creditors: Amounts falling due within one year

	<i>As at</i> <i>31 March</i> <i>2004</i> £	<i>As at</i> <i>31 March</i> <i>2005</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Term loans (secured)	260,401	–	–
Obligations under finance leases and hire purchase contracts	87,755	98,940	14,886
Debt	<u>348,156</u>	<u>98,940</u>	<u>14,886</u>
Bank facility	–	70,151	–
Trade creditors	607,439	407,560	1,307,592
Corporation tax	360,000	311,000	192,387
Other taxation and social security	392,370	185,604	1,144,228
Other creditors	16,567	–	255,749
Accruals and deferred income	889,762	589,212	3,816,017
	<u>2,614,294</u>	<u>1,662,467</u>	<u>6,730,859</u>

## 16 Creditors: amounts falling due after more than one year

	<i>As at</i> <i>31 March</i> <i>2004</i> £	<i>As at</i> <i>31 March</i> <i>2005</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Term loans (secured)	447,301	–	–
Obligations under finance leases and hire purchase contracts	76,561	62,764	8,936
Debt	<u>523,862</u>	<u>62,764</u>	<u>8,936</u>

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.



## 17 Provisions for liabilities and charges

	<i>As at 31 March 2004 £</i>	<i>As at 31 March 2005 £</i>	<i>As at 31 March 2006 £</i>
Accelerated capital allowances	335	335	15,375
<b>Provision for deferred tax</b>	<u>335</u>	<u>335</u>	<u>15,375</u>
Provision at start of year	32,623	335	335
Deferred tax (credit)/charge in profit and loss account for the year (note 10)	(32,288)	–	15,040
<b>Provision at end of year</b>	<u><u>335</u></u>	<u><u>335</u></u>	<u><u>15,375</u></u>

## 18 Called up share capital

	<i>As at 31 March 2004 £</i>	<i>As at 31 March 2005 £</i>	<i>As at 31 March 2006 £</i>
<b>Authorised</b>			
Equity: ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
	£	£	£
<b>Allocated, called up and fully paid</b>			
Equity: ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>	<u>276,988</u>

Details of share options held by directors and senior employees:

<i>Name of director/senior employee</i>	<i>Date of grant</i>	<i>Number of options</i>	<i>Exercise price</i>	<i>Date of allotment</i>
JW Dickson	1 March 2004	12,338	398p	19 May 2005
SM Brown	1 March 2004	3,084	398p	19 May 2005
SA James	1 March 2004	3,855	398p	19 May 2005
S Collin	1 March 2004	6,169	398p	19 May 2005
D J Noble	1 March 2004	1,542	398p	19 May 2005

## 19 Reserves

	<i>Share premium £</i>	<i>Profit and loss account £</i>
At 1 April 2003	–	68,327
Profit for the financial year	–	1,363,404
At 31 March 2004	–	1,431,731
Profit for the financial year	–	1,377,946
At 31 March 2005	–	2,809,677
Profit for the financial year	–	2,353,206
Dividends	–	(1,600,000)
Premium on shares issued	80,424	–
At 31 March 2006	<u>80,424</u>	<u>3,562,883</u>

**20 Reconciliation of movements in shareholder's funds**

	<i>As at</i> 31 March 2004 £	<i>As at</i> 31 March 2005 £	<i>As at</i> 31 March 2006 £
Total recognised gains and losses	1,363,404	1,377,946	2,353,206
New shares issued	–	–	26,988
Share premium	–	–	80,424
Dividends	–	–	(1,600,000)
<b>Increase in shareholders' funds</b>	<u>1,363,404</u>	<u>1,377,946</u>	<u>860,618</u>
Opening shareholders' funds	318,327	1,681,731	3,059,677
<b>Closing shareholders' funds</b>	<u><u>1,681,731</u></u>	<u><u>3,059,677</u></u>	<u><u>3,920,295</u></u>

**21 Reconciliation of operating profit to net cash inflow from operating activities**

	<i>Year ended</i> 31 March 2004 £	<i>Year ended</i> 31 March 2005 £	<i>Year ended</i> 31 March 2006 £
Operating profit	1,081,132	1,966,894	2,681,106
Depreciation	357,420	354,032	346,649
Amortisation	61,662	50,305	37,832
Profit on sale of tangible fixed assets	(5,300)	(6,027)	(213,276)
Decrease/(increase) in stocks	(142,237)	11,986	(269,128)
Decrease/(increase) in debtors	163,399	21,809	(5,005,443)
(Decrease)/increase in creditors	(1,276,648)	(723,761)	5,085,461
Net cash inflow from operating activities	<u>239,428</u>	<u>1,675,238</u>	<u>2,663,201</u>

**22. Reconciliation of net cash flow to movement in net funds**

	<i>Year ended</i> 31 March 2004 £	<i>Year ended</i> 31 March 2005 £	<i>Year ended</i> 31 March 2006 £
Increase/ (decrease) in cash	1,212,730	(90,973)	1,206,684
Cash outflow from change in debt finance	351,215	831,490	291,512
New finance leases	(100,413)	(121,176)	(153,630)
Change in net debt from cash flow	<u>1,463,532</u>	<u>619,341</u>	<u>1,344,566</u>
Net (debt)/ funds at 1 April	(801,843)	661,689	1,281,030
Net funds at 31 March	<u><u>661,689</u></u>	<u><u>1,281,030</u></u>	<u><u>2,625,596</u></u>

## 23. Analysis of net funds

	<i>Year ended</i> <i>31 March</i> <i>2004</i> £	<i>Year ended</i> <i>31 March</i> <i>2005</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £
Opening net funds/(debt):			
Cash at bank and in hand	320,977	1,533,707	1,512,885
Bank loan	(952,679)	(707,702)	–
Bank facility	–	–	(70,151)
Finance leases	(170,141)	(164,316)	(161,704)
	<u>(801,843)</u>	<u>661,689</u>	<u>1,281,030</u>
Increase in cash in the year	1,212,730	(90,973)	1,136,533
Decrease in bank loan	244,977	707,702	70,151
Net decrease in finance leases	5,825	2,612	137,882
	<u>1,463,532</u>	<u>619,341</u>	<u>1,344,566</u>
Closing net funds:			
Cash at bank and in hand	1,533,707	1,512,885	2,649,418
Bank loan	(707,702)	–	–
Bank facility	–	(70,151)	–
Finance leases	(164,316)	(161,704)	(23,822)
Net funds at 31 March	<u>661,689</u>	<u>1,281,030</u>	<u>2,625,596</u>

## 24 Pension scheme

Brulines contributes to an executive pension plan in respect of Mr D Collin. The pension cost charge for the period represents contributions payable by Brulines to the fund and amounted to £nil (2005: £15,000, 2004: £11,250)

At 31 March 2006, £nil (2005: £15,000, 2004: £11,250) pension contributions are outstanding.

## 25 Financial commitments

At 31 March, Brulines had annual commitments under non-cancellable operating leases expiring as follows:

	<i>As at</i> <i>31 March</i> <i>2004</i> <i>Land and</i> <i>buildings</i> £	<i>As at</i> <i>31 March</i> <i>2005</i> <i>Land and</i> <i>buildings</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> <i>Land and</i> <i>buildings</i> £
Operating leases which expire:			
After more than five years	22,500	22,500	45,000
	<u>22,500</u>	<u>22,500</u>	<u>45,000</u>

**26 Related party disclosures**

During the year ended 31 March 2005: £10,000 (2004: £13,150) was charged by Chipchase Manners & Co, Chartered Accountants, for the services of Mr G R Boagey one of Brulines' directors. Amounts charged were on an arm's length basis. At 31 March 2005 £nil (2004: £2,350) was due to Chipchase Manners & Co. Mr G R Boagey was not a director in the year ended 31 March 2006.

During the year ended 31 March 2006 an amount of £nil (2005: £6,238, 2004: £2,566) was charged to Brulines by Thornaby Snooker Centre Limited for the provision of goods and services on an arm's length basis. Thornaby Snooker Centre Limited is owned by Mr D Collin, one of Brulines' directors. At the balance sheet date £nil (2005: £nil, 2004: £nil) is due to Thornaby Snooker Centre Limited.

**27 Immediate and ultimate parent undertaking**

Since 19 May 2005 the immediate and ultimate parent undertaking has been Brulines (Holdings) plc (Company number: 5345684), a company registered in England and Wales.

## PART IV

### SECTION B – ACCOUNTANTS’ REPORT ON BRULINES

The following is the full text of a report on Brulines Limited from Baker Tilly, the Reporting Accountants, to the Directors of Brulines (Holdings) plc.



**BAKER TILLY**

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LS1 4HG  
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The Directors  
Brulines (Holdings) plc  
EDIS House  
Wellington Court  
Preston Farm Business Park  
Stockton on Tees  
TS18 3TA

20 October 2006

Dear Sirs

#### **BRULINES LIMITED (“Brulines”)**

We report on the financial information, which has been prepared for inclusion in Section A of Part IV (pages 44 to 58) of the admission document dated 20 October (“Admission Document”), of Brulines on the basis of the accounting policies set out in note 1 of this financial information. This report is required by Paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

#### **Responsibilities**

As described in the introduction to Part IV, the Directors of Brulines (Holdings) plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial 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 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 Admission Document, a true and fair view of the state of affairs of Brulines as at the date stated and of its profits, cash flows and recognised gains and losses and in accordance with UK GAAP for the period then ended in accordance with the basis of preparation set out in note 1.

