

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt 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 financial adviser authorised under the Financial Services Act 1986.

The Directors and the Proposed Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

A copy of this document (which has been drawn up in accordance with the Public Offers of Securities Regulations 1995 ("Regulations") and comprises a prospectus and an AIM admission document) has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of those Regulations.

If you have sold or transferred all of your Existing Shares please send this document, together with the accompanying Form of Proxy, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or transferred part of your registered holding of Existing Shares please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Application has been made for the admission of the Ordinary Shares resulting from the consolidation of the Existing Shares and for admission of the New Ordinary Shares to trading on AIM. It is expected that such admission will take place and that dealings in the Ordinary Shares and the New Ordinary Shares will commence on 15 August 2001. **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. 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 his or her own independent financial adviser.**

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 these securities to the Official List. Further, the UK Listing Authority and the London Stock Exchange have not approved the contents of this document.

Orchard Furniture plc

(Incorporated in England and Wales under the Companies Act 1948 with registered number 630968)

to be renamed

World Sport Group plc

Acquisition of World Sport Group (Jersey) Limited

Placing and Open Offer of 8,847,772 New Ordinary Shares at 153p per share

Capital Reorganisation

Admission to trading on the Alternative Investment Market

Adoption of New Articles of Association and amendment

of the Memorandum of Association and adoption of

New Share Option Scheme

Investec Henderson Crosthwaite

**Nominated Adviser and Broker,
and Underwriter**

Expected share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
80,000,000	£16,000,000	ordinary shares of 20p each	57,267,856	£11,453,571.20
25,295,753	£5,033,854.85	deferred shares of 19.9p each	25,295,753	£5,033,854.85

Neither the Ordinary Shares nor the New Ordinary Shares have been, nor will they be, registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Australia, the Republic of Ireland or Japan and they may not, subject to certain exceptions, be offered or sold directly or indirectly within the United States, Canada, Australia, the Republic of Ireland or Japan or to any national, citizen or resident of the United States, Canada, Australia, the Republic of Ireland or Japan. This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

The latest time for acceptance and payment in full under the Open Offer is 3.00 p.m. on 8 August 2001. The procedure for application is set out in Part 2 of this document and in the accompanying Application Form. To be valid, Application Forms must be completed and returned with the appropriate remittance so as to reach the New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH, as soon as possible and in any event no later than 3.00 p.m. on 8 August 2001.

Investec Henderson Crosthwaite, a division of Investec Bank (UK) Limited which is regulated by the Securities and Futures Authority Limited, is acting for Orchard in connection with the Proposals and is not acting for any person other than Orchard and will not be responsible to any person other than Orchard for providing the protections afforded to its customers or for providing advice to any other person in connection with the Proposals.

Notice of an Extraordinary General Meeting of Orchard to be held at the offices of Investec Henderson Crosthwaite, 2 Gresham Street, London EC2V 7QP at 10.00 am on 10 August 2001 is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting which, to be valid, must be completed and returned so as to be received by Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR, not later than 10.00 am on 8 August 2001. Completion and return of the Form of Proxy will not preclude Shareholders from attending the meeting and voting in person should they subsequently wish to do so. The Directors' recommendation is set out on page 26 of this document.

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	2001
Record Date for the Open Offer	9 July
Dealings re-commence in Existing Shares	8.00 am on 17 July
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 pm on 6 August
Latest time and date for receipt of Forms of Proxy for the EGM	10.00 am on 8 August
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer	3.00 pm on 8 August
Extraordinary General Meeting	10.00 am on 10 August
Record Date for the Capital Reorganisation	14 August
Dealings to commence in the Ordinary Shares and the New Ordinary Shares	15 August
CREST accounts credited for the New Ordinary Shares	15 August
Despatch of definitive share certificates for the Ordinary Shares and the New Ordinary Shares in certificated form	by 22 August

Placing and Open Offer Statistics

Issue Price	153p
Number of Ordinary Shares in issue prior to the Acquisition and the Placing and Open Offer	10,737,723
Number of Consideration Shares issued in connection with the Acquisition	42,950,892
Number of Placing Shares being issued in connection with the Placing and Open Offer	8,847,772
Estimated net proceeds of the Placing and Open Offer attributable to the Company	£3.58 million
Estimated gross proceeds of the Placing attributable to the Principal Vendors	£8.06 million
Expected market capitalisation of the Company at the Issue Price on Admission	£87.62 million

Directors and Advisers

Board	Arthur Timothy Lawson-Cruttenden Richard James Armstrong Mark Andrew Wilsher all of: 10-11 Gray's Inn Square London WC1R 5JD	<i>Chairman</i> <i>Director</i> <i>Director</i>
Proposed Board	John David Nikolas Ciclitira Seamus Hamilton O'Brien Anthony Treggerthen Morgan Robert John Philip Bland Ian Stewart Frykberg Jonathan Twiston Crisp Ronald Frederick Littleboy Richard James Armstrong all of: 56 Ennismore Gardens Knightsbridge London SW7 1AJ	<i>Chairman</i> <i>Group Chief Executive</i> <i>Group Finance Director</i> <i>Group Sales and Marketing Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i>
Secretary and Registered Office	James Montford Victor Butterfield 10-11 Gray's Inn Square London WC1R 5JD	
Proposed Secretary and Proposed new Registered Office	Gabriela Ewa Narozny 56 Ennismore Gardens Knightsbridge London SW7 1AJ	
Nominated Adviser and Broker and Underwriter	Investec Henderson Crosthwaite (a division of Investec Bank (UK) Limited) 2 Gresham Street London EC2V 7QP	
Solicitors to the Company	Denton Wilde Sapte 1 Fleet Place London EC4M 7WS	
Solicitors to the Nominated Adviser	Gouldens 10 Old Bailey London EC4M 7NG	
Reporting Accountants and Auditors to the Company	BDO Stoy Hayward 8 Baker Street London W1U 3LL	
Principal Bankers	HSBC Bank plc 1 St Peters Street Derby Derbyshire DE1 2AE	
Registrars and transfer office	Capita IRG Plc Balfour House 390-398 High Road Ilford Essex IG1 1NQ	
Receiving Agents	Capita IRG Plc PO Box 166 Bourne House 34 Beckenham Road Beckenham Kent BR3 4TH	



The following words and expressions have the following meanings in this document unless the context requires otherwise:

