

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or as to what action you should take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules has been issued in connection with the application for Admission. This document does not comprise a prospectus under the Prospectus Rules and has not been approved by or filed with the Financial Services Authority.

Application has been made for all of the Ordinary Shares of Vertu Motors plc both issued and to be issued to be admitted to trading on AIM, a market operated by London Stock Exchange plc. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

**The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not dealt in on any other recognised investment exchange and, apart from the application for admission to AIM, no other such applications have been or will be made.**

It is expected that First Admission will be effective and dealings in the Existing Ordinary Shares and the EIS Shares will commence on AIM on 20 December 2006 and that Second Admission will be effective and dealings in the VCT Shares will commence on AIM on 21 December 2006 and that Third Admission will be effective and dealings in the Non-EIS/VCT shares will commence on AIM on 22 December 2006.

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# Vertu Motors plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 5984855)*

## Placing of 41,666,667 Ordinary Shares at 60 pence per share

*(ISIN Number: GB00B1GK4645)*

### Admission to trading on AIM

#### Nominated Adviser and Broker



The Directors of Vertu Motors plc, whose names appear on page 3 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission.

Brewin Dolphin, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority, is acting only for Vertu Motors plc in connection with the Placing and the Admission and is not acting for any other person and will not be responsible to any person other than Vertu Motors plc for providing the protections afforded to customers of Brewin Dolphin. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and it is not intended to be relied on by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is owed to them.

This document does not constitute an offer to sell or the solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities legislation of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to, or for the account or benefit of, US persons or any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	William Moore Teasdale, Non-Executive Chairman Robert Thomas Forrester, Chief Executive Officer
<b>Company Secretary</b>	Andrew John Davison
<b>Registered Office</b>	Rotterdam House 116 Quayside Newcastle upon Tyne NE1 3DY
<b>Nominated Adviser and Broker</b>	Brewin Dolphin Securities Limited Commercial Union House 39 Pilgrim Street Newcastle upon Tyne NE1 6RQ
<b>Solicitors to the Company</b>	Robert Muckle LLP Norham House 12 New Bridge Street West Newcastle upon Tyne NE1 8AS
<b>Reporting Accountants and Auditors</b>	PricewaterhouseCoopers LLP 89 Sandyford Road Newcastle upon Tyne NE1 8HW
<b>Tax Advisers to the Company</b>	Deloitte & Touche LLP Gainsborough House 34-40 Grey Street Newcastle upon Tyne NE1 6AE
<b>Solicitors to the Placing</b>	Dickinson Dees St. Ann's Wharf 112 Quayside Newcastle upon Tyne NE99 1SB
<b>Registrars</b>	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Financial PR Advisers</b>	Financial Dynamics Holborn Gate 26 Southampton Buildings London WC2A 1PB

## KEY INFORMATION

### Introduction

- Vertu Motors is seeking to raise £25.0 million before expenses through the Placing and seeking admission of the shares of the Company to trading on AIM, with a view to taking advantage of opportunities to acquire and consolidate businesses within the UK motor retail sector.
- The Directors are experienced within the sector, having previously held senior positions within Reg Vardy plc, the previously quoted motor retail group.
- The Company will seek to acquire businesses with the potential for performance improvement and which may contain freehold property portfolios.

### The Opportunity

The Directors believe that there are a number of factors which make the Company an attractive investment opportunity:

- The UK motor retail sector is fragmented; in 2005 there were over 5,400 motor dealerships in the UK, of which the ten largest motor retail groups represented less than 19 per cent.
- The Directors are confident that there are a significant number of attractive acquisition opportunities within the motor dealership network (both franchised and unfranchised).
- The Directors envisage that performance improvement opportunities will arise in acquired dealerships from increasing sales in new and used cars and after-sales services, through improving the efficiency of the business processes and providing exceptional customer service.
- Further profit enhancements will be sought through the possible development and maximisation of channels to market, such as the internet, sub-prime finance, contract hire and fleet operations.
- The Directors will look to complete acquisitions at valuations that will provide a positive return to Shareholders over the medium term.
- The Directors have a track record of developing a car dealership group to provide returns to shareholders.

### The Placing

- Vertu Motors plc is seeking to raise £25.0 million before expenses through the Placing of 41,666,667 Ordinary Shares at a price of 60 pence each
- Provisional clearance has been received from HM Revenue & Customs that an investment in the Company as part of the First Admission will be a qualifying investment for the purposes of the Enterprise Investment Scheme and investment by Venture Capital Trusts.
- It is anticipated that First Admission will occur on 20 December 2006 and Second Admission on 21 December 2006 and Third Admission on 22 December 2006.

## PLACING STATISTICS

Issue Price	60 pence
Total number of Ordinary Shares being issued pursuant to the Placing	41,666,667
of which:	
Number of EIS Shares	4,020,833
Number of VCT Shares	13,916,669
Number of Non-EIS/VCT Shares	23,729,165
Percentage of enlarged issued Ordinary Share capital being issued	89.1 per cent.
Number of Ordinary Shares in issue following Third Admission	46,750,000
Gross proceeds of the Placing receivable by the Company	£25.0 million
Net proceeds of the Placing receivable by the Company	£23.6 million
Market capitalisation on Third Admission at the Issue Price	£28.0 million
EPIC Code	“VTU”

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of publication of this AIM Admission document	15 December 2006
First Admission and dealings in the Existing Ordinary Shares and EIS Shares expected to commence on	20 December 2006
CREST accounts (where relevant) expected to be credited for the EIS Shares	20 December 2006
Second Admission and dealings in the VCT Shares expected to commence on	21 December 2006
CREST accounts (where relevant) expected to be credited for the VCT Shares	21 December 2006
Third Admission and dealings in the Non-EIS/VCT Shares expected to commence on	22 December 2006
CREST accounts (where relevant) expected to be credited for the Non-EIS/VCT Shares	22 December 2006
Share certificates (where relevant) expected to be despatched for the Placing Shares no later than	5 January 2007

## PART 1

### INFORMATION ON VERTU MOTORS AND THE PLACING

#### INTRODUCTION

Vertu Motors is seeking to raise £25.0 million before expenses through the Placing and seeking admission of the shares of the Company to trading on AIM, with a view to taking advantage of opportunities to acquire and consolidate businesses within the UK motor retail sector.

#### OVERVIEW OF THE BUSINESS

Vertu Motors has been formed to acquire and consolidate UK motor retail businesses. The Directors are experienced within the sector, having previously held senior positions within Reg Vardy plc, the previously quoted motor retail group.

The Company will seek to acquire businesses with the potential for performance improvement and which may contain freehold property portfolios. The Directors envisage that performance improvement opportunities will arise in acquired dealerships from increasing sales in new and used cars and after-sales services through improving the efficiency of the business processes and providing exceptional customer service. This will be aided through the development of high performing motor retail professionals throughout the business as a result of training and selective recruitment. Further profit enhancements will be sought through the possible development and maximisation of channels to market, such as the internet, sub-prime finance, contract hire and fleet operations.

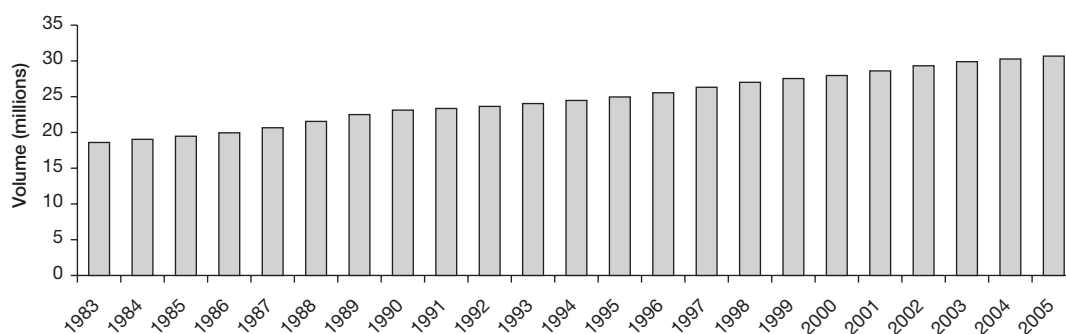
#### MARKET OVERVIEW

##### The UK market for motor vehicles

The motor retail sector comprises mainly franchised and non-franchised dealerships selling new and used vehicles through retail and corporate fleet channels. In addition, after-sales services are also provided in the form of mechanical and body repairs through service outlets and bodyshops respectively and also the supply of parts to retail and trade customers.