**Declaration**

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

**Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## PART V

### PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following pro forma statement of net assets of the Group has been produced to illustrate the impact of the Placing and Admission as if it had occurred on 31 March 2006. The pro forma financial information is based on:

- i) the financial information relating to the Group as at 31 March 2006 extracted from the financial information included in Part III; and
- ii) the estimated net proceeds of the Placing adjusted for the matters set out below:

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

	<i>Net assets of the Group as at 31 March 2006</i>	<i>The Placing</i>	<i>Pro forma net assets of the Group following the Placing</i>
	£	£	£
<b>Fixed assets</b>			
Intangible assets	9,382,325	–	9,382,325
Tangible assets	280,976	–	280,976
	9,663,301	–	9,663,301
<b>Current assets</b>			
Stocks	920,191	–	920,191
Debtors	6,238,448	–	6,238,448
Cash at bank and in hand	2,649,418	(2,803,447)	(154,029)
	9,808,057	(2,803,447)	7,004,610
<b>Creditors:</b> amounts falling due within one year	(7,698,030)	877,952	(6,820,078)
<b>Net current assets</b>	2,110,027	(1,925,495)	184,532
<b>Total assets less current liabilities</b>	11,773,328	(1,925,495)	9,847,833
<b>Creditors:</b> amounts falling due after more than one year	(9,024,431)	8,925,495	(98,936)
<b>Provisions for liabilities and charges</b>	(15,375)	–	(15,375)
<b>Net assets</b>	2,733,522	7,000,000	9,733,522

#### Notes to the pro-forma financial information

- 1 The pro-forma statement of net assets of the Group is shown as if the Placing had taken place on 31 March 2006. The pro-forma statement assumes that the net proceeds of the Placing, receivable by the Company, will amount to £7,000,000 net of costs amounting to £1,000,000.
- 2 No adjustment has been made for any movement in the net assets of the Group since 31 March 2006.
- 3 The net proceeds of the Placing and the Group's cash balances as at 31 March 2006 are used as follows:
  - (i) to repay Derrick Collin's loan note amounting to £4,125,495; and
  - (ii) to repay the Bank of Scotland facility of £5,677,952 (of which £4,800,000 is shown as Creditors: amounts falling due after more than one year), which was taken out at the time of the Management Buy-out of Brulines and is being replaced by a bank overdraft facility of up to £3,000,000.

## ACCOUNTANTS' REPORT

The following is the full text of a report on Brulines (Holdings) plc from Baker Tilly, the Reporting Accountants, to the Directors of Brulines (Holdings) plc.



**BAKER TILLY**

2 Whitehall Quay  
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The Directors  
Brulines (Holdings) plc  
EDIS House  
Wellington Court  
Preston Farm Business Park  
Stockon-on-Tees  
TS18 3TA

20 October 2006

Dear Sirs

### **BRULINES (HOLDINGS) PLC (“the Company”)**

We report on the pro forma financial information (the “Pro Forma Financial Information”) set out in Part V of the admission document dated 20 October 2006 (“Admission Document”) of the Company, which has been prepared on the basis described in notes 1, 2 and 3, for illustrative purposes only, to provide information about how the proposed placing might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 31 March 2006. This report has been prepared in accordance with the requirements of paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of the Prospectus Rules if it had been applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of the Prospectus Rules as if it had been applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I of the AIM Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the AIM Rules, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents,



considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

We are responsible for this report as part of the Admission Document as if part (a) of Schedule Two to the AIM Rules apply and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

### **Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## PART VI

### ADDITIONAL INFORMATION

The Directors of the Company, whose names appear on page 6, accept responsibility for the information contained in this document. To the best of the knowledge of such Directors (who have taken all reasonable care to ensure that such is the case), the information in this document is in accordance with the facts and there is no omission therefrom likely to affect the import of such information.

#### 1. INCORPORATION

- 1.1 The Company was incorporated and registered in England and Wales as a private limited company with registration number 05345684 on 28 January 2005 with the name Gweco 253 Limited. On 9 May 2005 the Company changed its name to Brulines (Holdings) Limited. It was re-registered as a public limited company under the name Brulines (Holdings) plc on 18 May 2006. The Company's registered office and principal place of business is situated at EDIS House, Wellington Court, Preston Farm Business Park, Stockton on Tees, TS18 3TA (telephone number 01642 358800) and is domiciled in the United Kingdom. The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.2 The Company is the holding company of the Group and has three wholly owned subsidiaries, (a) Brulines, which in turn has two wholly-owned dormant subsidiary companies, Bruline Limited and EDIS Limited, (b) Brulines Trustee Company Limited, and (c) Machine Insite.
- 1.3 Brulines was incorporated and registered in England and Wales on 29 October 2001 under the Act as a private limited company with registered number 04312345.
- 1.4 Bruline Limited was incorporated and registered in England and Wales on 19 April 2000 under the Act as a private limited company with registration number 03976593.
- 1.5 EDIS Limited was incorporated and registered in England and Wales on 19 April 2000 under the Act as a private limited company with registered number 03976590.
- 1.6 Brulines Trustee Company Limited was incorporated and registered in England and Wales on 7 April 2006 under the Act as a private limited company with registered number 05774569.
- 1.7 Machine Insite was incorporated and registered in England & Wales on 18 April 2006 with the name GWECO 298 Limited under the Act as a private limited company with registered number 05783400. On 10 May 2006 GWECO 298 changed its name to Machine Insite.
- 1.8 The principal legislation under which the Company operates is the Act.
- 1.9 The liability of the members of the Company is limited.
- 1.10 The registered office and principal place of business of the Company is EDIS House, Wellington Court, Preston Farm Business Park, Stockton on Tees, TS18 3TA.
- 1.11 The Company's principal activity is to act as a holding company. The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association.

#### 2. SHARE CAPITAL

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

	<i>Ordinary Shares</i>
Authorised	£4,000,000 divided into 40,000,000
Issued and fully paid	£1,749,506 divided into 17,495,060

2.2 The authorised and issued share capital of the Company as it will be following Admission (assuming full subscription), is set out below:

	<i>Ordinary Shares</i>
Authorised	£4,000,000 divided into 40,000,000
Issued and fully paid	£2,399,913 divided into 23,999,125

2.3 Changes in the share capital of the Company preceding the date of this document were as follows:

- (a) The Company was incorporated with a share capital of £1,000 divided into 1,000 Old Ordinary Shares. On 20 April 2005 the 1 Old Ordinary Share in the Company taken by the subscriber on formation was transferred to Derrick Collin.
- (b) By written resolution of the Company passed on 16 May 2005 the authorised share capital of the Company was increased from £1,000 to £2,500,000 divided into 2,500,000 Old Ordinary Shares.
- (c) On 19 May 2005 pursuant to the agreement summarised in paragraph 8.2 of Part VI of this document, the Company issued and allotted 1,734,505 Old Ordinary Shares to those people listed below (in each case credited as fully paid up) in part consideration for the transfer of the entire issued share capital of Brulines to the Company:
  - (i) Derrick Collin 705,302
  - (ii) James Dickson 534,521
  - (iii) Stephen James 167,010
  - (iv) Steven Brown 133,608
  - (v) Simon Collin 127,260
  - (vi) Duncan Noble 66,804
- (d) On 7 March 2006 by agreement Duncan Noble, Alison Martinez, Gareth James and Mark Foster each acquired 2,500 Old Ordinary Shares from Stephen James at a price of £5.00 per Old Ordinary Share.
- (e) On 31 March 2006 the Company granted options under the EMI Plan to those listed below over the number of Old Ordinary Shares and at the exercise price stated alongside their names. Each person below has undertaken not to exercise their option prior to Admission.

<i>Option holder</i>	<i>Number of Old Ordinary Shares Under Option</i>	<i>Exercise Price (£)</i>
Mark Foster	15,000	6.72
Alison Martinez	9,000	5.00
Gareth James	9,000	5.00
Duncan Noble	8,000	5.00
Duncan Noble	4,000	6.72
Graeme Turley	8,000	5.00
David Glass	2,000	6.72
Mark Bristow	2,000	6.72.

- (f) On 28 April 2006 Mark Foster subscribed for and the Company issued and allotted 15,000 Old Ordinary Shares at a subscription price of £5.00 per Old Ordinary Share.
- (g) On 3 May 2006 Brulines Trustee Company Limited acting as trustee of the Brulines Employees' Trust acquired 23,000 Old Ordinary Shares from Stephen James at a price of £6.72 per Old Ordinary Share.
- (h) By written resolution of the Company passed by the Company on 10 May 2006 the authorised share capital of the Company was:
  - (i) increased from £2,500,000 to £4,000,000 divided into 4,000,000 Old Ordinary Shares; and
  - (ii) sub-divided (including the 1,749,506 Old Ordinary Shares which had been issued and credited as fully paid) into Ordinary Shares resulting in the authorised share capital of

the Company being £4,000,000 divided into 40,000,000 Ordinary Shares, of which 17,495,060 were issued and credited as fully paid.

- (i) By written resolution of the Company passed on 19 October 2006 the Directors were generally and unconditionally authorised for the purposes of Section 80 of the Act to allot and issue relevant securities (as defined in that section and including the Placing Shares) up to a maximum aggregate nominal amount of relevant securities whose nominal value does not exceed the amount of the authorised but unissued share capital of the Company provided that this authority will expire (unless previously renewed, varied or revoked by the Company in the general meeting) at the conclusion of the next annual general meeting of the Company following the passing of the resolution, or if earlier, the date falling fifteen months after the date on which the resolution was passed, save that the Directors may, before the 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 pursuant to such offer or agreement as if the authority had not expired.
- (j) On 19 October 2006 the Directors were given power in accordance with section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act and which includes the Placing Shares) pursuant to the authority conferred by the resolution details of which are set out in paragraph 2.3(i) above as if section 89(1) of the Act did not apply to the allotment provided that such power will expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company following the passing of this resolution, or if earlier, the date falling fifteen months after the date on which this resolution was passed save that the Directors may, before the 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 pursuant to such offer or agreement as if the authority had not expired.
- (k) By written resolution of the Company passed on 19 October 2006 the Directors were, subject to Admission, 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 and issue relevant securities (as defined in that section and including the Placing Shares) of the Company up to an aggregate nominal amount of £719,973.45 representing approximately 30 per cent. of the issued share capital of the Company at Admission provided that the authority will expire at the conclusion of the next annual general meeting of the Company, or if earlier, the date falling 15 months after the date on which the resolution was passed, save that the Company may, before the 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 pursuant to such offer or agreement notwithstanding that the authority had expired.
- (l) On 19 October 2006 the Directors became, subject to Admission, empowered in accordance with Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act and which includes the Placing Shares) for cash pursuant to the authority conferred by the resolution set out in paragraph 2.3(k) above as if Section 89 of the Act did not apply to the allotment provided that such power be limited:-
  - (i) to the allotment of equity securities in connection with a rights issue in favour of the holders of Ordinary Shares when the equity securities respectively attributable to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them; and
  - (ii) to the allotment (otherwise and pursuant to the resolution summarised in paragraph 2.3(k) above) of equity securities up to an aggregate nominal value of £119,995.58.and shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the date falling 15 months after the date on which this resolution was passed, save that the Directors may, before the 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 pursuant to such offer or agreement notwithstanding that the authority had expired.
- (m) On 19 October 2006 the Company granted options over 430,000 Ordinary Shares under the Executive Plan, further details of which are set out in paragraph 6.4 below, at an exercise price equal to the Placing Price. The options are conditional on Admission. Exercise of 40 per cent. of the options is subject to performance conditions.