“the Act”	the Companies Act 1985 (as amended)
“Acquisition”	the proposed purchase of Newco by Orchard pursuant to the Newco Acquisition Agreement
“Acquisition Agreement” or “Newco Acquisition Agreement”	the agreement dated 16 July 2001 between, amongst others, (1) the Vendors, (2) Orchard and (3) Newco relating to the acquisition of Newco by Orchard as described in paragraph 8 of Part 12 of this document
“Acquisition Agreements”	together, the Acquisition Agreement, the PMI Acquisition Agreement and the WSG Acquisition Agreement
“Admission”	the admission of the New Ordinary Shares and the admission of the Ordinary Shares resulting from the consolidation of the Existing Shares referred to in the Resolutions to trading on AIM pursuant to paragraph 6 of the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“Application Form”	the application form relating to the Open Offer being sent to Qualifying Shareholders with this document
“the AIM Rules”	the rules of the London Stock Exchange governing the admission to, and the operation of, companies on AIM
“City Code”	The City Code on Takeovers and Mergers
“Concert Parties”	together, the PCP, the PECP and the WCP
“Consideration Shares”	the 42,950,892 new Ordinary Shares to be issued by the Company to parties in accordance with the terms of the Acquisition Agreement
“CVA”	Company Voluntary Arrangement
“Deferred Shares”	the 25,295,753 deferred shares of 19.9 pence each in the capital of the Company in issue at the date of this document
“Directors” or “Board”	the directors of the Company as at the date of this document, whose names are set out on page 4 of this document
“EGM”	the Extraordinary General Meeting of the Company to be held on 10 August 2001
“Enlarged Group”	the Group as enlarged by the Acquisition
“Existing Shares”	existing ordinary shares of 0.1p each in the capital of the Company
“Existing Shares in issue”	the 2,147,544,645 Existing Shares in issue at the date of this document
“Existing Share Options”	the existing share options in the Company pursuant to the Existing Share Option Scheme as described in paragraph 3(g)(iii) of Part 12 of this document
“Existing Share Option Scheme”	the existing share option scheme of the Company as described in paragraph 3(g) of Part 12 of this document

Definitions

“Firm Placed Shares”	5,268,531 Consideration Shares which have been conditionally placed firm by Investec Henderson Crosthwaite pursuant to a vendor placing and 137,858 Open Offer Shares which have been conditionally placed firm as a result of an undertaking having been received from Richard Armstrong not to take up his entitlement under the Open Offer
“Firm Placing”	the conditional placing by Investec Henderson Crosthwaite of the Firm Placed Shares
“Form of Proxy”	the form of proxy for use by Shareholders in connection with the EGM
“Group”	Orchard and its existing subsidiaries
“Investec”	Investec Bank (UK) Limited
“Investec Henderson Crosthwaite”	Investec Henderson Crosthwaite, a division of Investec
“Issue Price”	153p per Placing Share
“London Stock Exchange”	London Stock Exchange plc
“Luna Trading”	Luna Trading Limited, a Vendor
“Memorandum”	the memorandum of association of the Company proposed to be amended at the EGM
“New Articles”	the new articles of association of the Company proposed to be adopted at the EGM
“Newco”	World Sport Group (Jersey) Limited, a company incorporated in Jersey
“Newco Ordinary Shares”	ordinary shares of £1 each in the capital of Newco
“New Ordinary Shares”	the Consideration Shares, further particulars of which are set out in Part 1 of this document (Terms of the Acquisition), and the Open Offer Shares
“New Share Options”	the new share options in the Company pursuant to the New Share Option Scheme as described in paragraph 3(j) of Part 12 of this document
“New Share Option Scheme”	the new share option schemes of the Company as described in paragraph 3(j) of Part 12 of this document
“Nomura”	Nomura International plc, a Vendor through its nominee company, Vidacos Nominees Limited
“NSA”	NSA Investments International Limited, a Vendor
“Official List”	the Official List of the UK Listing Authority
“Open Offer”	the conditional open offer being made by Investec Henderson Crosthwaite, as agent for the Company, to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price and on the terms and conditions set out in this document and in the Application Form
“Open Offer Shares”	3,579,241 new Ordinary Shares to raise £3.58 million in cash (net of expenses) for the Company, which are to be made available to Qualifying Shareholders pursuant to the Open Offer, all of which have been conditionally placed (subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer) by Investec Henderson Crosthwaite pursuant to the Placing
“Orchard” or “Company”	Orchard Furniture plc



“Ordinary Shares”	ordinary shares of 20p each in the capital of Orchard arising pursuant to the Reorganisation
“Panel”	The Panel on Takeovers and Mergers
“Park House”	Park House Holdings Limited, a Vendor
“Pinnacle Trustees”	Pinnacle Trustees Limited, a Vendor
“Placing”	the conditional placing by Investec Henderson Crosthwaite of the Placing Shares, pursuant to the Placing Agreement
“Placing Agreement”	the agreement dated 16 July 2001 between (1) Investec Henderson Crosthwaite, (2) Orchard, (3) Walbrook, (4) Park House, (5) the Directors and (6) the Proposed Directors relating to the Placing and Open Offer as described in paragraph 8 of Part 12 of this document
“Placing Shares”	8,847,772 of the new Ordinary Shares, being the Open Offer Shares (which are being placed subject to clawback to meet valid applications under the Open Offer) and 5,268,531 of the Consideration Shares
“PMG”	Elysian Group plc, formerly Parallel Media Group plc
“PMI”	Parallel Media Group International Limited, a Jersey incorporated entity
“PMI Acquisition”	the acquisition of PMI by Newco pursuant to the PMI Acquisition Agreement
“PMI Acquisition Agreement”	the agreement dated 16 July 2001 between (1) Walbrook, (2) Luna Trading, (3) NSA, (4) Nomura, (5) Pinnacle Trustees, (6) Anthony Hallett and others, (7) Keld Kristiansen, (8) PMI and (9) Newco relating to the acquisition of PMI by Newco as described in paragraph 8 of Part 12 of this document
“PMI Concert Party” or “PCP”	Walbrook, Luna Trading, David Ciclitira, Robert Bland, Pinnacle Trustees, Keld Kristiansen, Tony Hallett, Claudio Tinari, Gabriela Narozny and Vivien Langford
“PMI Group”	PMI and its existing subsidiaries
“PMI Ordinary Shares”	‘A’, ‘B’ and ‘C’ ordinary shares of £1.00 each in the capital of PMI
“Pre-emption Concert Party” or “PECP”	Park House, Walbrook, Luna Trading, David Ciclitira, Seamus O’Brien and Tony Morgan
“Principal Vendors”	Luna Trading, NSA and Nomura
“Proposals”	the Acquisition, the Placing, the Open Offer, the Reorganisation, the waiver of the requirement on certain of the Concert Parties to make a general offer for the Company under the City Code, the adoption of the New Articles and amendment of the Memorandum, the adoption of the New Share Option Scheme, the change of name as described in this document and Admission
“Proposed Directors” or “Proposed Board”	the proposed directors of the Enlarged Group, whose names are set out on page 4 of this document