The UK market for cars in 2005 was estimated to be worth £40.3 billion. The performance of the UK motor retail sector is heavily dependent on the health of the UK economy. Key economic measures such as gross domestic product, inflation and employment all have an effect on the market, influencing consumer demand for vehicles.

##### *Annual total of cars on UK roads 1983-2005*



Source: SMMT

### **New car market**

The 2003 new car market was the highest in the last ten years with 2.6 million new car registrations. Since then, the market has declined in part due to growing pressure on consumer spending.

#### *Annual new car registrations 2001-2005*

	2001	2002	2003	2004	2005
Private	1,212,964	1,236,766	1,254,927	1,200,066	1,076,513
Fleet	1,031,429	1,090,448	1,068,174	1,093,494	1,184,874
Business	214,376	236,417	255,949	273,709	178,330
Total	<u>2,458,769</u>	<u>2,563,631</u>	<u>2,579,050</u>	<u>2,567,269</u>	<u>2,439,717</u>
Growth on prior year	11%	4%	1%	0%	-5%

Source: SMMT

Annual new car registrations for 2006 are forecast to be around 2.3 million, representing a year on year decline of 4 per cent. However, the rate of decline is forecast to reduce to 1.5 per cent. and 0.6 per cent. in 2007 and 2008 respectively.

The new car market can broadly be split into the 'volume' brands market (e.g. Ford, Vauxhall and Volkswagen) and the 'prestige' brands market (e.g. BMW, Audi and Mercedes-Benz). Volume brands dominate new car sales with Ford, Vauxhall, Volkswagen and Peugeot together representing 42 per cent. of 2006 new car sales to the end of October 2006. The Ford Focus represented the most popular new car registration in 2005, with 6 per cent. of the market.

Although remaining dominant, the traditional volume brands have been declining against the prestige brands with the two largest brands, Ford and Vauxhall, both losing market share in 2006.

### **Used car market**

The UK volume of used car sales is substantially higher than the new car market, representing 7.6 million vehicle sales in 2005, accounting for 76 per cent. of all cars sold.

#### *Annual total of used car sales 2001-2005*

	2001	2002	2003	2004	2005
Used car sales	<u>6,747,419</u>	<u>7,142,779</u>	<u>7,527,176</u>	<u>7,731,609</u>	<u>7,576,724</u>
Growth on prior year		6%	5%	3%	-2%

Source: SMMT

There has been a modest rise in rates of used car depreciation in 2005 and 2006. This has partly arisen from a slowdown in sales of new and used cars, coupled with an increase in the supply of 'nearly new' vehicles entering the used market.

The decline in sales of new and used cars shown in 2005 and forecast for 2006 is expected to have a negative impact on used car prices. Price falls are also expected to be aggravated by an anticipated oversupply of new vehicles in 2006. This oversupply results in excess unsold stock being registered and then retailed as 'used' after three/six months, having been held in the interim either by the dealers or by short cycle users, such as daily rental or credit hire operators.

### **Market opportunities**

The UK motor retail sector is fragmented; in 2005 there were over 5,400 motor dealerships in the UK, of which the ten largest motor retail groups represented less than 19 per cent.

The period since 2000 has witnessed a series of acquisitions within the car dealership sector, particularly as a result of the changes to the EU Block Exemption Regulations in 2002. Despite the consolidation in the market to date, the Directors are confident that there remain a significant number of attractive acquisition opportunities within the motor dealership network (both franchised and unfranchised).

## **ACQUISITION STRATEGY**

It is intended that within the first three years after Admission the Company will acquire motor retail operations in the form of franchised dealerships and used car only operations. The Directors intend to acquire motor retail groups together with bolt-on dealerships in appropriate franchises and locations. The Company's strategy will then be to drive operational efficiencies and organic growth to deliver returns to Shareholders.

The Company has a number of strategies to grow revenues in the enlarged group post-acquisition:

- empowerment of senior management
- priority focus on used car sales to improve the new : used car ratio
- development of fleet and contract hire opportunities
- utilisation of sub-prime finance providers to increase used car sales
- focus on internet retail presence, diverting spend away from traditional marketing; and
- development of an in-house used car warranty product.

In addition to revenue growth, the Company intends to introduce cost-saving measures such as:

- centralisation of procurement, for example oil, insurance, tyres etc
- spreading of marketing costs across multiple dealers
- improved customer retention through a roll-out of centralised contact centres
- cost synergies across multiple acquisitions, for example head office costs.

It is the intention of the Directors to acquire businesses which may include freehold property portfolios which will be used to maximise long term value for Shareholders. The Directors will look to complete acquisitions at valuations that will provide a positive return to Shareholders over the medium term.

## **REASONS FOR ADMISSION AND THE PLACING**

The Company has the following key drivers for seeking Admission at this time:

- to provide Vertu Motors with increased flexibility for future acquisitions and investments by providing a new source of funds;
- to enhance the profile of the Company to assist in attracting quality people and businesses to Vertu Motors; and
- to provide liquidity and a value to the Company's equity which, in conjunction with its Share Option Schemes, will help to motivate and retain key senior employees.

The Placing will raise approximately £23.6 million, net of expenses for the Company, which will be applied in the majority, initially, to fund working capital, including due diligence on potential targets, to add credibility to negotiations and to form part of any acquisition consideration.

## **BOARD AND SENIOR MANAGEMENT**

The Board currently comprises the Directors outlined below. The Board will look to appoint further directors in the near future following any sizeable acquisition by the Company and otherwise as necessary. The Board are confident that the Company will be able to attract high quality, experienced directors and senior managers in the future. In addition, it is intended to strengthen the Board after Admission with an additional Non-Executive Director, when an appropriate individual has been identified.

### **William Teasdale, Non-Executive Chairman**

William (64) was Non-Executive Director and Chairman of the Audit Committee at Reg Vardy plc between 2002 and 2006. Prior to this he was the Senior Partner at the Newcastle upon Tyne office of PricewaterhouseCoopers. William has substantial experience of corporate transactions and within the quoted company environment.

### **Robert Forrester, Chief Executive Officer**

Robert (37) was a director of Reg Vardy plc between 2001 and 2006, appointed as Finance Director in 2001 and Managing Director in 2005, until the sale of the business to Pendragon plc in 2006. During



this time Reg Vardy plc moved from 65 to 100 car dealerships and provided a significant return to shareholders from the sale of the business in February 2006. Prior to this he was a director of Brookhouse Group Limited, a substantial private property investment company in the North West of England, where he was responsible for development, investment and financing of the portfolio. Robert qualified as a chartered accountant with Arthur Andersen. He is also a member of the Economic Affairs Committee of the Confederation of British Industry.

## **MANAGEMENT INCENTIVISATION AND SHARE OPTIONS**

The Company agreed to adopt the Share Option Schemes, as set out in paragraph 10 of Part 4 of this document, at a Board meeting on 17 November 2006. The Remuneration Committee is authorised to review the terms of the schemes for approval by the Company. The schemes will (unless otherwise agreed by the Shareholders) be subject to a dilution limit for all share based incentive schemes operated by the Company of 10 per cent. of the issued ordinary share capital in any ten year period. Awards under the Share Option Schemes will be subject to appropriate performance conditions, to be set by the Remuneration Committee.

## **DIVIDEND POLICY AND FINANCIAL REPORTING**

The Company has neither declared nor paid any dividends to date. No dividends will be paid prior to the completion of the Company's first acquisition. The Directors then intend to adopt a progressive dividend policy appropriate to the Company's financial performance in the medium term.

The Company's financial year will end on 28 February each year. It is anticipated that the preliminary statement of results for each year will be announced during April or May and that an interim statement of the results for the first half-year will be announced during October or November each year. It is anticipated that the Company's first preliminary statement of results will be made in respect of the period ending 28 February 2008, with the Report and Accounts for that period being made available to Shareholders by 31 May 2008.

## **DETAILS OF THE PLACING**

Brewin Dolphin, as agent for the Company, has agreed conditionally to place firm a total of 41,666,667 Placing Shares at the Issue Price of 60 pence per share, representing 89.1 per cent. of the Company's issued share capital following Admission, which will raise approximately £25.0 million before expenses for the Company and £23.6 million after expenses.

The proceeds of the Placing will be utilised by the Company as follows:

	£
Working capital	23.6
Expenses of the Placing and Admission	1.4
	<hr/>
	25.0
	<hr/> <hr/>

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 distributions declared, paid or made after the date of this document.