- (n) On 19 October 2006 the Company granted options over an aggregate 286,500 Ordinary Shares under the Employee Plan to 116 employees at an exercise price equal to the Placing Price. The options are conditional on Admission.
  - (o) On 19 October 2006 the Company granted options over 36,000 Ordinary Shares and 24,000 Ordinary Shares to James Newman and Stewart Gilliland respectively under standalone option agreements. The options are conditional on Admission. Exercise of 40 per cent. of the options is subject to performance. The terms of the options are the same as those applying to options granted under the Executive Plan.
- 2.4 The Existing Ordinary Shares and the Placing Shares will be in registered form and may be held either in certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. The articles of association of the Company permit the holding of Ordinary Shares under the CREST system. Accordingly, it is intended that settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholders so wish. The Company's Registrars are responsible for keeping the Company's register of members. The International Security Identification Number of the Ordinary Shares is GB00B13YVN56.
- 2.5 Otherwise than pursuant to the Placing, none of the Ordinary Shares or the Placing Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares and the Placing Shares to be admitted to AIM.
- 2.6 There are no listed or unlisted securities issued by the Company not representing share capital.
- 2.7 Application for admission to trading on AIM is being made in respect of all the issued Ordinary Shares and of all of the Placing Shares. Other than the current application for admission of such Ordinary Shares and the Placing Shares to trading on AIM, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor are there intended to be other arrangements for there to be dealings in the Ordinary Shares.

### **3. MEMORANDUM AND ARTICLES OF ASSOCIATION**

#### **Memorandum of Association**

- 3.1 Object 3a of the memorandum of association of the Company (the "Memorandum") provides that the Company's principal objects are to carry on business as a general commercial company.

#### **Articles of Association**

- 3.2 The articles of association of the Company which were, subject to Admission, adopted on 19 October 2006 (the "Articles") contain, amongst other things, provisions to the following effect:

##### **Rights, preferences and restrictions (if applicable) attaching to Ordinary Shares**

- (a) When a Shareholder is entitled to attend a meeting and vote, he has only one vote on a show of hands. A proxy cannot vote on a show of hands. Where there is a poll, a Shareholder who is present in person or by proxy and entitled to vote has one vote for every share which he holds. This is subject to any special rights or restrictions which are given to any class of shares by, or in accordance with, the Articles.
- (b) The only people who can vote at general meetings are Shareholders who have paid the Company all calls, and all other sums, relating to their shares which are due at the time of the meeting. This applies both to attending a meeting personally and to attending by proxy or corporate representative. A corporation may execute a form of proxy under the hand of a duly authorised officer. A proxy need not be a member of the Company.
- (c) The Company's Shareholders can declare dividends by passing an ordinary resolution. No such dividend can exceed the amount recommended by the directors. If the directors consider that the profits of the Company justify such payments, they can pay interim dividends on any class of shares of such amounts and on such dates and for such periods as they decide. No dividend shall be paid on shares which carry deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. Fixed dividends will be paid on any class of share carrying a fixed dividend on the dates prescribed for the payments of such dividends. All

dividends will be divided and paid in proportions based on the amounts which have been paid up or credited as paid up on the shares during any of the period for which the dividend is paid.

- (d) No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Companies Acts.
- (e) Any dividend unclaimed for 12 years after the passing of the resolution for payment of that dividend may be forfeited and will belong to the Company if the Directors so decide.
- (f) The Directors may, with the sanction of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive new ordinary shares credited as fully paid instead of cash in respect of the whole or any part of any dividend.
- (g) If the Company is wound up, the liquidator can, with the authority of an extraordinary resolution passed by the Shareholders, divide among the Shareholders in kind the whole or any part of the assets of the Company. This applies whether the assets consist of property of one kind or different kinds. For this purpose, the liquidator can set such value as he considers fair upon any property and decide how such division is carried out as between Shareholders or different groups of Shareholders. The liquidator can also, with the authority of an extraordinary resolution passed by the Shareholders, transfer any part of the assets to trustees upon such trustees for the benefit of Shareholders as the liquidator decides. The liquidation of the Company can then be closed and the Company dissolved. However, no past or present Shareholder can be compelled to accept any shares or other property under this power which carries a liability.
- (h) The Ordinary Shares rank *pari passu* as a class in terms of preference, restriction and all other rights. The major Shareholders listed in paragraph 5.6 of this Part do not enjoy any different voting rights to other Shareholders.

#### **Transfer of Ordinary Shares**

- (i) Any Shareholder may transfer all or any of his shares by instrument of transfer in the usual standard form or in any other form which the Directors may approve or, in the case of uncertificated shares, in such a manner provided for, and subject as provided, in the Uncertificated Securities Regulations 2001 and the rules of any relevant system (as defined in those regulations). The instrument of transfer of a certificated share shall be executed 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) on which the Company has a lien. The Directors may also refuse to register a transfer of shares if the transfer (or instrument of transfer):
  - (i) is in respect of more than one class of share;
  - (ii) is in favour of more than four persons jointly; or
  - (iii) in the case of certificated shares, is not properly stamped and accompanied by the relevant certificate where this is required.
- (j) If a Shareholder or any person appearing to be interested in shares held by such Shareholder has been duly served with a notice under section 212 of the Act and is in default for the prescribed period in supplying to the Company information thereby required, then, the Directors may serve notice on the registered holder of the relevant shares stating that the Shareholder shall not (for so long as the default continues and in respect of the shares (“default shares”) in relation to which the Shareholder is in default), nor shall any transferee to whom any such shares are transferred other than pursuant to an approved transfer, be entitled to vote either personally or by proxy at a Shareholders’ meeting, or to exercise any right which is conferred by virtue of holding shares in relation to Shareholders’ meetings.
- (k) Where the default shares represent not less than 0.25 per cent, or more of the class of shares concerned, the Directors may serve on such Shareholder or person a notice (a “Direction Notice”) directing that all or any of the following rights are suspended:
  - (i) except in liquidation to receive any sums due from the Company in respect of the shares held by such Shareholder or person (whether in respect of capital dividend or otherwise),

- (ii) the right to receive any other distribution in relation to such shares, and/or
- (iii) the right to have the transfer of any shares held by such Shareholder registered unless the Shareholder is not himself in default as regards supplying the information requested and can demonstrate to the satisfaction of the Board that no other person is in such default or unless the transfer is an approved transfer (such transfer being one by way of or in acceptance of a takeover offer (as defined in section 428 of the Act) or the Board is satisfied the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares the subject of the transfer to a person unconnected with such Shareholder or the transfer results from a sale made through a recognised exchange as defined in the Financial Services and Market Acts 2000 (or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded).

The prescribed period of default for the purposes of the above means 14 days from the date of service of the notice under section 212 where the default shares represent 0.25 per cent or more of the class of shares concerned and 28 days in all other cases.

### **Variation of rights**

- (l) If the Company's share capital is split into different classes of share, and if the Companies Acts allow this, the special rights which are attached to any of these classes can be varied or abrogated in such manner as may be provided by those rights or if this is approved by an extraordinary resolution. This must be passed at a separate meeting of the holders of the relevant class of shares. Alternatively, the holders of at least three-quarters of the existing shares of the class (by nominal value) can give their consent in writing. All the Articles relating to general meetings apply, with any necessary changes, to a class meeting, but at least two people who hold (or who act as proxies for) at least one-third of the total nominal value of the existing shares of the class are a quorum. However, if this quorum is not present at an adjourned meeting, one person who holds shares of the class, or his proxy, is a quorum. The rights attached to any class of shares shall not, unless otherwise provide by the rights conferred upon the holders of them, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with or subsequent to such shares.

### **Changes in share capital**

- (m) The Shareholders can increase the Company's share capital by passing an ordinary resolution. The resolution will fix the amount of the increase and the nominal amount of the new shares and the currency or currencies of the shares.
- (n) The Shareholders can pass ordinary resolutions to do any of the following:
  - (i) to consolidate, or consolidate and then divide, all or any of the Company's share capital into shares of a larger nominal amount than the existing shares;
  - (ii) to divide some or all of the Company's shares into shares which are of a smaller nominal amount than is fixed in the Memorandum. This is subject to any restrictions under the Companies Acts. The resolution may provide that, as between the holders of the divided shares, different rights and restrictions of a kind which the Company can apply to new shares may apply to different divided shares; and
  - (iii) to cancel any shares which have not been taken, or agreed to be taken, by any person at the date of the resolution, and reduce the amount of the Company's share capital by the amount of the cancelled shares.
- (o) Subject to the rights of holders of any class of share, the Company can buy back or agree to buy back in the future, any shares of any class (including redeemable shares), if permitted by the Companies Acts.
- (p) The Shareholders can, subject to any restrictions under the Companies Acts, pass a special resolution to:
  - (i) reduce the Company's share capital in any way; or
  - (ii) reduce any capital redemption reserve or share premium account and/or other non distribution shares in any way.