Definitions

“Qualifying Shareholders”	Shareholders who hold not less than 600 Existing Shares and who are on the register of members of Orchard on the Record Date (except for certain overseas Shareholders as described in Part 2 of this document)
“Record Date”	the record date for the Open Offer, being the close of business on 9 July 2001
“Regulations”	the Public Offers of Securities Regulations 1995
“Reorganisation”	the capital reorganisation described in this document and resulting in the creation of the Ordinary Shares
“Resolutions”	the resolutions set out in the notice of EGM set out at the end of this document
“Security Deeds”	the deeds to be entered into between (1) the Company, (2) the Warrantors (in separate deeds), (3) Newco, (4) Investec and (5) Denton Wilde Sapte pursuant to which 50 per cent. of the Consideration Shares issued to the Warrantors are charged to secure certain obligations of the Warrantors as described in paragraph 8 of Part 12 of this document
“Shareholders”	holders of Existing Shares
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of the Official List
“Vendors”	Walbrook, Luna Trading, Park House, Nomura, NSA, Keld Kristiansen, Anthony Hallett and others, Pinnacle Trustees, News Cayman Holdings Limited, Oakstaff Investments Limited and George Taylor acting through their nominees
“Walbrook”	Walbrook International Trust Company Limited, a Vendor
“Warrants”	the warrants issued to the Warrantholder pursuant to the Warrant Instrument as described in paragraph 3(i) of Part 12 of this document
“Warrantholder”	Penlux Limited a company registered in Guernsey, Channel Islands under registered number 36699
“Warrant Instrument”	a deed poll dated 10 August 2000 executed by the Company in favour of the Warrantholder as described in paragraph 3(i) of Part 12 of this document
“Warrantors”	Walbrook and Park House who have each agreed to provide certain warranties and indemnities to the Company under the Acquisition Agreement
“WSG”	The World Sport Group Limited, an entity incorporated in the British Virgin Islands
“WSG Acquisition”	the acquisition of WSG by Newco pursuant to the WSG Acquisition Agreement
“WSG Acquisition Agreement”	the agreement dated 16 July 2001 between (1) Park House, (2) News Cayman Holdings Limited, (3) Oakstaff Investments Limited, (4) George Taylor, (5) WSG and (6) Newco relating to the acquisition of WSG by Newco as described in paragraph 8 of Part 12 of this document
“WSG Concert Party” or “WCP”	Park House, Seamus O’Brien, Tony Morgan, Oakstaff and George Taylor
“WSG Group”	WSG and its existing subsidiaries
“WSG Ordinary Shares”	ordinary shares of US\$0.1 in the capital of WSG



Subsidiaries and Associated Companies of The World Sport Group Limited

"AML"	AFC Marketing Limited
"APL"	ABC Promotions Limited
"ASG"	World Sport Group (Asia) Limited
"ASTV"	Asia Sport Television Limited
"ATL"	Asian PGA Tour Limited
"ESG"	World Sport Group (Europe) Limited
"FEF"	Football Expo S.A.R.L.
"FEL"	Football Expo Limited
"GCC"	Global Cricket Corporation Pte Limited
"PGATE"	PGA Tour Enterprises Pty Limited
"SMAM-Aust"	Sports Marketing and Management Pty Limited
"SMAM-UK"	Sports Marketing and Management (UK) Limited

Subsidiaries of Parallel Media Group International Limited

"PF"	Parallel Formula Limited
"PMR"	Parallel Media Rugby Limited
"Parallel Television"	Parallel Television (2001) Limited, formerly CNBC Sports International Limited

Sports Bodies

"ABC"	Asian Basketball Confederation
"AFC"	Asian Football Confederation
"APGA"	Asian Professional Golfers' Association
"BOA"	British Olympic Association
"CAF"	Confederation of African Football
"CONCACAF"	Confederation of North, Central American & Caribbean Association Football
"CONMEBOL"	Confederation of South American Football
"FIBA"	International Basketball Federation
"FIFA"	Federation of International Football Associations

"FIR"	Italian Rugby Federation
"ICC"	International Cricket Council
"OFC"	Oceania Football Confederation
"PGA"	Professional Golfers' Association
"SOCOG"	Organising Committee for the Sydney Olympic Games
"UEFA"	Union of European Football Associations
"WSA"	World Professional Billiards and Snooker Association

Other

"ART"	Arab Radio & Television Limited
"ASBU"	Arab States Broadcasting Union
"BSkyB"	British Sky Broadcasting plc
"CCTV"	China Central Television
"CNBC Europe"	CNBC (Europe) Limited
"Dentsu"	Dentsu Inc.
"ESPN STAR"	ESPN STAR Sports
"IMG"	International Management Group
"IPG"	Interpublic Group, Inc.
"LBC"	Lebanese Broadcasting Company
"News Corp"	The News Corporation Limited
"NHK"	The Japan Broadcasting Corporation
"PerfecTV"	PerfecTV Corporation
"SBS"	Seoul Broadcasting Systems
"SFX"	SFX Entertainment, Inc.
"SLEC"	Slavica Ecclestone Corporation
"STAR TV"	STAR, a subsidiary of News Corp
"UPC"	United Pan-Europe Communications NV
"WPP"	WPP Group plc



ORCHARD FURNITURE PLC

(Incorporated in England and Wales under the Companies Act 1948 with registered number 630968)

Directors:

Arthur Timothy Lawson-Cruttenden (*Chairman*)
Richard James Armstrong (*Director*)
Mark Andrew Wilsher (*Director*)

Registered Office:

10-11 Gray's Inn Square
London
WC1R 5JD

Proposed Board:

John David Nikolas Ciclitira (*Chairman*)
Seamus Hamilton O'Brien (*Group Chief Executive*)
Anthony Treggerthen Morgan (*Group Finance Director*)
Robert John Philip Bland (*Group Sales and Marketing Director*)
Ian Stewart Frykberg (*Non-Executive Director*)
Jonathan Twiston Crisp (*Non-Executive Director*)
Ronald Frederick Littleboy (*Non-Executive Director*)
Richard James Armstrong (*Non-Executive Director*)

16 July 2001

To the holders of Existing Shares and, for information only, to the Warrantholder

**Acquisition of World Sport Group (Jersey) Limited and change of name
to**

World Sport Group plc

Placing and Open Offer of 8,847,772 New Ordinary Shares at 153p per share

Capital reorganisation

Admission to trading on the Alternative Investment Market

**Adoption of New Articles of Association and amendment of the
Memorandum of Association**

Adoption of New Share Option Scheme

Introduction

On 22 June 2001, it was announced that Orchard had entered into negotiations to acquire The World Sport Group Limited ("WSG") and Parallel Media Group International Limited ("PMI"), both of which are international sports marketing, media and management companies. Earlier today, the Board announced that these negotiations had been successfully concluded and that the terms of the Acquisition had been agreed. The proposed transaction is structured as the purchase of Newco for a consideration of approximately £65.7 million, to be satisfied by the issue of the Consideration Shares, 5,268,531 of which will be placed at 153p per share pursuant to a vendor placing. Newco was formed in July 2001 to acquire WSG and PMI. In conjunction with the Acquisition, it is proposed that the Company implement a capital reorganisation pursuant to which there will be a consolidation of Existing Shares such that, for every 200 Existing Shares they hold, Shareholders will be issued with 1 Ordinary Share.