## **LOCK-IN AND ORDERLY MARKET ARRANGEMENTS**

The Directors and other founder Shareholders, who together will control 10.8 per cent. of the enlarged issued share capital of the Company following Admission, have undertaken to Brewin Dolphin not to dispose of any Ordinary Shares for a period of three years following Admission except in certain limited circumstances. The Directors and other founder Shareholders have further undertaken to Brewin Dolphin to ensure that any disposal made by them of any Ordinary Shares for a period of two years following the third anniversary of Admission will be made in a manner that will ensure an orderly market can be maintained.

Further details of the Placing Agreement are set out in paragraph 9.1 of Part 4 of this document.

## **ADMISSION AND DEALINGS**

Application will be made for the whole of the issued ordinary share capital of the Company to be admitted to trading on AIM. No application is being made for any of the Ordinary Shares to be

admitted to the Official List of the UK Listing Authority or to the London Stock Exchange's market for listed securities.

The Directors have organised with CRESTCo for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if the relevant shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons acquiring Ordinary Shares under the Placing may, however, elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a "system member" (as defined in The Uncertificated Securities Regulations (1995)) in relation to CREST.

It is expected that First Admission will be effective and dealings in the Existing Ordinary Shares and the EIS Shares will commence on AIM on 20 December 2006 and that Second Admission will be effective and dealings in the VCT Shares will commence on AIM on 21 December 2006 and that Third Admission will be effective and dealings in the Non-EIS/VCT Shares will commence on 22 December 2006.

### **EIS AND VCT TAX RELIEFS**

The Company has received provisional assurance from HM Revenue & Customs that the Company is a qualifying company for the purposes of the Enterprise Investment Scheme ("EIS") and will be a "qualifying holding" for the purposes of investment by a Venture Capital Trust ("VCT").

The continuing availability of EIS relief and the status of the Placing Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the later date of the date the investor makes the investment (under EIS) and the date on which the Company begins to trade, and the Ordinary Shares are held as a "qualifying holding" for VCT purposes throughout the period.

Although the Company presently expects to satisfy the relevant conditions contained in the EIS and VCT legislation, neither the Company nor the Directors make any warranty or give any undertakings that relief will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant period or that, once given, such relief will not be withdrawn.

Investors considering taking advantage of any of the reliefs under EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.

Details of other relevant taxation provisions are set out in paragraph 12 of Part 4 of this document.

## **PART 2**

### **RISK FACTORS**

Investing in the Company involves a degree of risk. You should carefully consider the risks and the other information contained in this document before you decide to invest in the Company. You should note that the risks described below are not the only risks faced by the Company, there may be additional risks that the Directors currently consider not to be material or of which they are not presently aware.

#### **INVESTMENT RISK IN AIM**

The Ordinary Shares will be traded on AIM and no application is being made for the admission of the Ordinary Shares to the Official List. AIM has been in existence since June 1995 but admission to AIM should not be taken as to imply that there is or will be a liquid market in the Ordinary Shares. AIM is a market designed for small and growing companies. Both types of company carry higher than normal financial risk and tend to experience lower levels of liquidity than larger companies.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and therefore investors may not recover their original investment.

#### **RETENTION OF KEY EMPLOYEES**

The future development of the Company depends on its Directors and future key employees and the loss of the services of any of these individuals could damage the Company's business. The Company may in future require the ability to attract senior employees with the appropriate skills and expertise. The failure of this could have a detrimental effect on the development of the Company.

#### **MANAGEMENT OF GROWTH**

The Directors are anticipating that sales will increase significantly following any acquisition. To respond to market opportunities and the ability of the Company to implement its strategy will require effective planning and management control systems. The Company's growth plans may place a significant strain on its management, operational and financial resources. Accordingly, Vertu Motors' future growth and prospects will depend on its ability to manage this growth.

#### **EIS AND VCT RELIEF**

The Company has received provisional assurance from HM Revenue and Customs that it is a qualifying company for the purposes of the EIS and as a qualifying holding for VCTs. Although the Company presently expects to satisfy the relevant conditions contained in the EIS and VCT legislation, neither the Company nor the Directors make any warranty or give any undertaking that relief will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant period or that, once given, such relief will not be withdrawn.

#### **FUTURE CAPITAL REQUIREMENTS**

The Company may be required to conduct further fundraising exercises in the future in order to develop its business, fund its acquisitions and sustain cash resources. It is difficult for the Directors to predict the timing and amount of the Company's capital requirements with accuracy. Any additional equity finance may be dilutive to Shareholders. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

#### **ACQUISITIONS**

While the Directors believe that Vertu Motors will secure acquisitions at an earnings enhancing price, investors should note it may not be possible to complete its acquisition strategy as described in Part 1, which will have a detrimental effect on the future performance of the Company.

#### **COMPETITIVE PRESSURES**

While the Directors believe that Vertu Motors will offer a clear commercial benefit in the market place, there is no guarantee that similar operations are not progressing in parallel by potential competitors. If

this were to happen, the Company could achieve lower revenues than those anticipated by the Directors and could be prevented from exploiting all the opportunities in the market.

### **KEY SUPPLIERS AND THIRD PARTY RELATIONSHIPS**

The Directors of Vertu Motors have past relationships with a number of industry suppliers which they hope to exploit in the future. However, there can be no guarantee that these relationships will generate the revenues anticipated or that the relationships already established will continue in the future. A large proportion of the Company's revenues will be dependent on these relationships. In particular, as a new entrant, in order to operate franchise dealerships, manufacturer consent will initially be required on first acquiring a business with that franchise. There is no guarantee that such consent will be forthcoming.

### **LEGISLATIVE RISK**

Future competition or industry legislation could have a negative impact upon the UK motor retail market. Any change in legislation may impact on the revenues of the Company, although the Directors feel that the operations of the Company will be flexible in adapting to future legislative pressures.

### **TAX RISK**

HM Revenue & Customs ("HMRC") are currently focusing on the partial exemption methods employed by businesses in the automotive retail sector. HMRC is challenging the use of partial exemption methods which they consider do not reflect the economic use of the overhead VAT incurred by the business.

HMRC's challenge is at early stage but in the event that it is successful, it could have a significant impact upon the motor retail sector as a whole.

## PART 3

### ACCOUNTANTS' REPORT AND FINANCIAL INFORMATION ON THE COMPANY

#### Accountants' Report on Vertu Motors plc for the period from incorporation to 10 November 2006

The following is the full text of a report on Vertu Motors plc from PricewaterhouseCoopers LLP, the Reporting Accountants, to the Directors of Vertu Motors plc and Brewin Dolphin.



PricewaterhouseCoopers LLP  
89 Sandyford Road  
Newcastle upon Tyne NE1 8HW

The Directors  
Vertu Motors plc  
Rotterdam House  
116 Quayside  
Newcastle upon Tyne  
NE1 3DY

Brewin Dolphin Securities Limited  
Commercial Union House  
39 Pilgrim Street  
Newcastle upon Tyne  
NE1 6RQ

15 December 2006

Dear Sirs

#### VERTU MOTORS PLC

##### Introduction

We report on the special purpose financial information set out on pages 15 to 17 below. This special purpose financial information has been prepared for inclusion in the admission document dated 15 December 2006 (the "Admission Document") of Vertu Motors plc (the "Company") on the basis of the accounting policies set out in note 2. This report is required by Schedule Two of the AIM Rules and is given for the purposes of complying with that schedule and for no other purpose.

##### Responsibilities

The Directors of the Company are responsible for preparing the special purpose financial information in accordance with International Financial Reporting Standards "IFRS", as adopted by the European Union.

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

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of 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 purpose of complying with item 23.1 of Annex I to the AIM Rules, consenting to its inclusion in the admission document.

**Basis of opinion**

We conducted our work in accordance with 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 special purpose financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the special purpose financial information and whether the accounting policies are appropriate to the Company's circumstances consistently applied and adequately disclosed.

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

**Opinion**

In our opinion, the special purpose financial information gives, for the purposes of the admission document, a true and fair view of the state of affairs of the Company as at the date stated and of its cash flows and of its Statement of changes in Shareholders' equity for the period then ended in accordance with IFRS, as adopted by the European Union.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 omissions likely to affect its import. This declaration is included in the document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

## FINANCIAL INFORMATION ON THE COMPANY

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the period ended 10 November 2006

	£
Shares issued on incorporation	–
Shares issued during the period	500,000
<b>Balance at 10 November 2006</b>	<u>500,000</u>

### BALANCE SHEET

	<i>Note</i>	<i>as at 10 November 2006</i>
		£
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	2	500,000
<b>Total assets</b>		<u>500,000</u>
<b>Equity</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Ordinary shares	4	500,000
Share premium	5	–
Retained earnings	5	–
		<u>500,000</u>

### CASH FLOW STATEMENT

	<i>Period ended 10 November 2006</i>
	£
<b>Cash flows from operating activities</b>	–
<b>Cash flows from investing activities</b>	–
<b>Cash flows from financing activities</b>	–
Proceeds from issuance of ordinary shares	500,000
<b>Net increase in cash and cash equivalents</b>	500,000
Cash and cash equivalents at beginning of the period	–
<b>Cash and cash equivalents at the end of the period</b>	<u>500,000</u>

## NOTES TO THE IFRS FINANCIAL INFORMATION

for the period ended 10 November 2006

### 1. Basis of preparation

The Company was incorporated on 1 November 2006 as Norham House 1101 plc and changed its name to Vertu Motors plc on 2 November 2006. The Company has not yet commenced trading, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, under the historical cost convention.