## **Directors**

- (q) The business of the Company shall be managed by the Directors, who may exercise all the powers of the Company, subject to the provisions of the Memorandum, the Articles and the Companies Acts and to such directions as may be given by the Company by special resolution.
- (r) Unless otherwise determined by ordinary resolution of the Company, there must be at least three but not more than ten Directors.
- (s) A Director need not be a shareholder, and a Director who is not a Shareholder can still attend and speak at Shareholders' meetings.
- (t) The Directors can appoint any Director to be the holder of any executive office. So far as the Companies Acts allow, the Directors may determine the salary or remuneration of any executive. They can also vary or end such appointments, without prejudice to any claim for breach of any contract entered into in any particular case between the Director and the Company.
- (u) The total of the fees paid to all of the Directors (other than Directors holding executive office) for their services as Directors must not exceed £150,000 a year or any higher sum decided on by an ordinary resolution at a general meeting. The Directors are also entitled to be paid all travelling, hotel and other expenses properly incurred in attending and returning from general meetings, Directors' meetings or otherwise in connection with their duties.
- (v) The Directors or any committee authorised by the Board can award extra remuneration, which is additional to fees payable as described in paragraph (t) above, to any Director who serves on any committee of the Directors or who devotes special attention to the business of the Company or who otherwise performs services which the Directors consider to be outside the scope of the ordinary duties of a director. Special pay can take the form of salary, commission or otherwise as the Directors may determine.
- (w) The Directors can decide to provide benefits by way of gratuities or pensions or by insurance or otherwise to any people who are, or were, Directors of the Company or of any subsidiary undertaking of the Company or of any predecessor in business of the Company and to any member of his family (including a spouse, or former spouse) or to any person who is or was dependent on him. The Directors can decide to contribute to any scheme or fund or to pay premiums to a third party for these purposes.
- (x) The Directors can arrange for the Company to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers or employees of the Company, its subsidiary undertakings, their predecessors in business and certain other companies.
- (y) A Director cannot vote on any contract, arrangement or any other kind of proposal in which he has a material interest, other than in the circumstances falling within paragraph (z) below. For this purpose, interests of a person who is connected with a Director under section 346 of the Act are added to the interests of the Director himself. Interests purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. In relation to an alternate director an interest of his appointor shall be treated as an interest of the alternate director. This is in addition to any interest which the alternate director has in his own right. A Director may not be included in the quorum of a meeting in relation to any resolution he is not allowed to vote on.
- (z) However, a Director can vote, and be counted in the quorum, on any resolution about any of the following matters, as long as the only material interests he has in it are included in the following list:
  - (i) the giving of any security or indemnity to him for any money lent or obligation incurred by him at the request of, or for the benefit of the Company, or any of its subsidiary undertakings;
  - (ii) the giving of any security or indemnity to a third party for a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has taken responsibility for some or all of that debt or obligation under a guarantee or indemnity or by the giving of security;



- (iii) any proposal relating to an offer of any shares or debentures, or other securities of or by the Company, or any of its subsidiaries, for subscription or purchase, if the Director takes part in the underwriting or sub-underwriting of the offer;
  - (iv) any proposal in relation to the subscription or purchase by him of shares, debentures or other securities of the Company pursuant to an offer or invitation to members or debenture holders of the Company or any class of them;
  - (v) any proposal involving any other company if the Director (together with any person connected with the director under section 346 of the Act) are not beneficially interested in shares representing one per cent of more of the issued shares of any class of such body corporate or of the voting rights in any such companies;
  - (vi) any proposal relating to an arrangement for the benefit of employees of the Company or any of its subsidiaries which does not provide in respect of the Director any privilege or benefit not awarded to the employees to whom such arrangement relates;
  - (vii) a resolution about any proposal relating to any insurance which the Company can purchase and maintain for the benefit of Directors, or of a group of people which includes directors provided such insurance falls within the terms referred to in sub-paragraph (w) above.
- (aa) Provisions of the Companies Acts which, read with the Articles, would restrict the appointment of a Director or require him to stop being a Director because he has attained the age of seventy or any other age, do not apply to the Company.

### **Borrowing powers**

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries, so far as by such exercise they can secure) that the aggregate principal amount outstanding of all "moneys borrowed" (as defined in the Articles) by the Company and its subsidiaries (the "Group") and for the time being owing to persons outside the Group less cash deposited shall not at any time without the previous sanction of an ordinary resolution of the Company exceed whichever is the greater of an amount equal to three times the nominal amount paid up on the share capital of the Company and the total reserves of the Group (excluding provisions for taxation and minority interests) as at the date of the last audited consolidated balance sheet of the Group, subject to adjustments as described in the Articles.

### **General Meetings**

An annual general meeting shall be held each year in addition to any other meetings which may be held in that year at such time and place as may be determined by the Directors, but so that not more than fifteen months shall elapse between the holding of any two successive annual general meetings.

The Directors may convene an extraordinary general meeting whenever they think fit. Extraordinary general meetings shall also be convened on such requisitions or, in default, may be convened by such requisitionists, as provided by the Act.

Twenty one clear days' notice of every annual general meeting and of every extraordinary general meeting at which it is proposed to pass a special resolution and fourteen clear days notice of every other extraordinary general meeting shall be given to all members (other than those who, under the provisions of the Articles or otherwise, are not entitled to receive notices from the Company) and to the Directors and the auditors for the time being of the Company but the accidental omission to give such notice to, or the non-receipt of such notice by, any member or Director or the auditors shall not invalidate any resolution passed or proceeding had at any such meeting.

Every notice of meeting shall specify the place, the day and the hour of the meeting, and in the case of special business, the general nature of such business, and shall also state with reasonable prominence that a member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on a poll thereat instead of him and that the proxy need not also be a member. In the case of a meeting convened for passing a special or extraordinary resolution the notice shall also specify the intention to propose the resolution as a special or extraordinary resolution as the case may be.

No business shall be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business. Two members present in person or by proxy shall be a quorum for all purposes.

With the consent of any meeting at which a quorum is present the chairman thereof may adjourn the same, from time to time, and from place to place. Whenever a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given in the same manner as for an original meeting. Save as aforesaid, no person shall be entitled to any notice of an adjournment, or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

## **Other Relevant Laws and Regulations**

### **3.3 Disclosure of interests in shares**

A Shareholder is required pursuant to sections 198 to 210 of the Act to notify the Company when he acquires or disposes of a material interest in Ordinary Shares in the capital of the Company equal to or in excess of 3% of the nominal value of that share capital.

Pursuant to Part IV of the Act and the Articles, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, within a reasonable time to disclose to the Company the particulars of any interests, rights, agreements or arrangements affecting any of the Ordinary Shares held by that person or in which such other person as aforesaid is interested.

### **3.4 Takeovers**

As a public limited company incorporated and centrally managed and controlled in the UK, the Company is subject to the City Code on Takeovers and Mergers (the "City Code"). The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by the government and other regulatory authorities that those who seek to take advantage of the facilities of the securities market in the UK should conduct themselves in matters relating to takeovers in accordance with high business standards and according to the City Code.

Under Rule 9 of the City Code, a person who acquires, whether by a single transaction or by a series of transactions over a period of time, shares which (taken with shares held or acquired or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, such a person is normally required to make a general offer to all the shareholders of that company at not less than the highest price paid by him or them or any persons acting in concert during the offer period in the 12 months prior to its commencement.

Further, pursuant to sections 428 and 430F of the Act, where the offeror has acquired or contracted to acquire not less than 90 per cent. in value of the shares to which an offer relates, the offeror may give notice, to the holder of any shares to which the offer relates which the offeror has not acquired or contracted to acquire and which he wishes to acquire and is entitled to so acquire, to acquire those shares on the same terms as the general offer.

## **4. DIRECTORS' SERVICE CONTRACTS**

- 4.1 James William Dickson has a service agreement with the Company dated 18 May 2006 terminable by either party by 12 months' notice. Mr Dickson receives a salary of £125,000, subject to annual review on 1 April each year. His other benefits include entitlement to participate in a performance related bonus scheme up to a maximum of 50 per cent. of salary; the provision of a company car allowance; access to a stakeholder pension scheme; and contributions by the Company into a private health care scheme. Mr Dickson is obliged to devote substantially the whole of his time and attention to the business of the Group, and has entered into confidentiality covenants and restrictive covenants not to compete with the business of the Group for 12 months after termination of the agreement. Under the terms of this agreement the Company has the right, in certain circumstances, to put Mr. Dickson on Garden leave.
- 4.2 Mark Hardwick Foster has a service agreement with the Company dated 18 May 2006 terminable by either party by 12 months' notice. Mr Foster receives a salary of £90,000 per annum, subject to annual review on 1 April each year. His other benefits include entitlement to participate in a

performance related bonus scheme up to a maximum of 50 per cent. of salary; access to a stakeholder pension scheme; the provision of a company car allowance and contributions by the Company into a private health care scheme. Mr Foster is obliged to devote substantially the whole of his time and attention to the business of the Group, and has entered into confidentiality covenants and restrictive covenants not to compete with the business of the Group for 12 months after termination of the agreement. Under the terms of this agreement the Company has the right, in certain circumstances, to put Mr. Foster on Garden leave.