Letter from the Chairman of Orchard

The Company proposes to raise approximately £13.54 million (approximately £11.64 million net of expenses) by way of a Placing and Open Offer, of which £8.06 million gross will be paid to the Principal Vendors under the Acquisition Agreement. The remaining £3.58 million (net of expenses) will initially be placed on deposit and will be used to contribute to the ongoing working capital requirements of the Enlarged Group. The Placing and Open Offer has been fully underwritten by Investec. The Placing Shares will represent approximately 15.44 per cent. of the issued ordinary share capital of the Enlarged Group on Admission, and will rank *pari passu* in all respects with the Ordinary Shares.

Immediately following the Proposals (and assuming full take up under the Open Offer), existing Shareholders of Orchard will hold, in aggregate, approximately 24.76 per cent. of the Enlarged Group.

In view of Newco's size in relation to Orchard, the Acquisition (which constitutes a reverse takeover) requires the approval of Shareholders, and an Extraordinary General Meeting of the Company is being convened for this purpose on 10 August 2001. Shareholders will also be asked, amongst other things, to approve the change of name of the Company from Orchard Furniture plc to World Sport Group plc and to grant the appropriate authorities required to effect the Placing and Open Offer. If the Resolutions are passed by Shareholders, it is expected that Admission will take place and that trading in the Ordinary Shares and the New Ordinary Shares will commence on 15 August 2001. On the basis of the announcement released by the Company earlier today, the London Stock Exchange has agreed to lift the suspension on trading in the Existing Shares put in place on 22 June 2001. Accordingly, trading will recommence in the Existing Shares tomorrow, 17 July 2001.

Further details of the agreements relating to the Acquisition are set out in Part 1 (Terms of the Acquisition) and paragraph 8 of Part 12 of this document.

The purpose of this document is to provide you with information on the Proposals and to recommend that you vote in favour of the Resolutions, which are necessary to give effect to the Proposals, at the EGM.

Background to the Proposals

In late Spring 1999, the then board of Orchard considered that the re-financing completed in January 1999 had failed to stabilise Orchard's finances and that its bankers were not prepared to provide further support. As a result, the then board considered that there was no option but to sell the trading assets of the Company. These were duly disposed of in June 1999 and the Company's subsidiaries were put into liquidation. The cash raised from the disposals was used to repay bank borrowings which had been secured against those assets, as well as other indebtedness. This left the Company with no assets, no income and substantial liabilities to creditors.

In December 1999, proposals were put to Shareholders and creditors to agree a Company Voluntary Arrangement and these were duly approved at a meeting of the Company's creditors and its shareholders on 10 January 2000. The CVA provided the mechanism to enable the Company to satisfy its historic liabilities and, following approval of the CVA, the Company was able to raise £1.1 million of new equity capital and to be readmitted to AIM as a shell company. Since that time it has been the stated objective of Orchard's management to identify suitable investments or acquisitions with a view to enhancing shareholder value. To facilitate the funding of any such potential investments or acquisitions, Orchard subsequently raised an additional £14.3 million before expenses by way of placings and an open offer, taking its cash balances to in excess of £15 million. The supervisor appointed to administer the CVA has, in accordance with Rule 1.29 of the Insolvency Rules 1986, notified the Company's creditors and its shareholders that the CVA has been fully implemented.

The Board has considered a number of possible acquisitions over the last 18 months. On 22 June 2001, the Board announced that it had entered into negotiations with the boards of WSG and PMI regarding the acquisition of those companies and their subsidiaries. The terms of the Acquisition have now been agreed and the Board believes that the Group as enlarged by the Acquisition offers attractive prospects for Shareholders. The Board believes that the considerable sports rights acquired by the WSG Group, the extensive experience the PMI Group has in the marketing and distribution of sports programming, the potential synergies between the two businesses and the experience of the Proposed Directors provide a substantial base from which to develop a successful business.



Background Information on WSG

The WSG Group is an international sports marketing, media and management organisation, whose principal activity is to acquire commercial and media rights to sports events from regional governing bodies. These rights are then sold to corporations in the form of sponsorship and marketing programmes as well as to media broadcasters in the television, radio, internet and publishing sectors. An important part of WSG's philosophy is to work together with sports' governing bodies over a number of years to help them to manage the development of their particular sport and their associated brands. This is achieved by entering into long term contracts to acquire the rights in return for fees payable to the sports body. In turn, the sports bodies are able to utilise the fees they receive to fund their administration costs and to provide a financial basis for the future development of their sport.

Since commencing operations in Asia, WSG has established an international asset base and has extended its activities into the Oceania region, Europe and the Americas. WSG employs over 200 people and stages more than 50 events in 25 countries per year. WSG is currently active in cricket, football, golf, basketball and snooker.

Detailed information on the business of WSG is set out in Parts 3 and 7 of this document. Shareholders' attention is also drawn to the Risk Factors set out in Part 6 of this document.

Financial Record of WSG

Set out below is a summary of the financial record of WSG for the three financial years ended 31 December 2000 which has been extracted without material adjustment from the accountants' report set out in Part 7 of this document. **In order to make a proper assessment of the financial position of WSG, investors should not rely solely on the summary information set out below but should read the whole of this document, including the accountants' report set out in Part 7 of this document.**

	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Turnover	33,795	32,548	40,402
Operating (loss)/profit	(891)	419	(999)
Loss before taxation	(1,712)	(929)	(5,267)

The table above illustrates that, over the last three years, WSG has incurred losses. This was principally as a result of the reinvestment of its profits arising from the football and television businesses into expanding its international operations outside the Asian region and developing an office infrastructure to support this. In expanding its international operations, WSG has entered into new business relationships, primarily in the form of joint venture companies with sports bodies including the PGA Tour of Australasia in 1998, the Ladies European Tour in 1999 and the Tour de las Americas in 2000. These companies have historically not been profitable in their early operations.

The loss before taxation in the financial year ended 31 December 2000 also includes WSG's share of losses from its internet start-up, Sportal Asia, and its new ICC cricket venture, Global Cricket Corporation ("GCC"), which is an equity joint venture partnership with News Corp. WSG's share of losses from these two ventures makes up the majority of the share of losses of associates, being approximately US\$3.2 million. For GCC this loss primarily related to the ICC Knockout tournament which took place in Kenya almost immediately after signature of the ICC master rights contract, giving GCC little time to on sell the broadcast and sponsorship rights. In addition the 2000 operating loss includes a one-off charge of US\$1.6 million in relation to the settlement of a dispute with a broadcaster prior to the issue of this document, further details of this are set out in paragraph 13(c) of Part 12 of this document.