The preparation of financial information in conformity with IFRS, as adopted by the European Union, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The Company will develop further its accounting policies on making future acquisitions.

The financial information presented is for the 10 days ended 10 November 2006.

### 2. Accounting policies

#### 2.1 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### 2.2 Share capital

Authorised share capital represents 45,000,000 shares of 10 pence each. Ordinary shares are classed as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 3. Directors' remuneration

The Directors have received no remuneration from the Company or on behalf of the Company during the period ended 10 November 2006.

#### Directors' interests

The Directors of the Company had the following shareholdings in the Company as at 10 November 2006 and at incorporation:

	<i>10 November 2006</i>	<i>At incorporation</i>
	<i>Number of ordinary shares of 10p each</i>	<i>Number of ordinary shares of 10p each</i>
W M Teasdale	500,000	–
R T Forrester	3,750,000	–

Note: The interests of R T Forrester shown above include 1,000,000 Ordinary Shares of 10p each which are registered in the name of his wife, Mrs H Forrester.

### 4. Share capital

	<i>10 November 2006</i>
	<i>Number</i>
<b>Authorised</b>	
Ordinary shares of 10p each	45,000,000
<b>Allotted, called up and fully paid</b>	
Ordinary shares of 10p each	5,000,000

On 1 November 2006, 2 ordinary subscriber shares of 10 pence each were issued. On 3 November 2006, a further 4,999,998 ordinary shares of 10 pence each were allotted and fully paid.



<b>5. Reserves</b>	<i>Share capital</i> £	<i>Share premium</i> £	<i>Retained earnings</i> £	<i>Total</i> £
At incorporation	–	–	–	–
Issue of shares	500,000	–	–	500,000
<b>At 10 November 2006</b>	<u>500,000</u>	<u>–</u>	<u>–</u>	<u>500,000</u>

**6. Ultimate controlling parties**

In the opinion of the Directors, the ultimate controlling party is R T Forrester.

## PART 4

### ADDITIONAL INFORMATION

#### 1. THE COMPANY

- 1.1 The Company was incorporated and registered in England and Wales on 1 November 2006 under the Act as a public company limited by shares with the name Norham House 1101 plc and with registration number 5984855. On 2 November 2006 the name of the Company was changed to Vertu Motors plc. On 14 November 2006 the Company obtained a trading certificate pursuant to section 117 of the Act.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The Company's registered office and principal place of business is at Rotterdam House, 116 Quayside, Newcastle upon Tyne NE1 3DY.
- 1.4 The liability of the members of the Company is limited.

#### 2. SHARE CAPITAL

- 2.1 On incorporation, the authorised share capital of the Company was £4,500,000 divided into 45,000,000 ordinary shares of 10 pence each, two of which were issued to the subscribers to the Company's memorandum of association.
- 2.2 On 15 December 2006 by or pursuant to resolutions of the Company passed on that date:
  - 2.2.1 the authorised share capital of the Company was increased to £7,000,000 by the creation of 35,000,000 new Ordinary Shares, such new Ordinary Shares to rank *pari passu* in all respects with the existing 45,000,000 Ordinary Shares in the capital of the Company;
  - 2.2.2 for the purposes of section 80 of the Act, the Directors were generally and unconditionally authorised and empowered to allot relevant securities (as defined by in section 80(2) of the Act) up to an aggregate nominal amount of £6,357,000 to such persons and upon such terms and conditions as they may determine (subject always to the articles of association of the Company from time to time) provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make an offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired; and
  - 2.2.3 pursuant to and in accordance with section 95 of the Act the Directors were authorised and empowered to allot equity securities (as defined in section 94 of the Act) pursuant to the general authority referred to in paragraph 2.2.2 above and to sell relevant shares (as defined in section 94 of the Act) held by the Company as treasury shares (as defined in section 162A of the Act) as if section 89(1) of the Act did not apply to such allotment or sale provided that this authority and power shall be limited to the allotment of equity securities and the sale of treasury shares:
    - (a) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and
    - (b) otherwise than pursuant to paragraph (a) above, up to an aggregate nominal amount of £4,900,000;

and such power shall, unless renewed, varied or revoked expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing

of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make an offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired.

- 2.3 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 2.2.3 above.
- 2.4 The Company's authorised and issued ordinary share capital, at the date of this document is and immediately following the Placing will be as follows:

	<i>At the date of this document</i>		<i>Following Admission</i>	
	<i>Amount</i>	<i>Number of Ordinary Shares</i>	<i>Amount</i>	<i>Number of Ordinary Shares</i>
Authorised	£7,000,000	70,000,000	£7,000,000	70,000,000
Issued and fully paid	£500,000	5,000,000	£4,675,000	46,750,000

- 2.5 Save as disclosed in paragraphs 9 and 10 of this Part 4:
- 2.5.1 no shares or loan capital of the Company has within the three years preceding the date of this document been issued or agreed to be issued or is now proposed to be issued fully or partly paid, for cash or any other consideration or has been purchased by the Company or any of its subsidiaries;
- 2.5.2 no commissions, discounts, brokerages or others special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital; and
- 2.5.3 no share or loan capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.

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

- 3.1 The memorandum of association of the Company provides that the Company's principal object is to carry on business as a holding company. The objects of the Company are set out in full in clause 4 of the memorandum of association.
- 3.2 The Articles contain, *inter alia*, provisions to the following effect:

#### **3.2.1 Voting Rights**

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles and or any resolution authorising the creation of such shares, on a show of hands every member who is present in person shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share held by him.

#### **3.2.2 Transfer of Shares**

- (a) The shares are in registered form but the Directors have the power to implement such arrangements as they may think fit in order for the shares to be a participating security and held in an uncertificated form. All transfers of shares in uncertificated form may only be effected in accordance with the rules and regulations for the time being applicable to the relevant system. Where shares are a participating security any provision of the Articles which is inconsistent with the holding of shares in a uncertificated form, the transfer of shares by means of such a relevant system shall, to that extent, not apply.
- (b) Any member may, subject to the Articles, transfer all or any of his shares by an instrument of transfer in the usual common form or in any other manner (whether or

not by written instrument) which the Directors may approve. Any written instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register in respect thereof. All instruments of transfer may be retained by the Company unless the Directors refuse to register such interest.

- (c) The Directors may refuse to register the transfer of a share which is not fully paid, if they have a lien on it, provided that any such refusal will not prevent dealings in the shares from taking place on an open and proper basis.
- (d) The Directors may decline to register any transfer unless any written instrument of transfer is lodged with the Transfer Office (as therein defined), accompanied by the relevant certificate and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, the instrument is in respect of only one class of share and, in the case of transfer to joint holders the number of joint holders does not exceed four.
- (e) The register of members may be closed by the directors for any period (not exceeding 30 days in any year) upon notice being given by advertisement in a leading national daily newspaper and in such other newspaper as may be required by the Act.
- (f) The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares subject always to any relevant regulations then in force.

### 3.2.3 Pre-emption

Subject to the provisions of the Act and the Articles, all unissued shares are at the disposal of the Directors. The statutory pre-emption rights in relation to the allotment of equity securities (within the meaning of section 94 of the Act) have been disapplied by the Company's shareholders to the extent set out in paragraph 2.2.2 of Part 4 of this document.

### 3.2.3 Return of Capital on a Winding Up

On a distribution of assets on liquidation or otherwise, the surplus assets of the Company remaining after payment of its liabilities shall be distributed amongst the holders of Ordinary Shares according to the nominal amounts (excluding any premium) paid up on the Ordinary Shares held by them respectively.