- 4.3 Duncan James Noble has a service agreement with the Company dated 18 May 2006, terminable by either party by 12 months' notice. Mr Noble receives a salary of £65,000 per annum, subject to annual review on 1 April each year. His other benefits include entitlement to participate in a performance related bonus scheme up to a maximum of 50 per cent. of salary; access to a stakeholder pension scheme; the provision of a company car; and contributions by the Company into a private health care scheme. Mr Noble is obliged to devote substantially the whole of his time and attention to the business of the Group and has entered into confidentiality covenants and restrictive covenants not to compete with the business of the Group for 12 months after termination of the agreement. Under the terms of this agreement the Company has the right, in certain circumstances, to put Mr. Noble on Garden leave.
- 4.4 The service agreements detailed in paragraphs 4.1 and 4.2 are conditional upon Admission.
- 4.5 James Henry Newman has a letter of appointment with the Company dated 9 May 2006 whereby he has agreed to serve as a non-executive director and Chairman of the Company. The agreement is for an initial period of two years and thereafter is terminable by either party by 6 months' notice. Mr Newman will receive annual fees of £36,000 and has agreed to provide his services for not less than 30 days per annum.
- 4.6 Stewart Gilliland has a letter of appointment with the Company dated 10 May 2006 whereby he has agreed to serve as a non-executive director of the Company. The agreement is for an initial period of 18 months and thereafter is terminable by either party by 6 months' notice. Mr Gilliland will receive annual fees of £20,000 and has agreed to provide his services for not less than 15 days per annum.
- 4.7 Save as disclosed above, there are no service agreements existing or proposed between any of the Directors and any member of the Group providing for benefits upon termination of employment (other than statutory compensation).
- 4.8 In the year ended 31 March 2006, the aggregate of the remuneration paid and benefits in kind granted to the current Directors by members of the Group was approximately £166,000. The amounts payable to Directors (being their aggregate remuneration and value of benefits in kind) by any member of the Group under the arrangements in force at the date of this document for the current financial year ending 31 March 2007 are estimated to amount to £350,000.
- 4.9 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

## **5. DIRECTORS' AND OTHER INTERESTS**

### **Directors' share interests**

- 5.1 The interests of the Directors and of the persons connected with them (within the meaning of section 346 of the Act) in the issued share capital of the Company at the date of this document, and following Admission and the Placing, which are or will be required to be entered in the register maintained under section 325 of the Act and to be notified by a Director (or, in the case of a connected person, would be required to be notified by that person had he been a director) to the Company pursuant to section 324 or 328 of the Act, all of which are or will be beneficial, unless stated, are as follows:

<i>Director</i>	<i>Current holding of Ordinary Shares</i>	<i>No. of Ordinary Shares following Admission</i>	<i>Percentage of issued share capital following Admission</i>
James Newman	—	25,000*	0.1
James Dickson	5,345,210	4,276,168	17.8
Mark Foster	175,000	175,000	0.7
Duncan Noble	693,040	554,432	2.3
Stewart Gilliland	—	16,000*	0.1

\*James Newman and Stewart Gilliland will acquire 25,000 Ordinary Shares and 16,000 Ordinary Shares at the Placing Price as part of the Placing.

### Directors' interests in share options

5.2 On Admission the following options will have been granted to Directors and will be outstanding:

<i>Director</i>	<i>No of Ordinary Shares</i>	<i>Latest time for exercise</i>	<i>Exercise price per share (p)</i>	<i>Share Scheme</i>
James Dickson	75,000	26 October 2016*	123.0	Executive Plan
Mark Foster	150,000	31 March 2016	67.2	EMI Plan
Mark Foster	65,000	26 October 2016	123.0	Executive Plan
Duncan Noble	80,000	31 March 2016	50.0	EMI Plan
Duncan Noble	40,000	31 March 2016	67.2	EMI Plan
Duncan Noble	65,000	26 October 2016*	123.0	Executive Plan
James Newman	36,000	26 October 2016*	123.0	Standalone option
Stewart Gilliland	24,000	26 October 2016*	123.0	Standalone option

\*or 10 years from the date of Admission, if later.

### Senior management's interests

5.3 The interests of the senior management (whose names are set out in paragraph 9.3 of Part I of this document) and of the persons connected with them (within the meaning of section 346 of the Act) in the issued share capital of the Company at the date of this document, and following Admission and the Placing, all of which are or will be beneficial, unless stated, are as follows:

<i>Name</i>	<i>Current holding of Ordinary Shares</i>	<i>No. of Ordinary Shares following Admission</i>	<i>Percentage of issued share capital following Admission</i>
Steven Brown	1,336,080	1,068,864	4.5
Ron Colley	—	—	—
Simon Collin	1,272,600	1,018,080	4.2
Gareth James	25,000	25,000	0.1
Alison Martinez	25,000	25,000	0.1

### Senior management's interests in share options

5.4 On Admission the following options will have been granted to the senior management (whose names are set out in paragraph 9.3 of Part I of this document) and will be outstanding:

	<i>No. of Ordinary Shares</i>	<i>Latest time for exercise</i>	<i>Exercise price per share (p)</i>	<i>Share scheme</i>
Steven Brown	50,000	26 October 2016*	123.0	Executive Plan
Ron Colley	75,000	26 October 2016*	123.0	Executive Plan
Gareth James	50,000	26 October 2016*	123.0	Executive Plan
Alison Martinez	50,000	26 October 2016*	123.0	Executive Plan

\*or 10 years from the date of Admission, if later.

### 5.5 Directors' other interests

- (a) Save as disclosed in paragraph 4.1, 4.2, 4.3, 5.1 and 5.2 above, following the Placing, no Director will have any interest in the share capital of the Company or any company in the Group.
- (b) No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which has been effected during any earlier financial period and remains in any respect outstanding or unperformed.
- (c) Save as disclosed in paragraph 8 below, no Director has any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or which are proposed to be so acquired, disposed of or leased.
- (d) There are no outstanding loans or guarantees by any member of the Group to or for the benefit of any of the Directors.
- (e) Save as disclosed in paragraph 8 below and save as otherwise disclosed in this document, no person including any Director (but excluding professional advisers and trade suppliers) has:
  - (i) received directly or indirectly, from any member of the Group within the 12 months preceding the Company's application for Admission; or
  - (ii) entered into any contractual arrangement (not otherwise disclosed in this document) to receive directly or indirectly, from any member of the Group on or after Admission any of the following:
    - (A) fees totalling £10,000 or more;
    - (B) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
    - (C) any other benefit with a value of £10,000 or more at the date of Admission.
- (f) Save as disclosed in paragraph 4 above and this paragraph 5, total emoluments received by the Directors will not be varied as a consequence of the Placing.
- (g) In addition to their directorships of members of the Group, the Directors have held the following directorships or been partners in the following businesses at some time during the five years preceding the date of this document:

<i>Director</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
James Newman	Day in the Life Videos Ltd The Sheffield Masonic Hall Limited Straight plc The Partnership Investment Fund Limited Dignity plc Infoserve Group plc Scott Wilson Group plc Blackwall Limited Infoserve Limited Scarborough Building Society	Bestselection Ltd Arbre Energy Limited <sup>1</sup> Arbre Farming Limited <sup>1</sup> First Renewables Limited White Rose Group Limited Span 2000 Limited <sup>2</sup> FRE Ltd Kelda Group Pension Trustees Ltd Kelda Group plc Yorkshire Regional Radio Ltd Waste Recycling Group plc Richmond Foods plc Richmond Foods (EBT 1) Limited Quay Technologies Limited
James Dickson	None	None
Mark Foster	None	Harrison and Clough Limited Black Country Fasteners Limited Harden Limited
Duncan Noble	None	None
Stewart Gilliland	Müller Dairy (UK) Limited Molkerei Alois Müller GmbH & Co Dairy UK Ltd	The Institution of Grocery Distribution Limited IGD Services Limited The Drinkaware Trust Limited British Beer & Pub Association Limited InBev UK Limited Tennent Caledonian Breweries Limited The Portman Group Limited Nimbuspath Limited

1 James Newman was a director of Arbre Energy Limited and Arbre Farming Limited, subsidiaries of Kelda Group plc until 7 May 2002 when he resigned when both companies were sold by Kelda Group plc. Following this sale both companies were put into creditors' voluntary liquidation by their new owners on 7 August 2002. On 19 August 2002 meetings of creditors were held at which the appointment of the liquidators was approved and the statements of affairs sworn by the current directors. In relation to Arbre Energy Limited the statement of affairs filed at Companies House reveals the estimated amounts outstanding to the shareholders as the company's general creditors were £1,000,000 and £11,293,458 respectively as at 7 August 2002. In relation to Arbre Farming Limited the statement of affairs filed at Companies House reveals the estimated amounts outstanding to shareholders and the company's general creditors were £100 and £3,124,428 respectively as at 7 August 2002. Both companies are still in creditors' voluntary liquidation and have not been dissolved.

2 James Newman was a director of Span 2000 Limited. On 5 August 2003, following a period during which the company had ceased to trade, three months' notice was given that unless cause was shown to the contrary the company would be struck off the register and dissolved. The company was struck off the register on 18 November 2003 and dissolved on 23 November 2003. The company had no creditors apart from director and shareholder loans totalling approximately £85,000.

- (h) Save as disclosed above, none of the Directors has:
- (i) any unspent convictions in relation to indictable offences;
  - (ii) ever been declared bankrupt or been the subject of an individual voluntary arrangement;
  - (iii) ever been a director of a company which while he was a director at any time or within 12 months after his ceasing to be a director had a receiver or administrative receiver appointed, entered into compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors;
  - (iv) ever been a partner in a partnership which while he was a partner at any time or within 12 months after his ceasing to be a partner entered into compulsory liquidation, administration or a partnership voluntary arrangement;
  - (v) owned, or been a partner in a partnership which owned any asset which, while he owned that asset, or while he was a partner at any time or within 1 months after ceasing to be a partner in the partnership which owned the asset, entered into receivership;
  - (vi) been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or
  - (vii) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

#### **Other Interests**

5.6 Save as disclosed in paragraphs 5.1 and 5.3 above and as set out below, the Directors are not aware of any Shareholder who, directly or indirectly, is interested in 3 per cent or more of the issued share capital of the Company immediately following Admission or any persons who, directly or indirectly, jointly or severally exercise or could exercise control over the Company.

	<i>Ordinary Shares following Admission</i>	%
F&C Asset Management	1,546,000	6.4
AXA Framlington	1,331,000	5.5
Newton Investment Management	1,200,000	5.0
M&G Investments	813,000	3.4
Unicorn Asset Management	747,000	3.1
Derrick Collin	719,983	3.0

## **6. SHARE OPTION SCHEME**

### **Brulines Enterprise Management Incentive Plan**

6.1 The Company established the EMI Plan on 31 March 2006. Options have been granted over 570,000 Ordinary Shares, being the maximum number of shares permitted under the EMI Plan. It is not proposed that any further options be granted under the EMI Plan nor is it proposed that the EMI Plan be operated after Admission. It is intended that options granted under the EMI Plan will qualify for the favourable tax treatment afforded by the enterprise management incentive scheme. The principal terms of the EMI Plan as it relates to those options that have been granted are as follows:

#### **(a) Exercise of options**

Options may be exercised at any time after the date of grant.