The WSG directors believe that WSG's portfolio of assets is maturing. As a result, the financial statements set out above do not reflect the WSG directors' expectations of the company's potential.

Letter from the Chairman of Orchard

Background Information on PMI

The PMI Group is an international sports media, marketing and management organisation. Founded by its Chairman, David Ciclitira, PMG was established as a sports media and events marketing agency in the UK in 1987. In 1997, PMG was reorganised and created a new corporate entity, PMI. In December 1998, PMI expanded its shareholder base by introducing Nomura as a shareholder. Simultaneously, the PMI Group entered into a joint venture with CNBC Europe, a wholly-owned subsidiary of NBC Inc, to create CNBC Sports International Limited (hereinafter referred to as Parallel Television). Parallel Television is responsible for the supply of CNBC Sports branded programming on the CNBC business news channels in Europe and Asia (the "CNBC Channels"). In addition, the PMI Group is, or has been, involved in the promotion, marketing, management and/or programme supply in relation to sports events including golf, tennis, sailing, skiing, rugby and equestrian and motor sports. In order to support and complement these business activities, PMI has recently consolidated and expanded its sales team by establishing an international sponsorship and sales team headed by Robert Bland.

Detailed information on the business of PMI is set out in Parts 4 and 8 of this document. Shareholders' attention is also drawn to the Risk Factors set out in Part 6 of this document.

Financial Record of PMI

Set out below is a summary of the financial record of PMI for the three financial years ended 31 December 2000 which has been extracted without material adjustment from the accountants' report set out in Part 8 of this document. **In order to make a proper assessment of the financial position of PMI, investors should not rely solely on the summary information set out below but should read the whole of this document, including the accountants' report set out in Part 8 of this document.**

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Turnover	6,299	7,732	4,744
Operating loss before exceptional item	(2,286)	(3,178)	(1,179)
Exceptional item	–	(1,201)	(2,765)
Loss before taxation	(1,486)	(3,984)	(3,577)

The table above illustrates the losses before taxation incurred by PMI for the three years ended 31 December 2000. For the year ended 31 December 1998, restructuring costs relating to Nomura's investment and the Parallel Television set-up costs impacted on PMI's result. For the year ended 31 December 1999, the loss of £3.9 million includes an exceptional item of £1.2 million, of which £1.05 million was an uncollectable debt due from an internet-based advertiser. For the year ended 31 December 2000, the reduction in turnover reflected the fact that the business of PMI changed from event management to the promotion of events managed by third parties, principally WSG. As a result, event profits rather than the share of total event sponsorship revenue and costs, were recorded in the accounts. Furthermore, the £3.5 million loss included an exceptional item of approximately £2.8 million, which represents a provision against the value of shares held in Sportal International Limited. The value of these shares was considered to be negligible and provision was therefore made to write them down to zero.

The PMI directors refocused the business in December 1998 to concentrate principally on the supply of sports programming, advertising and sponsorship sales. They have been building the business since that time and believe that the past performance does not reflect the potential of the current business.

Terms of the Acquisition

Pursuant to the WSG Acquisition Agreement and the PMI Acquisition Agreement, the holders of the WSG Ordinary Shares and PMI Ordinary Shares have respectively agreed to sell such shares in exchange for Newco Ordinary Shares (such shares to be held by



nominees of the above holders). In addition, the holders of the WSG Ordinary Shares and PMI Ordinary Shares have, pursuant to the Acquisition Agreement, each agreed to sell or procure the sale of the Newco Ordinary Shares as so acquired to the Company in exchange for Consideration Shares.

The acquisition of Newco by the Company is for a consideration of approximately £65.7 million which shall be satisfied by issuing to the Vendors 37,682,361 Consideration Shares and by allotting 5,268,531 Consideration Shares to persons nominated by Investec pursuant to the Firm Placing with the gross proceeds of £8.06 payable to the Principal Vendors. In addition, 536,887 of these Consideration Shares otherwise to be issued to Park House will be allotted and issued to certain key employees of the WSG Group as nominated by Park House.

Walbrook has provided certain warranties and indemnities to the Company in connection with the PMI Group. Park House has provided certain warranties and indemnities to the Company in connection with the WSG Group. The Warrantors have provided certain warranties in connection with Newco. All of the other Vendors have provided more limited warranties to the Company (being title to their Newco Ordinary Shares and capacity to enter into the Acquisition Agreement). The Company has provided to the Warrantors certain warranties in relation to itself.

If between exchange and completion Walbrook or Park House is in material breach of the warranties contained in respectively the PMI Acquisition Agreement and the WSG Acquisition Agreement or certain completion conditions attributable to Walbrook or Luna Trading have not been satisfied by a certain long stop date and the Company exercises its right to terminate the Agreement, Walbrook or Park House (depending on who is so responsible) have agreed to each reimburse the Company all of the professional fees incurred by the Company in connection with the Acquisition together with any abort fee paid to Investec by the Company. If the Agreement is terminated by Walbrook and/or Park House either for material breach by the Company of the warranties it has given or the Resolutions are not approved by Shareholders, Walbrook and Park House have a reciprocal right to be reimbursed by the Company an amount equal to the aggregate professional fees incurred by them subject to such amount not exceeding 1 per cent. of the Company's market capitalisation. If this Agreement is terminated because certain completion conditions (including the Admission condition) have not been satisfied by a certain date then Walbrook, Park House and the Company have agreed to conduct good faith discussions to determine the cause of such non-satisfaction and, in the absence of any agreement, the Company's auditors shall determine such cause and, if so requested, determine how the professional fees incurred by such parties and the said abort fee will be apportioned (subject to the Company not paying to Walbrook and/or Park House an amount exceeding 1 per cent. of its market capitalisation).

Completion of the Acquisition Agreement (as with the WSG Acquisition Agreement and the PMI Acquisition Agreement) is conditional, amongst other things, on Shareholder approval, the Placing Agreement having become unconditional (save as to Admission occurring and the Acquisition Agreement being completed) and not having been terminated, the WSG Acquisition Agreement and the PMI Acquisition Agreement and all other ancillary acquisition agreements having become unconditional (save as to Admission) and all Resolutions being passed. Completion of the Acquisition Agreement is also conditional on the Warrantors entering into the Security Deeds pursuant to which the Warrantors separately agree to charge in favour of Denton Wilde Sapte (acting as security trustee) 50 per cent. of the Consideration Shares issued to them as security for any warranty and indemnity claims brought against them by the Company under the Acquisition Agreement.