### 3.2.4 Dividends and Other Distributions

- (a) Subject to the Act, the Company by ordinary resolution may declare dividends, but no dividend shall exceed the amount recommended by the directors. Except in so far as the rights attaching to, or the terms of, any share otherwise provides, all dividends shall be declared and paid according to the amounts paid up on the shares, (but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on such share), and shall be apportioned and paid *pro rata* to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.
- (b) Subject to the provisions of the Act, the Directors may pay such interim dividends as they think fit.
- (c) Any dividend unclaimed for a period of twelve years after it became due for payment shall be forfeited and shall revert to the Company.

### 3.2.5 Redemption

Subject to the Act, any shares may, with the sanction of an ordinary resolution, be issued on terms that they are, or at the option of the Company and/or the holder, are, liable to be redeemed on the terms and in the manner provided for by the Articles.

### 3.2.6 Variation of Rights

Subject to the Act, all or any of the rights and restrictions attaching to any class of shares may be altered, extended, added to, abrogated or surrendered with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the

sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that notice need only be given to persons who hold shares of the relevant class and only such persons shall be entitled to attend and vote, the necessary quorum shall be two or more persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class, that every holder of the class shall be entitled on a poll to one vote for every such share held by him, that any holder of shares of the class present in person or by proxy may demand a poll and that at any adjourned meeting of such holders one holder present in person or by proxy (whatever the number of shares held by them) shall be a quorum. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the rights attaching to such shares, be deemed not to be altered by the creation or issue of further shares ranking *pari passu* therewith or by a purchase by the Company of its own shares.

### 3.2.7 Alteration of Share Capital

Subject to the rights attaching to any class of shares that may be in issue:

- (a) subject to the Act and the Articles the Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount (so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from the sub-division one or more shares may have such rights or restrictions as compared with the other or others as the resolution may prescribe) and cancel any shares not at the date of the resolution taken or agreed to be taken by any person;
- (b) subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account;
- (c) subject to the provisions of the Act, the Company may purchase all or any of its shares of any class, including any redeemable shares.

### 3.2.8 Directors

- (a) Unless and until the Company by ordinary resolution shall otherwise determine, the number of directors shall not be less than two and not more than ten.
- (b) Subject to the Act and the Articles, no director shall be disqualified by his office from entering into any contract or arrangement with the Company in which he is interested directly or indirectly or through a person connected with him. Nor shall any such contract be liable to be avoided.

### 3.2.9 Restrictions on Voting by Directors

Save as otherwise provided by the Articles, a director shall not vote on (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he (or anyone connected with him) is, to his knowledge, materially interested, and if he shall do so his vote shall not be counted, but (in the absence of some material interest other than as indicated below) this prohibition shall not apply to the following matters namely:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or its subsidiaries;
- (b) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning his participation in any offer of shares in or debentures or other securities of the Company or its subsidiaries issued or to be issued in which offer he is or is to be or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

- (d) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (e) an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (f) any arrangement with another company in which he (or any person connected with him) is interested, provided that he and any person connected with him are not the holder of or beneficially interested in 1 per cent. or more of any class of shares in such company or the available voting rights, any interest being deemed to be a material interest.
- (g) any proposal concerning an insurance which the Company is empowered to purchase and/or maintain for the benefit of and against any liability incurred by any directors or persons who include the directors.

#### 3.2.10 Remuneration of Directors

- (a) The fees of non-executive Directors shall be such as the Directors or any appointed committee may determine.
- (b) The remuneration of executive Directors shall be fixed by the Directors or any appointed committee.
- (c) Each Director may be paid all properly incurred travelling, hotel and other expenses in attending and returning from meetings of the Directors or any committee of the Directors or meetings of shareholders of the Company or otherwise in connection with the business of the Company.

#### 3.2.11 Appointments to Office

Subject to the Act, the Directors or any appointed committee may from time to time appoint one or more of their body to hold any other employment or executive office and upon such terms as they may determine.

#### 3.2.12 Retirement of Directors

- (a) Section 293 of the Act shall not apply to the Company and a person may be appointed or re-appointed as a Director if within six months following the date of the general meeting he would have attained the age of 70. The notice convening such a general meeting shall contain a statement to the effect that such a resolution is proposed.
- (b) All of the Directors are subject to retirement by rotation at the first annual general meeting of the Company and one third shall retire at each subsequent annual general meeting.

#### 3.2.13 Annual and Extraordinary General Meetings

- (a) The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting(s) in that year and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Subject to the provisions of the Act, the annual general meeting shall be held at such time and place as the Directors may determine.
- (b) The Directors may convene an extraordinary general meeting whenever it thinks fit and shall do so in accordance with section 142 of the Act. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by section 368 of the Act.
- (c) Subject to the provisions of the Act, an annual general meeting and a general meeting for the passing of a special resolution shall be called by at least 21 clear days' notice and all other general meetings shall be called by at least 14 clear days' notice.
- (d) Shorter notice than that specified above may be deemed to have been given in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority number of the

members having a right to attend and vote at the meeting, being a majority together holding not less than such minimum percentage as the Act allows in nominal value of the shares giving that right.

- (e) At any general meeting, the Directors may make any arrangements and impose any requirement or restriction which they consider appropriate to ensure the security and orderly conduct of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The chairman is entitled to refuse entry to a person who refuses to comply with these arrangements or restrictions.

#### 3.2.14 Borrowing Powers

The Directors may exercise all the powers of the Company to borrow or raise money and shall restrict the borrowings of the Company, and exercise all voting and other rights and powers of control which the Company has in relation to its subsidiaries, so as to secure (but, in relation to the subsidiaries, only insofar as the rights and powers of the Company enable them to do so) that the aggregate amount of all borrowings of the Company and its subsidiaries from time to time does not, without the sanction of an ordinary resolution, exceed an amount equal to four times the Adjusted Capital and Reserves (as defined by the Articles).

#### 3.2.15 Pensions, Gratuities etc.

The Directors may, subject to the provisions of the Act, exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including any employee Director or former employee or Director or the relations, connections or dependants of such person including any Director who holds or has held any office or place of profits.

#### 3.2.16 Untraced Shareholders

- (a) When the registered address of a member appears to be incorrect or out of date such member may, be treated as if he had no registered address and thereafter the Company is not obliged to send cheques, warrants, notices or accounts to the member. No such resolution shall be proposed unless such documents sent to the registered address of such member have been returned undelivered on at least two consecutive occasions or, following one such occasion, reasonable enquiries have failed to establish any new address of such member.
- (b) If for a period of twelve years at least three dividends have become payable no cheques or warrants sent to members at their registered address, have been cashed and no communication has been received from the member (or any person entitled to the member's shares by transmission), the Company may sell such shares at the best reasonably obtainable price if, after giving notice in a leading London newspaper and a newspaper circulating in the region of the member's registered address, giving its intention to sell such shares it has not had any communication from the member (or anyone entitled to his shares by transmission) within three months and has given notice to the London Stock Exchange and has complied with any requirements of that Exchange.

### 3.3 Save as disclosed in this paragraph 3 of Part 4, neither the memorandum of association of the Company nor the Articles:

3.3.1 contain any provision that would have the effect of delaying, deferring or preventing a change of control of the Company; or

3.3.2 contain any provision governing the ownership threshold above which shareholder ownership must be disclosed; or

3.3.3 impose any condition governing changes in the capital that is more stringent than is required by law.

#### 4. SUBSTANTIAL SHAREHOLDERS

4.1 At the date of this document, so far as the Company has the information, in addition to the Directors and their connected persons (as defined in Section 346 of the Act) outlined in paragraph 5 below, the following people are at the date of this document or will be immediately following Third Admission, interested in 3 per cent. or more of the issued Ordinary Share capital of the Company.

<i>Person</i>	<i>At the date of this document</i>		<i>Immediately following Third Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>
Karen Anderson	500,000	10.0%	500,000	1.1%
Tom Fairgrieve	250,000	5%	250,000	0.5%

4.2 Insofar as the Company has the information, no person or persons either alone or, if connected jointly, following Third Admission will (directly or indirectly) own or control the Company.

#### 5. DIRECTORS' INTERESTS

The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at the date of this document and following the Placing (assuming full subscription thereunder) such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director, are as follows:

<i>Director</i>	<i>At the date of this document</i>		<i>Immediately following Third Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>
William Teasdale	500,000	10.0%	500,000	1.1%
Robert Forrester	3,750,000	75.0%	3,791,667	8.1%

Note: The interests of Robert Forrester shown above include, both at the date of this document and immediately following Third Admission, 1,000,000 Ordinary Shares which are registered in the name of his wife, Helen Forrester.