If the option holder ceases to be a director or employee for any reason (including death) his or her options shall lapse unless the Board determines otherwise within 3 months from the date of such cessation.

In any event an option cannot be exercised more than 10 years after the date of grant.

Shares must be issued or otherwise transferred to an option holder within 28 days of an effective exercise.

The Board have the ability to impose restrictions on the shares acquired on exercise as a condition of exercise.

(b) **Takeover**

If another company acquires control of the Company as a result of a takeover, options must be exercised within six weeks or else they will lapse.

If a person becomes bound or entitled to acquire shares in the Company pursuant to Sections 428 to 430F of the Act, options must be exercised within four weeks of such person becoming bound or entitled or else they will lapse.

Where a company obtains control of the Company in either of the above two circumstances or as a result of an internal reorganisation the option holder may (with the agreement of the acquiring company) release his rights under an existing option in exchange for the grant of a replacement option in the acquiring company if certain conditions are satisfied.

If a compromise or arrangement sanctioned by a Court under Section 425 of the Act is put in place in connection with the reorganisation of the Company, options must be exercised within six months of the compromise or arrangement becoming effective or else they will lapse.

If a resolution is passed for the voluntary winding up of the Company options shall immediately cease to be exercisable. Option holders will be given prior notice of such a resolution and the opportunity to exercise their options conditional on the resolution being passed.

(c) **Tax liability**

The option holder may be required as a condition of exercise to discharge any tax liability arising on exercise of the option. Such tax liability shall include any liability of the Company to account for income tax under pay-as-you-earn and national insurance contributions.

(d) **Amendments**

The Board has the power to amend the terms of the EMI Plan except where such amendments would be to the material advantage of employees and concern either eligibility, the limit on shares which may be issued, or rights of exercise, in which case Shareholder approval is required.

6.2 The following options were granted under the EMI Plan on 31 March 2006:

<i>Name of Employee</i>	<i>Ordinary Shares under Option</i>	<i>Exercise price (per share) (p)</i>
Mark Foster	150,000	67.2
Duncan Noble	80,000	50.0
Duncan Noble	40,000	67.2
Alison Martinez	90,000	50.0
Gareth James	90,000	50.0
Mark Bristow	20,000	67.2
David Glass	20,000	67.2
Graeme Turley	80,000	50.0

The exercise of these options was not made subject to any performance conditions at the date of grant. The options vested immediately following the date of grant. None of the options have been exercised and remain outstanding. Each of the other option holders has undertaken to the Company not to exercise any of their options prior to Admission.

**Bulines Executive Share Option Plan**

6.3 The Company has established the Executive Plan to operate post-Admission, the principal terms of which are set out below.

(a) **General**

The Executive Plan is a discretionary share option scheme under which the Company may grant options to eligible employees over Ordinary Shares. Such options may qualify for the favourable tax treatment afforded to options granted under the enterprise management incentive scheme ("EMI"). Otherwise options granted under the Executive Plan will be tax unapproved.



The Executive Plan will be operated by the Board of the Company acting on the recommendation of the Remuneration Committee.

**(b) Grant of options**

The Company can grant options under the Executive Plan to any employee of a Group company. However, it is intended that the Executive Plan will be limited to executive Directors and other senior executives of the Group.

To qualify for EMI an employee must devote 25 hours a week or, if less, 75 per cent. of their working time to the Group. Working time means time spent in self employment as well as in employment and must be calculated in accordance with the EMI legislation.

An individual is not eligible under EMI if he or any associate has a material interest in the Company or a qualifying subsidiary. A material interest is defined as beneficial ownership of 30 per cent. of the issued share capital of the Company or entitlement to 30 per cent. of the assets on a winding up where the Company is a close company.

**(c) Limits**

An employee cannot hold unexercised options which qualify under EMI in respect of Ordinary Shares with a value of more than £100,000 at the date of grant. Any options granted under the Executive Plan in excess of this limit will take effect as tax unapproved options.

The total maximum value of Ordinary Shares granted under options which qualify under EMI must not exceed £3 million (calculated at the relevant date of grant).

The Company may not grant options under the Executive Plan if on any day the aggregate number of Ordinary Shares issued or remaining issuable in respect of options granted under the Executive Plan or the Employee Plan or any other employees' share scheme in the 10 years preceding the date of grant would exceed 10 per cent. of the Company's issued share capital at that time. Options granted under any arrangements on or prior to Admission do not count towards this limit.

Following Admission no options may be granted under the Executive Plan in any financial year of the Company to any individual over Ordinary Shares with a market value at grant of more than 100 per cent. of basic salary, unless the Remuneration Committee determines that exceptional circumstances exist which justify a grant in excess of this limit.

**(d) Exercise of options**

Except for the initial grant of options, the exercise of options under the Executive Plan will normally be made subject to the satisfaction of performance conditions imposed at the date of grant. These conditions will relate to the underlying financial performance of the Company. For the initial grant of the Executive Options, summarised at paragraph 6.4 of this Part VI, exercise of 40 per cent. of the options is subject to satisfaction of performance conditions and the exercise of the remaining 60 per cent. is not.

Generally, options can only be exercised at least three years after grant and to the extent the relevant performance conditions have been satisfied.

Option holders can be required to meet any income tax and national insurance contributions arising on the exercise of options.

Shares must be issued or otherwise transferred to an option holder within 28 days of an effective exercise.

In any event options must be exercised within 10 years of the date of grant otherwise they will lapse.

**(e) Early exercise**

If the option holder dies before exercising his options, even if the option would not otherwise be exercisable, the option holder's personal representatives may exercise his options within 12 months after the date of his death. In this case any performance conditions are disapplied.

If the option holder ceases to be a Director or employee due to serious injury or serious disability, even if the option would not otherwise be exercisable, he may exercise his options within 6 months following such cessation. In this case any performance conditions are disapplied.

If the option holder ceases to be a Director or employee for any reason other than death, serious injury or disability, his options will lapse unless the Board determines otherwise within 3 months from the date of such cessation. If the Board so determines the Board has discretion as to the extent to which the option can be exercised and the extent to which any performance conditions shall apply.

**(f) Takeover**

Options can be exercised, even if they would not otherwise be exercisable, in the following circumstances:

- (i) if another company acquires control of the Company as a result of a general offer, in the six months following the change of control;
- (ii) if a person becomes bound or entitled to acquire shares in the Company pursuant to sections 428 to 430F of the Act, in the four weeks after the person becomes so bound or entitled;
- (iii) if the Company enters into a section 425 scheme of arrangement, within six months of the compromise or arrangement being sanctioned by the court; or
- (iv) if the Company proposes a resolution for a voluntary winding up, until such time as the resolution is effective.

In each case options can only be exercised having regard to the extent to which the relevant performance conditions have been satisfied at the date of exercise, unless the Board determines otherwise.

On a takeover an option holder may (with the agreement of the acquiring company) release his rights under an existing option in exchange for the grant of a replacement option in the acquiring Company.

**(g) Adjustment of options**

If the Company varies its share capital whether by reason of a capitalisation issue, rights offer, sub-division, consolidation or otherwise the Board may adjust options to take into account the effect of the variation.

**(h) Amendment of the Plan**

The rules of the Executive Plan may be amended by the Board provided that amendments to the following require the approval of Shareholders in general meeting unless they are minor and to benefit the administration of the Executive Plan or to take account of any change in legislation or to obtain or maintain a favourable tax, exchange control or regulatory treatment for a participant, eligible employee or group company:

- (i) the definition of eligible employees;
- (ii) the various Plan and individual limits;
- (iii) the conditions of exercise; and
- (iv) the rights of participants on an adjustment of options.

6.4 The following options were granted under the Executive Plan on 19 October 2006;

<i>Name of Employee</i>	<i>Ordinary Shares under Option</i>	<i>Exercise price (per share) (p)</i>
James Dickson	75,000	123.0
Mark Foster	65,000	123.0
Duncan Noble	65,000	123.0
Alison Martinez	50,000	123.0
Steven Brown	50,000	123.0
Gareth James	50,000	123.0
Ronald Colley	75,000	123.0

The exercise of 40 per cent. of these options is subject to a financial performance condition and all of these options are also conditional on Admission.

### **Brulines Employee Share Option Plan**

6.5 The Company has established the Employee Plan to operate post-Admission. It is intended that the Employee Plan will be operated as an employee-wide share option plan, the principal terms of which are the same as for the Executive Plan except as follows:

- (i) Executive Directors are not eligible to participate under the Employee Plan; and
- (ii) The exercise of options under the Employee Plan does not have to be made subject to performance conditions.

As with the Executive Plan, options can be granted under the Employee Plan which qualify under EMI.

6.6 On 19 October 2006 options were granted to 116 employees over an aggregate of 286,500 Ordinary Shares under the Employee Plan. The exercise of these options is not subject to any performance condition. The options are conditional on Admission.

### **Brulines Employees' Trust**

6.7 The Brulines Employees' Trust was established by deed dated 3 May 2006 and made between the Company as the settlor and Brulines Trustee Company Limited as the trustee. Brulines Trustee Company Limited is a wholly owned subsidiary of the Company. The principal features of the Employees' Trust are as follows:

- (i) the Employees' Trust is a discretionary trust the potential beneficiaries of which include the employees and former employees of the Group, together with their dependants;
- (ii) the trustee has wide dispositive powers in favour of the beneficiaries. In particular, the trustee has the power to provide benefits in the form of Ordinary Shares in the Company;
- (iii) the Company agrees to indemnify the trustee for any loss it suffers when acting as trustee, except where due to its own fraud or negligence;
- (iv) the trustee is required to waive any dividend to which it may be entitled on any shares it holds in the Company unless those shares have been beneficially awarded to a beneficiary.