Park House, Walbrook and Luna Trading have agreed in the Acquisition Agreement, that if any one of them wishes to sell all or any of its Consideration Shares, it will first offer to sell such shares to the others. If terms of sale have been agreed between the proposed seller and a third party, the rights of pre-emption will allow the other parties above the opportunity to match those terms and acquire such shares. The Company is not subject to any obligations in connection with these pre-emption arrangements.

Further details of the aforesaid agreements are set out in paragraph 8 of Part 12.

Reasons for the Acquisition

The Board has been looking for an acquisition that would provide an opportunity for Shareholders to achieve enhancement to the value of their investment in Orchard. The Directors believe that the acquisition of Newco provides such an opportunity. Since 1993, the WSG Group has successfully acquired, managed and sold the commercial and media rights for a number of premier sports events in Asia relating to football, golf and basketball. In addition, WSG, together with News Corp, has acquired from the International Cricket Council ("ICC") the global rights to the ICC's cricket events for the next six years, including the rights to the

Letter from the Chairman of Orchard

2003 and 2007 ICC Cricket World Cups. The WSG Group has extensive expertise in event management and television programming and has been broadening its focus into other international markets. PMI has extensive knowledge of the sports broadcasting market (through its supply of CNBC Sports branded programming on the CNBC business news channels in Europe and Asia) and the marketing and distribution of sports programming. PMI has also developed strong sponsorship and advertising relationships with multinational companies over a number of years. The Board believes that the strategic fit between WSG and PMI will be a critical element in the success of the Enlarged Group. The joined entity will combine extensive sports rights on the one hand with strong distribution and sales capabilities on the other. As independent entities, WSG and PMI have worked together on a number of events over the last two years and the potential synergies between the respective businesses has prompted the two companies to work towards a merger for the past 12 months. The Board believes it will be able to enhance the profitability of WSG and PMI through leveraging their respective strengths within the Enlarged Group.

The Board believes that the most compelling rationale for the Acquisition lies in the Enlarged Group's exposure to the dynamic sports rights sector, particularly in the growing Asian sports market.

The Proposed Directors believe that admission to AIM will provide the Enlarged Group with greater visibility and enhanced brand recognition. In addition, the Proposed Directors believe that the creation of a strengthened balance sheet provided by the cash resources of Orchard will enhance the Enlarged Group's ability to negotiate long-term contracts with major international sports bodies and corporate sponsors.

It is expected that an AIM quotation will also provide the Enlarged Group with potential access to further capital through the issue of shares, and provide the means to make acquisitions, should suitable opportunities arise.

Finally, the Proposed Directors believe that an AIM quotation will allow the Enlarged Group to more easily attract and retain additional personnel of the quality it requires to fulfil its strategic ambitions.

Strategy and organisation of the Enlarged Group

The Proposed Directors intend that the Enlarged Group will become one of the leading international sports marketing companies. In order to achieve this, the Proposed Directors will seek to draw upon the Enlarged Group's combined management expertise, existing reputation and strong sports body and multinational corporate relationships to further develop and expand its portfolio of sporting properties.

The Proposed Directors intend that the Enlarged Group will be organised into business units headed by the executive directors of the Proposed Board:

- David Ciclitira will oversee business development and future acquisitions, seeking commercial opportunities arising either from the Enlarged Group's existing relationships or from new business.
- Seamus O'Brien will be responsible for the Enlarged Group's trading operations whilst at the same time looking to strengthen its relationships with sports bodies.
- Robert Bland will integrate the sales teams to enable the Enlarged Group to have a fully integrated media, sales and marketing platform that can provide a "one-stop shop" for clients.
- Tony Morgan will manage the integration of the Enlarged Group's infrastructure with particular focus upon operational efficiencies and associated cost benefits arising therefrom.

Capital reorganisation

At the date of this document the Company has in issue 2,147,544,645 Existing Shares and 25,295,753 Deferred Shares.

The Board has decided to propose a consolidation of the Existing Shares on the basis of one Ordinary Share for every 200 Existing Shares with effect from Admission. The proposed consolidation is conditional upon Shareholders' approval being obtained at the



EGM. In accordance with the Company's articles of association, fractional entitlements of shares remaining on the consolidation will be aggregated and sold for the benefit of the Company as it is uneconomic to send large numbers of cheques for very small amounts to Shareholders. Shareholders will also be asked to amend the Memorandum (to ensure that its objects, *inter alia*, reflect the businesses of the companies being acquired pursuant to the Acquisition) and to adopt the New Articles (to reflect, *inter alia*, changes to current law and practice for public companies).

The Deferred Shares (which have no rights as to dividend, limited rights on a return of capital and no rights to vote at or attend general meetings of the Company) are in the process of being redeemed by the Company for an aggregate price of 1 penny for cancellation in accordance with the Company's articles of association.

The amendment of the Memorandum and the adoption of the New Articles will take effect, subject to Shareholder approval at the EGM, at the time of the EGM. The Reorganisation will take effect, subject amongst other things to Shareholder approval at the EGM, upon Admission.

The Company has notified the Warrantholder of the Reorganisation as it constitutes an adjustment event under the terms of the Warrant Instrument, further details of which can be found in paragraph 3(i) of Part 12 of this document. The Company's Reporting Accountants, BDO Stoy Hayward, have certified that in respect of every Warrant to subscribe for 200 Existing Shares, the Warrantholder shall, following adjustment, have a Warrant to subscribe for 1 Ordinary Share at a subscription price of £8.00.

Change of accounting reference date

The Company will report its results for the twelve months to 30 June 2001. Following completion of the Proposals, it is proposed to change the Company's accounting reference date to 31 December, the current accounting reference date of WSG and PMI. The first accounting period in respect of which audited accounts will be produced for the Enlarged Group will be for the period ending 31 December 2001.

Details of the Placing and Open Offer

General

The Company is proposing to raise approximately £13.54 million (approximately £11.64 million net of expenses) through the Placing and Open Offer, which have been fully underwritten by Investec.

The Placing Shares will represent, in aggregate, approximately 15.44 per cent. of the enlarged issued ordinary share capital on Admission. The Placing Shares will be issued credited as fully paid and will rank in full for all dividends and distributions declared, paid or made on the Ordinary Shares after their issue and otherwise *pari passu* in all respects with the Ordinary Shares arising on the consolidation of the Existing Shares.

The Placing and Open Offer are conditional, *inter alia*, upon:

- (a) the passing of the Resolutions;
- (b) the Acquisition Agreement becoming unconditional subject only to Admission, and not having been terminated prior to Admission;
- (c) the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms; and
- (d) Admission.

Further details of the Placing Agreement are set out in paragraph 8 of Part 12 of this document.