## 6. ADDITIONAL INFORMATION ON THE DIRECTORS

6.1 The Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Former</i>
William Teasdale	The Alchemists (Northern) Limited Community Foundation Serving Tyne & Wear And Northumberland British Engines Limited Bedmax Limited	Price Waterhouse PricewaterhouseCoopers Reg Vardy Limited (formerly Reg Vardy plc) RV Pensions Limited Newcastle Gateshead Initiative Limited Wessex Taverns Group Limited Definnitive Leisure Limited Definnitive Leisure North Limited Definnitive Leisure Employee Benefit Trustee Limited
Robert Forrester	None	Reg Vardy Limited (formerly Reg Vardy plc) Trinity Academy Fortis Lease UK (5) Ltd. Victoria (Bavaria) Limited Rossleigh Limited Reg Vardy (TMG) Limited Vardy Contract Motoring Limited Vardy Marketing Limited Venture (RVL) Limited Tyne Tees Properties Limited United Motor Group Limited Vardy (Continental) Limited Reg Vardy (Financial Services) Limited Reg Vardy (Fleet) Limited Reg Vardy (Rentals) Limited Trust Holidays Limited Reg Vardy (TMC) Limited Trust Motors Limited Reg Vardy (MML) Limited Reg Vardy (TMH) Limited Trust Advertising Limited Trust Developments Limited Reg Vardy (DWSB) Limited Reg Vardy (Property Management) Limited Reg Vardy (MMC) Limited Reg Vardy (AMC) Limited Trust Properties Limited Wayahead Fuel Services Limited RV Pensions Limited Reg Vardy (Aberdeen) Limited Reg Vardy (VMC) Limited Reg Vardy (MME) Limited Vardy Venture Capital Limited Richard Vardy Limited

6.2 Save as disclosed in this paragraph 6, none of the Directors has:

6.2.1 any unspent convictions in relation to indictable offences;

6.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

6.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;

- 6.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 6.2.5 the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 6.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 6.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 6.3 William Teasdale was a director of Wessex Taverns Group Limited which entered administration on 24 March 2005. Notice of end of administration was given on 24 October 2005. A corporate voluntary arrangement was entered into on 21 October 2005.
- 6.4 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.
- 6.5 In respect of any Director, there are no conflicts of interests between any duties they have to the Company and the private interests and/or other duties they may also have. Robert Forrester was subject to restrictive covenants on leaving Reg Vardy plc. These were terminated by agreement with effect from 15 November 2006.
- 6.6 There are no outstanding loans granted by the Company to the Directors or any guarantees provided by the Company for the benefit of the Directors.
- 6.7 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 6.8 None of the Directors, their spouses or infant children have any interest in any financial products whose value is wholly or partly determined, directly or indirectly, by reference to the price of the Ordinary Shares.

## **7. DIRECTORS' REMUNERATION**

- 7.1 The Company has entered into the following service agreements and letters of appointment:
- 7.1.1 A service agreement for Robert Forrester ("Service Agreement") was approved on 17 November 2006 with a commencement date of the date of First Admission. No remuneration is due in respect of the period to Admission. Robert Forrester is engaged as Chief Executive Officer of the Company under the terms of the Service Agreement and will be paid a salary of £75,000 per annum (excluding bonuses and benefits). The salary will be reviewed annually and may be increased (but not decreased) by such amount as the Remuneration Committee in its absolute discretion thinks fit. In the first 12 months it shall be reviewed after each business acquisition and increased by such amount as the Remuneration Committee shall in its discretion think fit. The Service Agreement may be terminated by either party on twelve months' notice. The Service Agreement also provides for participation in discretionary bonus schemes.

Robert Forrester will be eligible to participate in a performance related bonus scheme which rewards enhanced financial performance of the Company, measured by objectives to be set by the Remuneration Committee. The maximum amount of bonus that may be earned by the Director is 100 per cent. of his basic salary. The performance criteria will be set by the Remuneration Committee once the Company commences retail operations following an acquisition and will be based on earnings targets. The scheme shall run for twelve months.

Robert Forrester's benefits will include a car, private health insurance, company sick pay at full salary for six months, 23 days holiday per annum and a company contribution of

10 per cent. of basic salary to a personal pension plan. Any bonus payable to the Director will not be taken into account as salary when calculating pension contributions.

The Service Agreement provides for garden leave and Robert Forrester will be subject to post-termination restrictive covenants. These will prohibit him from competing with the Company as well as prohibiting him from soliciting or dealing with customers and suppliers of the Company and key personnel of the Company for a period of twelve months from the date of termination.

7.1.2 A letter of appointment for William Teasdale ("Letter of Appointment") was approved on 17 November 2006 with a commencement date of the date of First Admission. No remuneration is due in respect of the period to Admission. William Teasdale is engaged as a Non-Executive Director of the Company under the terms of the Letter of Appointment at a fee of £35,000 per annum. William Teasdale must seek re-election by the shareholders at the first AGM and thereafter as set out in 3.2.12 of Part 4 for a period of up to nine years.

- 7.2 There is no arrangement under which any Director has waived or agreed to waive future emoluments.
- 7.3 Save as disclosed in this paragraph 7 there are no existing or proposed service or consultancy agreements between any Director and the Company.
- 7.4 The amounts payable to the Directors by the Company under the arrangements in force at the date of this document in respect of the financial period ending 28 February 2008 are estimated to be £110,000.

## **8. CORPORATE GOVERNANCE**

The Company does not yet comply with the guidance issued by the Quoted Companies Alliance. The Directors have taken that guidance into account and intend that the Company should develop policies and procedures which reflect the Combined Code, to the extent appropriate for a company of its size.

The Company has established an Audit Committee initially comprised of William Teasdale, the Non-Executive Chairman. The Audit Committee will meet no less than three times each year and is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It also has responsibility for seeking to ensure the proper reporting of the financial performance of the Company and for reviewing financial statements prior to publication.

The Company has established a Remuneration Committee initially comprised of William Teasdale, the Non-Executive Chairman. It is responsible for setting the scale and structure of the remuneration of Executive Directors and approving their service agreements. The Remuneration Committee shall also determine the award of share options. It is a rule of the Remuneration Committee that a Director shall not participate in discussions or decisions concerning his/her own remuneration.

The Company has established a Nominations Committee comprised initially of William Teasdale, the Non-Executive Chairman. The Nominations Committee is responsible for reviewing the composition of the Board and identifying and nominating candidates for the Board for Board approval. It will meet at least once a year.

The Company has established an Executive Committee initially comprised of Robert Forrester. The Executive Committee is responsible for determining the levels of fees and other benefits of Non-Executive Directors and approving any letter of appointment entered into by the Company with any Non-Executive Director. It will meet at least once a year.

The Company has adopted a code on dealing in securities of the Company based on the Model Code as set out in the Listing Rules of the UK Listing Authority and will take all reasonable steps to ensure compliance by the Directors and relevant employees in due course.

## **9. MATERIAL CONTRACTS**

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

- 9.1 A Placing Agreement dated 15 December 2006 between the Company, the Directors and Brewin Dolphin whereby Brewin Dolphin was appointed as agent of the Company to use its reasonable endeavours to procure placees or to subscribe itself for the New Ordinary Shares for a fee of £200,000 (of which £50,000 is to be used to subscribe for 83,333 new Ordinary Shares at the Issue Price) and commission of 4 per cent. on the value of the Placing Shares. Pursuant to the Placing Agreement, the Company and the Directors have given certain warranties to Brewin Dolphin regarding, *inter alia*, the accuracy of the information in this document and an indemnity in favour of Brewin Dolphin in respect of all liabilities, losses, costs, charges and expenses which Brewin Dolphin may suffer in respect of the Placing and/or Admission. The Placing Agreement is conditional, *inter alia*, on the Company and the Directors complying with certain obligations under the Placing Agreement.

Subject to certain exceptions (including a disposal pursuant to a general offer to all the shareholders of the Company) the Directors have agreed not to dispose of any of their ordinary shares without the prior consent of Brewin Dolphin for a period of three years following Admission. The agreements also contain orderly market provisions which apply for a further period of two years after expiry of the lock-in period.

- 9.2 A letter of engagement dated 24 October 2006 between the Company and Brewin Dolphin appointing Brewin Dolphin as nominated adviser and broker to the Company, terminable on 3 months' notice in writing by either party. Brewin Dolphin will receive a fee of £20,000 plus VAT in the first year for its services under this agreement. The agreement provides for certain warranties and an indemnity to be given to Brewin Dolphin and provides, *inter alia*, for the Company and the Directors to comply with the rules of AIM.
- 9.3 On 17 November 2006 deeds of indemnity were entered into by the Company in respect of each of its directors pursuant to article 117 of the Company's then articles of association to the extent permitted by the Companies Act 1985.