Pursuant to a loan agreement dated 3 May 2006 the Company has lent £155,335 to Brulines Trustee Company Limited. These funds were used to acquire 23,000 Old Ordinary Shares from Stephen James on 3 May 2006.

By a linking agreement dated 3 May 2006 and made between the Company and Brulines Trustee Company Limited (as trustee of the Brulines Employees' Trust) the trustee has agreed to satisfy awards made by the Company under the EMI Plan and any other share plan established by the Company. The trustee's obligation is limited to the extent it holds shares or has the funds to enable it to acquire those shares.

## **7. TAXATION**

7.1 The following information is based upon the law and HM Revenue & Customs ("HMRC") practice currently in force in the UK. The comments are of a general nature only and are not a full description of all relevant tax considerations. The comments only apply to persons who are resident and ordinarily resident in (and only in) the UK (except where express reference is made to the treatment of non UK residents) and only apply to persons who hold their Ordinary Shares as investments and are the absolute beneficial owners of them.

**7.2 The statements do not constitute advice to any Shareholder. Any person who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult a professional advisor concerning his tax position in respect of the acquisition, holding or disposal of Ordinary Shares.**

### **Dividends – UK Resident Shareholders**

7.3 Under current UK taxation legislation no tax will be withheld from dividends paid by the Company.

7.4 Where the Company pays a dividend to a holder of Ordinary Shares being an individual resident in the UK (for the purposes of UK taxation law) he will generally be entitled to a tax credit in respect of the dividend received. The value of the tax credit is currently one ninth of the amount of the dividend

received or 10 per cent of the aggregate of the amount of the dividend and tax credit. Such an individual will be liable to income tax on an amount equal to the aggregate of the dividend and tax credit (“gross dividend”), which will be regarded as the top slice of his income for tax purposes and will be subject to UK income tax at the special rate of tax as described below.

- 7.5 Individuals who are not liable to income tax at a rate greater than basic rate (i.e., those who pay tax at the lower or basic rate only) will be liable to tax on the gross dividend at the rate of 10 per cent. This means that the tax credit will satisfy such individual’s liability to pay income tax in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from the HMRC.
- 7.6 In the case of individuals who are liable to income tax at the higher rate on dividends (currently 32.5 per cent), the 10 per cent tax credit will be set against his liability to tax in respect of the gross dividend. Therefore he will have to pay additional tax equal to 22.5 per cent of the gross dividend (or 25 per cent of the net dividend received), to the extent that the gross dividend, when treated as the top slice of his income, falls above the threshold for higher rate income tax.
- 7.7 Individual Shareholders who are not liable to income tax in respect of the gross dividend income cannot reclaim payment of the tax credit from HMRC.
- 7.8 Subject to certain exceptions, a corporate Shareholder which is resident for tax purposes in the UK is not liable to tax on a dividend paid by the Company to it and is not able to claim repayment of the tax credit attaching to the dividend.
- 7.9 UK pension funds are no longer entitled to reclaim the tax credit attaching to dividends paid by the Company.

#### **Dividends – Non UK resident Shareholders**

- 7.10 Individual Shareholders who are not resident in the UK for tax purposes but who are either Commonwealth citizens or nationals of the European Economic Area and certain other classes of people are normally entitled to a tax credit in respect of a dividend received from the Company which they may off-set against their total UK income tax liability or reclaim to the same extent as if they were resident in the UK. Such Shareholders will generally not be able to claim payment of the tax credit from HMRC. Other Shareholders who are resident in the UK for tax purposes will not generally be entitled to claim payment of any part of the tax credit from HMRC, or if they are entitled any such repayment would be negligible.
- 7.11 A Shareholder who is not resident in the UK for tax purposes should consult his own tax adviser concerning his liability to tax on dividends received, to reclaim any part of the tax credit and the procedure for doing so. A Shareholder who is resident outside the UK may also be subject to foreign tax on dividends received from the Company under the law of the relevant foreign jurisdiction.

#### **Venture Capital Trusts**

- 7.12 HMRC has provided advance provisional assurance that if the Company structures its finances to ensure it can satisfy the “gross asset requirement” at the time the Placing Shares are issued, the Company would satisfy the conditions for a qualifying VCT investment for funds raised before 6 April 2006.
- 7.13 The availability of the investment relief depends upon, amongst other things, the personal circumstances of the individual investor and the Company continuing to satisfy the requirements of being a qualifying company. The Company does not make any representations as to whether any such investment will be or will continue to be one in respect of which relief under the VCT legislation will be available.
- 7.14 **The above information does not set out the provisions relating to VCT legislation in full and potential investors are advised to seek independent professional advice on whether they satisfy the conditions for relief and the circumstances in which the relief may be withdrawn.**

#### **Stamp Duty and Stamp Duty Reserve Tax**

- 7.15 No liability to stamp duty or stamp duty reserve tax (“SDRT”) will arise on the allotment of New Ordinary Shares by the Company pursuant to the Placing.

- 7.16 Any dealings in Ordinary Shares will normally be subject to stamp duty or SDRT. The transfer or conveyance on sale of Ordinary Shares will be liable to ad valorem stamp duty, at the rate of 0.5 per cent (rounded up to the nearest multiple of £5.00) of the amount or value of the consideration paid. Stamp duty is normally the liability of the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer such shares will normally give rise to SDRT, generally at the rate of 0.5 per cent of the amount or value of the consideration paid for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares.
- 7.17 Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT (at a rate of 0.5 per cent of the consideration paid) rather than ad valorem stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC by CREST Co.
- 7.18 The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements and clearance services, are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

## 8. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group during the two years preceding the date of this document, or, if earlier, are contracts under which any member of the Company or any of its subsidiaries has any obligations which, at the date of this document, are or may be material:

- 8.1 An agreement dated 5 December 2002 made between (1) BOX Telematics Limited ("Box") and (2) Brulines pursuant to which Box agreed to supply Brulines with units of edisBOX for a period of 25 years together with access to the source codes in relation to the edisBOX. Upon expiry of the initial term, the agreement can be terminated by either party on six months notice. The agreement can be terminated prior to the expiry of the initial term by Box if Brulines fails to remedy a material default of the agreement having been given not less than thirty days notice. In the event that Brulines fails to remedy the material default and the agreement is terminated, Brulines has the right to obtain the source codes from the escrow account where they are held. In certain special circumstances, Brulines can obtain access to the source codes following delivery to the escrow agents and Box of a statutory declaration confirming that one of the special circumstances has occurred.
- 8.2 On 19 May 2005 pursuant to the agreement summarised in paragraph 8.2 of Part VI of this document, Brulines issued and allotted 26,988 Old Ordinary Shares to those people listed below (in each case credited as fully paid up) pursuant to the exercise of options in an Enterprise Management Initiative option scheme operated by Brulines immediately prior to acquisition of the entire issued share capital of Brulines by the Company:
- |       |               |        |
|-------|---------------|--------|
| (i)   | James Dickson | 12,338 |
| (ii)  | Stephen James | 3,855  |
| (iii) | Steven Brown  | 3,084  |
| (iv)  | Simon Collin  | 6,169  |
| (v)   | Duncan Noble  | 1,542  |
- 8.3 An agreement dated 19 May 2005 made between (1) Derrick Collin & Others ("the Vendors") and (2) the Company by which the entire issued share capital of Brulines was acquired by the Company in consideration of £6,000,000 payable in cash to Derrick Collin, £4,125,495 payable by the issue of loan notes in the Company to Derrick Collin, £140,000 payable by the issue of guaranteed loan notes to Simon Collin and the allotment of 1,734,505 Old Ordinary Shares to Derrick Collin (705,302), James Dickson (534,521), Simon Collin (127,260), Stephen James (167,010), Steven Brown (133,608) and Duncan Noble (66,804). The agreement contains warranties from each of the

Shareholders in favour of the Company. The liability of each of the Shareholders is limited and the warranty period expires on 30 June 2006.