Letter from the Chairman of Orchard

The Firm Placing

5,268,531 Consideration Shares (representing approximately 59.55 per cent. of the Placing Shares) have been placed firm by Investec Henderson Crosthwaite at the Issue Price. In addition, Richard Armstrong, who holds 82,715,334 Existing Shares, representing approximately 3.85 per cent. of the Company's existing issued ordinary share capital, has undertaken to the Company and Investec not to take up his entitlement under the Open Offer in respect of 137,858 Open Offer Shares. This entitlement has also been placed firm. The Firm Placed Shares are not subject to clawback under the Open Offer. The Company shall procure that Investec Henderson Crosthwaite shall account to the Principal Vendors for approximately £8.06 million of the proceeds of the Firm Placing (less commission and expenses) pursuant to the terms of the Acquisition Agreement and the Company shall retain the balance, being approximately £5.48 million (approximately £3.58 million net of expenses). The Principal Vendors are NSA, Luna Trading and Nomura. Details of the Principal Vendors' shareholdings in the Enlarged Group after the Placing are given below:

	Gross funds received pursuant to the Placing	On Admission	% of Enlarged Group
NSA	£4.96m	–	–
Luna Trading*	£1.10m	902,238	1.58
Nomura	£2.00m	2,773,375	4.84

* Luna Trading is wholly owned by a discretionary trust, The Tokyo Settlement, of which David Ciclitira is a potential beneficiary.

Application has been made for the Ordinary Shares and New Ordinary Shares to be admitted to trading on AIM.

The Open Offer

Investec Henderson Crosthwaite, as agent for the Company, has agreed to conditionally place the Open Offer Shares at the Issue Price subject to clawback (save in the case of those Open Offer Shares in respect of which irrevocable undertakings not to take up entitlements have been received) to satisfy valid applications by Qualifying Shareholders pursuant to the Open Offer.

Qualifying Shareholders are invited by Investec Henderson Crosthwaite, as agent for the Company, to subscribe under the Open Offer for the Open Offer Shares at the Issue Price and free of expenses, on the basis of

1 Open Offer Share for every 600 Existing Shares

held on the Record Date and so in proportion for any greater or smaller number of Existing Shares then held. The amount due in respect of each application for Open Offer Shares is payable in full on application. Entitlements to Open Offer Shares will be rounded down to the nearest whole share. Fractional entitlements will not be allotted and will be aggregated and placed for the benefit of the Company. Qualifying Shareholders may apply for any number of Open Offer Shares at the Issue Price. However, in the event that an application is received from any Qualifying Shareholder for Open Offer Shares in excess of his entitlement, it may be scaled down in such equitable manner as the Directors shall, in their discretion, determine. Excess allocations will only be possible to the extent that other Qualifying Shareholders do not apply for their full entitlement under the Open Offer. Any Open Offer Shares not taken up under the Open Offer will be subscribed for pursuant to the terms of the Placing.

Further details of the terms and conditions on which the Open Offer is being made are set out in the letter to Qualifying Shareholders from Investec Henderson Crosthwaite, which comprises Part 2 of this document, and in the enclosed Application Form. The Open Offer will close at 3.00 p.m. on 8 August 2001.

In order to be valid, Application Forms (duly completed) and payment in full for the Open Offer Shares applied for must be received by post or by hand (during normal business hours) by the New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand only, during normal business hours, to Capita IRG Plc, Guildhall House, 81/87 Gresham Street, London, EC2 by no later than 3.00 p.m. on 8 August 2001.

Shareholders should note that the Open Offer is not a rights issue. Shareholders' entitlements under the Open Offer are not transferable unless to satisfy *bona fide* market claims and the Application Form, not being a document of title, cannot be traded. Qualifying Shareholders should be aware that in the case of the Open Offer, unlike a rights issue, the Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but will be placed for the benefit of the Company at the Issue Price pursuant to the terms of the Placing Agreement.



Your attention is drawn to Part 2 of this document and the accompanying Application Form which gives details of the procedure for application and payment for the Open Offer Shares.

The Proposed Board

The Board currently comprises Richard Armstrong, Mark Wilsher and myself. Mark Wilsher and myself have agreed to resign as Directors conditional on Admission. Following Admission, the Board will comprise:

David Ciclitira (aged 44) (Executive Chairman)

David founded PMG in 1987 the forerunner to PMI, (to which PMG transferred its business in 1997) and is currently the Chairman of PMI. Prior to this, he founded Satellite Television Plc (later renamed Sky Channel) ("Sky") in 1982. In 1983 he was responsible for the sale of the majority of Sky to News Corp and subsequently remained with Sky as its Deputy Managing Director until 1986 when he left to set up PMI. David is a qualified barrister at law.

Seamus O'Brien (aged 37) (Chief Executive)

In 1992 Seamus founded the company that evolved into WSG and he is currently its Chairman and Chief Executive. Prior to this he worked for many years at CSI (now Octagon CSI), a television sports rights broker, where he was the board director responsible for the global television sales strategy of a number of their leading sports properties. These included the FA Premier League and Serie A football. Seamus also managed the relationships with sports governing bodies such as major rugby union and cricket boards. Having moved to Hong Kong to set up CSI's Asian operations he then formed AML to take advantage of an opportunity to work with the Asian Football Confederation. He teamed up with Tony Morgan in late 1993 and the business was restructured to become WSG in 1995.

Tony Morgan (aged 44) (Finance Director)

Tony is a qualified Chartered Accountant, having worked for 10 years at Price Waterhouse in London and Hong Kong where he was the manager responsible for work on a number of major corporate acquisitions. Thereafter he started his own corporate finance business in Hong Kong which he closed down in 1993 in order to devote his time exclusively to WSG. He is now WSG's Managing Director, responsible for corporate strategy and the day to day management of the business.

Robert Bland (aged 53) (Sales and Marketing Director)

Robert is currently the Managing Director of PMI with responsibility for advertising sales and strategy. Prior to this, he was Managing Director of TV10 BV Netherlands, a Fox Entertainment channel, and was Director of Sales at STAR TV, both News Corp companies. Robert founded Eurosales, the sales representation company for Eurosport, in 1990.

Ian Frykberg (aged 55) (Non-executive Director)

Ian is a former Head of Sports for the Nine Network in Australia and Head of News & Sport for British Sky Broadcasting in London. He has negotiated some of the largest television sports rights contracts outside of the US, including SANZAR (rugby), the ICC Cricket World Cups, Premier League (football), the Rugby Football Union (rugby) and the Australian Football League (Australian rules football). Ian is currently Managing Director of International Sports Television Pty Ltd and Senior Vice-President in charge of sports and events, for Sky Global Holdings, Inc.

Jonathan Crisp (aged 53) (Non-executive Director)

Jonathan has many years' experience in the sport and leisure sector. In 1973 he established Marketing Solutions Limited (MSL), a marketing and communications consultancy. He remained the Chairman and principal shareholder throughout the development of the business, until its ultimate sale in 1985. MSL's client base included the Professional Footballers' Association, Ipswich Town and Leeds United Football Clubs. He subsequently formed Licensing Solutions and Dragon Inns and Taverns, both chains of themed pubs and restaurants. Jonathan is currently a director of the PGA Tour of Australasia.