## 10. SUMMARY OF PRINCIPAL FEATURES OF THE SHARE OPTION SCHEMES

The Company agreed to adopt the Share Option Plans set out below, at a Board meeting on 17 November 2006. The Remuneration Committee is authorised to review the terms of the schemes for approval by the Company, to provide the Remuneration Committee with a flexible structure to appropriately incentivise employees going forward. The schemes will (unless otherwise agreed by the Shareholders) be subject to a dilution limit for all share based incentive schemes operated by the Company of 10 per cent. of the issued ordinary share capital in any ten year period. Awards under the discretionary share plans (including the Enterprise Management Incentive Plan, the Company Share Option Plan and the Performance Share Plan) will be subject to appropriate performance conditions, to be set by the Remuneration Committee.

### 10.1 All employee Share Incentive Plan ("SIP")

The SIP will be open to all employees of the Company and allow the Company to make three different types of awards:

- Partnership Shares – Employees will be able to purchase up to £1,500 of shares per annum out of gross salary.
- Matching Shares – For every share acquired as a Partnership Share the Company can award up to two Matching Shares.
- Free Shares – The Company may award up to £3,000 per annum of free shares to each employee.

In the first instance, the Company intends only to offer Partnership Shares to employees; however, the SIP documentation will allow the flexibility to offer Matching Shares or Free Shares in the future. Shares purchased as Partnership Shares will be held in trust on behalf of employees. As an HMRC approved plan, the SIP potentially allows for tax advantaged treatment for both employees and the Company, however, employees must retain their shares in the trust for a period of five years to benefit from the full tax advantages.

## 10.2 Enterprise Management Incentive Plan (“EMI”)

The EMI is intended to be a qualifying plan under Schedule 5 ITEPA. The EMI plan is a discretionary plan and will allow the Remuneration Committee to grant market value options to employees over shares with a total market value at the date of grant of up to £100,000 per individual and £3 million in total. To the extent that options are granted to an employee under the Approved Addendum to the Company Share Option Plan, this will reduce the maximum market value of options that can be granted to an employee under the EMI plan.

The qualifying criteria include a limit on the gross assets of the Company, which must not be more than £30 million at the date of the grant of the option. Once this £30 million limit has been exceeded the Company will not be able to grant further options under the EMI plan and instead will use one of the other discretionary plans set out below (the Company Share Option Plan or the Performance Share Plan).

As a qualifying plan under Schedule 5 ITEPA the EMI plan potentially allows for tax advantaged treatment for the Company and the employee, provided the options remain qualifying options throughout their life. For an option exercised in qualifying circumstances, there will be no income tax or National Insurance charge on exercise of the option provided that the price paid on exercise is at least equivalent to the market value of the share at the date of grant, instead the employee will be subject to a capital gains tax charge on the disposal of the shares. Under the EMI plan the taper relief holding period runs from the date of grant, resulting in a potential 10 per cent. effective tax rate for a higher rate taxpayer if options are exercised more than two years from grant. Income tax and National Insurance charges can arise on the exercise of options in non qualifying circumstances, however, the rules of the EMI plan will include an indemnity to ensure the Company can recover any income tax from the employee to meet its withholding obligations and will also include a clause whereby the employee agrees that the Company will transfer the employer’s National Insurance liability to that employee.

## 10.3 Company Share Option Plan (“CSOP”)

The CSOP is a discretionary plan that will allow the Remuneration Committee to grant market value options to employees of the Company.

Options granted under the main body of the plan will be subject to income tax under PAYE and employee’s and employer’s National Insurance on exercise. The rules of the CSOP will include an indemnity to ensure the Company can recover any income tax from the employee to meet its withholding obligations and will also include a clause whereby the employee agrees that the Company will transfer the employer’s National Insurance liability to that employee.

Under the Approved Addendum to the CSOP the Company can grant options over shares with a market value at the date of grant of up to £30,000 per employee. Provided the options are held for a period of three years prior to exercise there should not be any income tax or National Insurance charge on exercise. Instead the employee will be subject to a capital gains tax charge on the disposal of the shares acquired. The taper relief holding period runs from the date of the exercise of the option. Any options granted under the Approved Addendum to the CSOP reduce the maximum value of the options that can be granted to that employee under the EMI plan.

## 10.4 Performance Share Plan (“PSP”)

The PSP is anticipated to be a discretionary plan that will enable the Remuneration Committee to make two forms of award to employees, being a Nil Cost Option or a Conditional Share.

Nil Cost Options are anticipated to be a right to acquire a number of shares for an aggregate sum of £1, subject to the satisfaction of performance conditions. On the exercise of the option the employee will be subject to an income tax charge under PAYE and there will be an employee’s and employer’s National Insurance charge.

Conditional Shares are anticipated to be an award of shares to employees, subject to forfeiture if the performance conditions are not achieved. There is no tax charge on the award of the Conditional Share, however, the employee will be subject to an income tax charge under PAYE and there will be an employee’s and employer’s National Insurance charge on the value of the shares when the forfeiture provision lifts.

The rules of the PSP will include an indemnity to ensure the Company can recover any income tax from the employee to meet its withholding obligations and will also include a clause whereby the employee agrees that the Company will transfer the employer's National Insurance liability to that employee.

#### 10.5 Change of control

On a change of control of the Company, options will vest fully with the optionholders.

### 11. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry that, taking into account the net proceeds of the Placing and the existing cash resources available to the Company, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

### 12. TAXATION

#### 12.1 Introduction

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

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Ordinary Shares should continue to be treated as unquoted securities.

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

Assuming that the company remains a trading company or the holding company of a trading group for tax purposes in the UK, sections 573 to 576 of the Income and Corporation Taxes Act 1988 will (subject to the relevant conditions specified in those sections) apply to investment companies and individuals investing in the Placing Shares.

12.2 Venture Capital Trust (VCT) investors – the Directors have been advised that the Company's current structure and activities should enable it to meet the requirements of a qualifying company under the VCT legislation. The Company has received provisional approval from HM Revenue & Customs that it fulfils the requirements for VCT investment.

12.3 Enterprise Investment Scheme (EIS) – the Directors have been advised that the Company's current structure and activities should enable it to meet the requirements of a qualifying company under the EIS, potentially enabling eligible investors to benefit from certain tax reliefs on their investment. The Company has received provisional approval from HM Revenue & Customs that it is a qualifying company under the EIS.

12.3.1 Individual investors eligible for EIS relief may be entitled to claim 20 per cent. income tax relief on the EIS Shares subscribed for, up to a maximum for all such subscriptions of £400,000 in any tax year. The minimum subscription to qualify for relief is £500 per individual.

12.3.2 Provided qualification for EIS relief is maintained by the Company and by the individual investor for a period of broadly three years after the share issue, any profit made by the investor on disposal of the shares after three years may be free of capital gains tax. This exemption applies to shares upon which EIS income tax relief is received and is not restricted or later withdrawn.

12.3.3 Individuals and certain Trustees subscribing for Ordinary Shares may be entitled to claim capital gains tax deferral in respect of gains realised on asset disposals within the three years before, and up to one year after, the date their EIS shares are issued. The relief allows a shareholder to defer part or all of a gain made on a disposal that would normally crystallise a charge to tax. The amount of gain that can be deferred is restricted

to the amount of the re-investment and the deferred gain falls into charge when the EIS shares are disposed of or if the Company ceases to be a qualifying company for the purposes of the EIS within three years of the share issue. Unlike the income tax relief, there is no maximum investment limit for CGT deferral. If the gain to be deferred qualifies for taper relief, it is the untapered gain that is deferred; the existing entitlement to taper relief will crystallise when the gain comes back into charge.