- 8.4 An agreement dated 19 May 2005 made between (1) Bank of Scotland (“BoS”) and (2) the Company (and certain of its subsidiaries) pursuant to which the Company entered into a secured (by the Company & Brulines) committed credit facility of up to £6,140,000 comprising of (i) a revolving credit facility of up to £6,000,000 and (ii) a Guarantees and bonds facility of up to £140,000 (“the Facility”). The agreement contains various warranties and representations from the Company (and certain of its subsidiaries), ongoing financial and other covenants and provisions providing certain events of default whereby the Company will be in breach of the Facility. The interest rate is calculated on an annual basis of 2.65 plus the BoS base rate from time to time. The maturity date of the Facility is 19 May 2010, unless it is repaid prior to such date. The Facility is repayable, *inter alia*, on the occurrence of a Listing (as defined in the agreement).
- 8.5 An agreement dated 19 May 2005 made between (1) the Company and (2) Derrick Collin pursuant to which the Company issued £4,125,495 interest bearing secured (by the Company & Brulines) loan notes 2011 (“the Loan Notes”) to Derrick Collin structured as non qualifying corporate bonds. The interest rate applicable to the Loan Notes is 1% above London Inter Bank Offered Rate (“LIBOR”), to the extent the Company has outstanding facilities with BoS, and for all Loan Notes outstanding after the facilities with BoS have been repaid, the interest rate is 2.65% above LIBOR. The agreement contains certain events of default whereby the Loan Notes become immediately repayable plus accrued interest and a right for the Loan Notes to be redeemed upon agreement between the Company and Derrick Collin. The Loan Notes will be repaid immediately prior to Admission.
- 8.6 An agreement dated 19 May 2005 made between (1) the Company and (2) Brulines pursuant to which Brulines agreed to make available to the Company a loan facility subject to various conditions being satisfied by the Company. The agreement provides that, if agreed between the parties, any sums advanced will bear interest at the rate agreed between the parties and will be repayable on demand. There is no limit to the number of loans that may be outstanding at any one time.
- 8.7 An agreement dated 19 May 2005 made between (1) the Company and (2) Simon Collin pursuant to which the Company issued £140,000 guaranteed interest bearing unsecured loan notes 2006 (“the Loan Notes”) to Simon Collin structured as non qualifying corporate bonds. The interest rate applicable to the loan notes is 1% below LIBOR and the Loan Notes were redeemed on 28 April 2006. The agreement contains certain events of default whereby the Loan Notes become immediately repayable plus accrued interest, and a right for the Loan Notes to be redeemed upon agreement between the Company and Simon Collin.
- 8.8 An agreement dated 3 May 2006 between (1) the Company and (2) Brulines Trustee Company Limited (“BTCL”) pursuant to which BTCL agrees to transfer shares in the Company to employees in order to satisfy awards made by the Company under the terms of the Brulines Enterprise Management Incentive Plan or any other employee share incentive scheme operated by the Company from time to time.
- 8.9 A deed dated 3 May 2006 made between (1) the Company and (2) BTCL pursuant to which the Company (as settlor) and BTCL (as trustee) established the Employees’ Trust. The principal features of the Employees’ Trust are outlined in paragraph 6.7 of Part VI of this document.
- 8.10 An agreement dated 3 May 2006 made between (1) the Company and (2) BTCL pursuant to which the Company has lent £155,335 to BTCL for the purpose of acquiring 23,000 Old Ordinary Shares from Stephen James on 3 May 2006.
- 8.11 On 3 May 2006 BTCL purchased 23,000 Old Ordinary Shares from Stephen James for a price of £6.72 per Old Ordinary Share to be held under the terms of the Employees’ Trust.
- 8.12 An agreement dated 31 August 2006 (effective from 1 September 2006) made between CMS (“the Seller”) (1), the Company (2) and Michael John Moran (“Mr Moran”) (3) by which certain parts of the business and assets of the Seller (comprising principally of goodwill and contracts) was acquired by the Company for a cash consideration of £1,600. The agreement contains warranties from the Seller in favour of the Company. The liability of the Seller is limited and the warranty period expires on 31 August 2008. The obligations of the Seller are guaranteed by Mr Moran. Pursuant to a two year fixed-term service agreement entered into simultaneously with Mr Moran, Mr Moran will

be entitled to a performance-related bonus of up to £180,000 less certain costs incurred by the Company in connection with the acquisition. In addition, in both years one and two, Mr Moran will be entitled to a further bonus which is performance-related but which is not anticipated to be material.

- 8.13 By letter dated 26 September 2006 from BoS to the Company, BoS confirmed that, subject to Admission, it would provide Brulines with an overdraft facility (“Facility”) of up to £3,000,000. The principal terms of the agreement are that the Facility will be available for a period of 12 months, will be at an interest rate of 1.5 per cent. above BoS base rate, that the existing security remains in place and that the covenants are as per the facility summarised in paragraph 8.4 of this Part VI.
- 8.14 An agreement dated 19 October 2006 between the Company, the Directors and RSM Rhodes Corporate Finance pursuant to which RSM Robson Rhodes Corporate Finance is retained by the Company as its nominated adviser for the purposes of the AIM Rules. RSM Robson Rhodes Corporate Finance shall be entitled to an annual fee of £20,000, payable quarterly in advance. The agreement is for an initial term of one year from Admission and is thereafter terminable on the giving of three months’ notice by either party to the other.
- 8.15 A joint financial adviser and broker letter agreement dated 19 October 2006 between Cenkos and the Company pursuant to which the Company has appointed Cenkos to act as joint financial adviser and broker to the Company. The Company has agreed to pay Cenkos a fee of £25,000 for its services as joint financial adviser and broker. The letter contains certain undertakings given by the Company and an indemnity given by the Company in respect of, *inter alia*, compliance with applicable laws and regulations. The appointment can be terminated by either party giving to the other not less than one months’ prior written notice.
- 8.16 An agreement (the “Placing Agreement”) dated 20 October 2006 between the Company (1), the Directors (2), the Management Shareholders (3) and Selling Shareholders (4), Cenkos Securities (5) and RSM Robson Rhodes Corporate Finance (“RSM”) (6), pursuant to which Cenkos Securities has agreed to arrange for placees to acquire the Sale Shares and to subscribe for Placing Shares at the Placing Price. The Placing Agreement is conditional, *inter alia*, upon Admission taking place on or before 26 October or such later date as Cenkos Securities (having consulted with RSM) and the Company may agree, but in any event not later than 10 November. The Company will pay to Cenkos Securities a fee of £50,000 and a commission of 4 per cent. of the Placing Price for each of the Placing Shares for which Cenkos Securities has procured placees and the Selling Shareholders (other than Derrick Collin) will pay to Cenkos Securities a commission of 4 per cent. of the Placing Price for each of the Sale Shares for which Cenkos Securities has procured placees. Derrick Collin will pay Cenkos Securities a commission of 4 per cent. on 4,653,108 Sale Shares and a commission of 3 per cent. on 1,679,939 Sale Shares for which Cenkos Securities has procured placees. The Placing Agreement provides for the Company to pay all reasonable expenses of an incidental nature to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

Cenkos Securities has agreed to arrange for placees to acquire the following number of Sale Shares from the Selling Shareholders:

<i>Names</i>	<i>No. of Sale Shares</i>
Derrick Collin	6,333,047
Stephen James	1,340,100
James Dickson	1,069,042
Duncan Noble	138,608
Simon Collin	254,520
Steven Brown	267,216

The Placing Agreement contains, *inter alia*, undertakings and warranties by the Company, the Directors and the Selling Shareholders in favour of Cenkos Securities and RSM, as to the accuracy of information contained in this document and other matters relating to the Group and its business and an indemnity in favour of Cenkos Securities and RSM.

The Management Shareholders and Derrick Collin (in relation to their retained Ordinary Shares) have agreed not to dispose of any interest in any Ordinary Shares in the terms described in paragraph 16 of Part I.

Cenkos Securities (having consulted with RSM) may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained therein or on the occurrence of a force majeure event.

## **9. WORKING CAPITAL**

In the opinion of the Directors, having made due and careful enquiry and having regard to bank facilities, and the net proceeds receivable by the Company under the Placing, the working capital available to the Group from the date of Admission will be sufficient for its present requirements, that is for at least 12 months from the date of publication of this document.

## **10. LITIGATION**

Neither the Company nor any other member of the Group is or has been engaged in any legal or arbitration proceedings nor, as far as the Directors are aware, are any legal or arbitration proceedings active, pending or threatened against, or being brought by, the Company or any other member of the Group which may have or have had, a significant effect on the Company's or the Group's financial position.

## **11. GENERAL**

11.1 The gross proceeds of the Placing are expected to amount to £8.0 million. Total costs and expenses payable by the Company in connection with the Placing (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £1.0 million (excluding VAT). The expenses of or incidental to the Placing are payable by the Company.

11.2 All monies received from applicants will be held by Cenkos Securities until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 10 November 2006 or if any application is unsuccessful or is scaled down, any monies returned will be sent by cheque crossed "A/c Payee" in favour of the first named applicant. Any monies returned will be sent by first class post at the risk of addressee, without interest, within three days of the completion of the Placing. Share certificates will be sent to successful applicants by first class post at the risk of the applicant within ten days of the completion of the Placing.

11.3 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Group's recent activities.

11.4 Save as disclosed in this document, there are no investments in progress of the Group which are or may be significant.

11.5 The Company's principal investment since its incorporation was the acquisition of the whole of the share capital of Brulines for a total consideration of £12,485,591. Other than investments in motor vehicles and EDIS rental systems (as set out on page 52 of this document), Brulines has not made any principal investments in the three years ended 31 March 2006.

11.6 Save as disclosed in this document, the Group is not dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Group's business.

11.7 Save as disclosed in this document, there has been no significant change in the financial position or prospects of the Group since 31 March 2006.

11.8 RSM Robson Rhodes Corporate Finance has given and not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the context in which they appear.

11.9 Cenkos Securities has given and not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name, in the context in which they appear.

11.10 Baker Tilly has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its reports and the reference to its name, in such forms and contexts in which they appear.



- 11.11 Rouse Patents has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the context in which they appear.
- 11.12 Derrick Collin resigned as a Director of the Company and Brulines on 10 May 2006 and will not, from that date, be involved with the running of the Company or Brulines. Derrick Collin received a payment under the terms of a Compromise Agreement in the sum of £55,000 plus a contribution by the Company of £7,500 to his pension scheme and is subject to various restrictive covenants and non-compete restrictions.
- 11.13 The basis for the statement that the Group is the leading provider of volume and revenue protection systems for draught alcoholic drinks for the UK licensed on-trade is the number of dispense monitoring installations.
- 11.14 Copies of the following documents may be inspected at the office of Gordons LLP at Riverside West, Whitehall Road, Leeds LS1 4AW during usual business hours on any weekdays (Saturdays and public holidays excepted) for a period of one month following the date of Admission:
- (a) the Memorandum and Articles of the Company;
  - (b) the audited accounts of the Company for the year ended 31 March 2006;
  - (c) the audited accounts of Brulines for the three years ended 31 March 2006;
  - (d) the Accountants' Reports contained in Parts III and IV of this document;
  - (e) the Directors' service agreements referred to in paragraph 4 of this Part;
  - (f) the material contracts referred to in paragraph 8 of this Part;
  - (g) the written consents referred to in paragraph 11 of this Part;
  - (h) the rules of the EMI Plan;
  - (i) the rules of the Executive Plan;
  - (j) the rules of the Employee Plan;
  - (k) James Newman's option contract;
  - (l) Stewart Gilliland's option contract; and
  - (m) the Deed establishing the Brulines Employees' Trust

## **12. AVAILABILITY OF DOCUMENT**

Copies of this document are freely available to the public from the Company's office at EDIS House, Wellington Court, Preston Farm Business Park, Stockton on Tees, TS18 3TA and from the offices of Gordons LLP at Riverside West, Whitehall Road, Leeds, LS1 4AW.

Dated 20 October 2006.







 brulines

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