- 12.3.4 The Company can apply for formal authority to issue EIS tax certificates four months after the Company commences trading. Upon receipt of authority from HM Revenue & Customs, the relevant tax certificates will be issued to those eligible investors who request them.
- 12.4 Although the Company currently expects to satisfy the relevant conditions for VCT and, for the EIS Shares, EIS investment, neither the directors nor the Company gives any undertaking to conduct its activities in a way that qualifies for or preserves its status.
- 12.5 Section 574 relief – Section 574 of the Income and Corporation Taxes Act 1988 permits a loss on ordinary shares acquired by subscription in a qualifying trading company to be relieved against an individual investor's taxable income, as an alternative to setting the loss against capital gains. If a claim for relief is accepted by HM Revenue & Customs, relief is given against income of the tax year in which the loss arises, or the preceding year. For shares issued after 5 April 1998, relief is restricted to shares in unquoted companies carrying on a qualifying trade, as defined for Enterprise Investment Scheme purposes.
- 12.6 Inheritance Tax (IHT) relief – Unquoted ordinary shares in companies such as the Company qualify for 100 per cent. IHT Business Property Relief, provided they have been held for two years prior to an event giving rise to a potential charge to IHT. If an individual shareholder makes a lifetime gift of shares, or dies whilst still the holder of the shares, IHT may not be payable provided the shares have been held for at least two years prior to the gift or death. In the event of a lifetime gift, the transferee may need to retain the shares for up to seven years to ensure Business Property Relief remains available to the transferor.
- 12.7 Taxation of chargeable gains – For individuals, trustees and personal representatives disposals of shares are generally identified on a LIFO (last in, first out) basis for the purpose of calculating gains chargeable to tax. There are differing rules for shares on which EIS relief is claimed. In addition gains made by individuals, Trustees and Personal Representatives may qualify for taper relief. This relief reduces the amount of a chargeable gain on disposal, depending on the length of time the shares have been held since 6 April 1998, or the date of acquisition if later. With effect from 6 April 2000, shareholdings in unquoted trading companies qualify as business assets, eligible for enhanced rates of taper relief. Shares issued on or after 6 April 2000 qualify for the maximum taper relief after two years, potentially reducing the effective capital gains tax rate on disposal to 10 per cent. for a higher rate taxpayer. If chargeable gains arising on the disposal of EIS shares are deferred by reinvestment into further EIS shares, taper relief may be extended to treat periods of ownership of successive EIS investments as effectively one period. The above rules do not apply to corporate shareholders, to which share "pooling" and indexation rules apply.
- 12.8 Taxation of dividends – Under UK tax legislation, no tax is withheld at source from UK Company dividend payments, although such payments carry a notional tax credit of one-ninth of the dividend paid. Individual basic rate taxpayers have no further tax to pay on the dividend, but non-taxpayers will not be entitled to any repayment of the associated tax credit. Higher rate taxpayers have a tax liability at the rate of 32.5 per cent. on the gross value of the dividend. After taking account of the associated tax credit, the additional liability equates to 25 per cent. of the cash dividend. Trustees of discretionary trusts liable to account for income tax at the rate applicable to trusts, have a tax liability at the Schedule F Trust rate of 32.5 per cent. on the gross value of the dividend. After taking account of the associated notional tax credit, the additional liability equates to 25 per cent. of the cash dividend. UK resident corporate shareholders will not normally be liable to UK corporation tax or income tax on any dividends received from the Company. Shareholders who are resident in countries other than the UK may be entitled to a credit for all or a proportion of the associated tax credit. Shareholders not resident in the UK should consult their own tax advisor on the application of such provisions and the procedure for claiming relief.

**The above is a general summary of certain tax reliefs which may be available and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation advisor before applying for any New Ordinary Shares.**

### **13. LITIGATION**

There are no governmental, legal or arbitration proceedings in which the Company is involved or of which the Company is aware are pending or threatened by or against the Company which may have or have had in the twelve months preceding the date of this document a significant effect on the Company's financial position or profitability.

### **14. GENERAL**

- 14.1 The total proceeds of the Placing are expected to be £25.0 million. The estimated amount of the expenses of the Placing which are all payable by the Company, is approximately £1.4 million (excluding VAT). This amount includes an estimated commission of approximately £1.0 million payable by the Company. The net proceeds of the Placing will be approximately £23.6 million.
- 14.2 PricewaterhouseCoopers LLP have given and have not withdrawn its written consent to the inclusion in this document of its report on the historical financial information relating to Vertu Motors in Part 3 of this document in the form and context in which it is included. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 14.3 Brewin Dolphin, whose registered office is at 12 Smithfield Street, London EC1A 9BD, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 14.4 There has been no significant change in the financial position of the Company since 10 November 2006, the date to which the financial information in Part 3 of this document was prepared.
- 14.5 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 14.6 There have been no interruptions in the business of the Company which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of the Company.
- 14.7 The Issue Price represents a premium of 50 pence over the nominal value of 10 pence per Ordinary Share. The premium arising on the Placing amounts to £20,833,334 in aggregate.
- 14.8 There is no minimum amount which, in the opinion of the Directors, must be raised from the Placing.
- 14.9 The accounting reference date of the Company is 28 February.
- 14.10 The Ordinary Shares are in registered form. No temporary documents of title will be issued under the Placing.
- 14.11 Save as disclosed in this document there have been no payments by the Company to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 14.12 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade suppliers dealing with the Company) has:
  - 14.12.1 received, directly or indirectly, from the Company, within the twelve months preceding the Company's application for Admission; or
  - 14.12.2 entered into any contractual arrangement (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company 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 Issue Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

14.13 Save as disclosed in this document, the Directors not unaware of any exceptional factors which have influenced the Company's activities.

14.14 Save as disclosed in this document, there are no investments in progress which are significant to the Company.

14.15 The financial information contained in Part 3 of this document does not constitute statutory accounts within the meaning of section 240 of the Act. No statutory accounts have yet been prepared by the Company.

14.16 As at 10 November 2006, the date to which the report in Part 3 of this document was prepared, the Company had no employees.

14.17 Where information in this document has been sourced from a third party, this information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **15. DOCUMENTS FOR INSPECTION**

15.1 Copies of this document will be available free of charge to the public at the offices of Brewin Dolphin at 12 Smithfield Street, London EC2A 9BD and at Commercial Union House, 39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ from the date of this document until one month from admission to trading on AIM.

Dated 15 December 2006

## PART 5

### DEFINITIONS

“Act”	the Companies Act 1985 (as amended)
“Admission”	the First Admission or the Second Admission or the Third Admission or each of them as the context demands
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers as issued by the London Stock Exchange, as amended from time to time
“Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company from the date of this document, or a duly authorised committee thereof, whose names are set out on page 3 of this document
“Brewin Dolphin”	the corporate finance division of Brewin Dolphin Securities Limited
“Combined Code”	the Combined Code on Corporate Governance published by the Financial Reporting Council
“Company” or “Vertu Motors”	Vertu Motors plc, or the business of the Company as the context requires
“CREST”	the computerised settlement system to facilitate the transfer of title in shares in uncertificated form, operated by CRESTCO
“CRESTCo”	CRESTCo Limited, the operator (as defined in the CREST Regulations) of the system for trading shares in uncertificated form known as CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (as amended)
“EIS”	Enterprise Investment Scheme
“EIS Shares”	4,020,833 new Ordinary Shares to be issued to certain subscribers under the Placing
“EU Block Exemption Regulations”	European Commission Regulation No. 1400/2002 (formerly Regulation No 1475/95), which exempts from EC competition rules arrangements in the EU for the distribution of new cars and their subsequent servicing
“Existing Ordinary Shares”	the 5,000,000 Ordinary Shares in issue at the date of this document
“First Admission”	admission of the Existing Ordinary Shares and the EIS Shares to trading on AIM
“FSA”	the Financial Services Authority
“Issue Price”	60p per share
“London Stock Exchange”	London Stock Exchange plc
“Non-EIS/VCT Shares”	the Placing Shares other than the EIS Shares and the VCT Shares
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company (ISIN: GB00B1GK4645)
“Placing”	the conditional placing by Brewin Dolphin of the Placing Shares at the Issue Price pursuant to the Placing Agreement

“Placing Agreement”	the conditional agreement relating to the Placing dated 15 December 2006 between the Company, Brewin Dolphin and the Directors details of which are contained in paragraph 9.1 of Part 4 of this document
“Placing Shares”	the 41,666,667 new Ordinary Shares to be issued pursuant to the Placing
“Provisional Clearance”	provisional assurance from the Inland Revenue that the Ordinary Shares will comply with the provisions of schedule 28 of the Income and Corporation Taxes Act 1988 and will be a qualifying shareholding under that schedule
“Second Admission”	admission of the VCT Shares to trading on AIM
“Share Option Schemes”	together the Share Incentive Plan, the Enterprise Management Incentive Plan, the Company Share Option Plan and the Performance Share Plan, as summarised in paragraph 10 of Part 4
“Shareholders”	holders of Ordinary Shares
“Third Admission”	admission of the Non-EIS/VCT Shares and the new Ordinary Shares to be issued to Brewin Dolphin, as summarised in paragraph 9 of Part 4, to trading on AIM
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US” or “USA”	the United States of America, its territories and possessions, any state of the United States and the district of Columbia
“VCT”	Venture Capital Trust
“VCT Shares”	13,916,669 new Ordinary Shares to be issued to certain subscribers under the Placing