Ronald Littleboy (aged 50) (Non-executive Director)

Ron is a senior banker with Nomura, having started as a research analyst. He has specialised in the media and leisure sectors for the last 26 years and has advised numerous companies in these sectors on strategy, and mergers and acquisitions. He has also advised Nomura's principal finance group on investments in the UK. For the avoidance of doubt, Ron will be acting as a Proposed Director in his personal capacity and not as a representative of Nomura.

Letter from the Chairman of Orchard

Richard Armstrong (aged 53) (Non-executive Director)

Richard has many years' experience in the City both as a research analyst and corporate broker. He is currently an associate of Fiske plc, where he specialises in raising money for smaller public companies. He orchestrated the refinancing of Orchard and has had prime responsibility for identifying and implementing its acquisition strategy.

Corporate governance

The Company will develop appropriate measures to ensure that it will, as far as practicable, be able to comply with all the relevant requirements of the Combined Code as published by the UK Listing Authority, taking into account its size and stage of development. Upon completion of the Acquisition, the board of directors will comprise eight members, four of whom will be non-executive directors.

The Company will hold board meetings regularly throughout the year at which operating and financial reports will be considered. The board will be responsible for formulating, reviewing and approving the Company's strategy, budget, major items of capital expenditure, acquisitions and senior personnel appointments.

An audit committee will be established and will comprise Ron Littleboy as Chairman and Richard Armstrong and Jonathan Crisp, all of whom shall be non-executive directors. It will meet at least twice a year and be responsible for ensuring that the financial performance of the Enlarged Group is properly reported on and monitored, and for meeting the auditors and reviewing the reports from the auditors relating to the accounts and internal control systems.

A remuneration committee will also be established and will comprise Ian Frykberg as Chairman and Ron Littleboy and Jonathan Crisp, all of whom shall be non-executive directors. It will meet at least once a year and be responsible for reviewing the performance of the executive directors and setting the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. It will also be responsible for administering the Existing and New Share Option Schemes referred to in paragraphs 3(g) and 3(j) of Part 12 of this document.

Lock-up arrangements

The Proposed Directors, Walbrook, Park House and Luna Trading have entered into lock-up arrangements in respect of all of their respective shareholdings in the Enlarged Group which, immediately following Admission, will represent approximately 49.67 per cent. of the total number of Ordinary Shares in issue. For the avoidance of doubt, this does not include the Placing Shares.

Subject to the Model Code (where relevant) and applicable law, the lock-up arrangements prevent any sale or disposal of New Ordinary Shares by the Proposed Directors, Walbrook, Park House and Luna Trading without the prior consent of Investec Henderson Crosthwaite or other such nominated broker of the Company from time to time, except in certain limited circumstances, (including in the event of a general offer made to shareholders in which circumstances they will be entitled to accept such an offer or give irrevocable undertakings to accept such an offer) for the first 12 months after Admission, after which time a maximum of one half of each such shareholder's holding of New Ordinary Shares may be sold during the second 12 months after Admission. The remainder of each such shareholder's holding may be sold 24 months after Admission. The lock-up arrangements are contained within the Placing Agreement and in separate undertakings and further details of the Placing Agreement can be found in paragraph 8 of Part 12 of this document

In addition, Nomura and News Cayman Holdings Limited have also undertaken not to sell any of their shareholdings, except in certain limited circumstances (including in the event of a general offer made to shareholders, in which circumstances they will be entitled to accept such an offer or give irrevocable undertakings to accept such an offer), without the prior consent of Investec Henderson Crosthwaite for a period of 6 and 12 months following Admission respectively.



Management incentivisation and share option schemes

The Directors and the Proposed Directors believe that the recruitment, motivation and retention of employees of a high calibre, and the continued motivation and retention of the existing management team, is vital for the success and future growth of the Enlarged Group. The Directors and the Proposed Directors consider that an essential factor in achieving these objectives in a competitive employee marketplace will be to provide employees with a remuneration package which includes an element that is linked to the performance of the Enlarged Group. The Directors and the Proposed Directors believe that this is best achieved by the establishment of share incentive arrangements designed to provide continuing incentives to contribute to the Enlarged Group's growth.

Accordingly, the Enlarged Group intends to establish the New Share Option Scheme. The aggregate limit for options granted under the New Share Option Scheme will be 10 per cent. of the issued ordinary share capital of the Company following Admission. Further details of the New Share Option Scheme are set out in paragraph 3(j) of Part 12 of this document.

Under the Existing Share Option Scheme, two former directors of the Company hold Existing Share Options, further details of which can be found in paragraph 3(g)(iii) of Part 12 of this document. As a result of the Reorganisation, the Board has determined that the number and price of the Existing Share Options shall be 3,250 at an exercise price of £2.50. The Company's Reporting Accountants, BDO Stoy Hayward, have certified that the adjustment of these figures is fair and reasonable. Under the terms of the Existing Share Option Scheme, the Existing Share Options may become exercisable within 6 months from the completion of the Acquisition.

Change of name

It is proposed to change the name of the Company to World Sport Group plc following Admission. Accordingly, Resolution 4 will be tabled at the EGM. Thereafter Existing Share certificates will be replaced with share certificates in the new name and reflecting the reorganisation of capital proposed to be effected. It is expected that new share certificates will be issued to Shareholders holding Ordinary Shares in certificated form by 22 August 2001.

Dividend Policy

It is expected that any cash generated by the Enlarged Group's operations in the short to medium term will be devoted to funding the Enlarged Group's planned expansion. Accordingly, the Directors and the Proposed Directors do not expect that the Enlarged Group will declare a dividend in the early years of its development. The Proposed Board will continue to review the appropriateness of its dividend policy as the Enlarged Group develops.

Current trading and prospects

WSG

In the first five months of the year WSG has been performing in line with its directors' expectations.

In Asia, AML is working through the last six months of a four yearly cycle to June 2001 for which revenues were pre-contracted under long term contracts. There is interest in sponsoring the forthcoming four yearly cycle which commences in July as the August/September FIFA World Cup 2002 Qualifying reaches its climax. WSG owns the commercial and broadcast rights to the Asian leg of the play off between one of the European Group runners-up and the Asian third placed team for a place in the finals. Four-year television contracts have already been secured for the Middle East, Thailand, Korea and Japan. Agreement has also been reached with a number of multinational corporations to support the next marketing programme and WSG is in the process of finalising the contractual arrangements with these entities.

The Davidoff Tour has staged a number of successful tournaments in keeping with the Tour Schedule issued at the beginning of the year. Back to back victories for Vijay Singh in the Carlsberg Malaysian Open and the Caltex Singapore Masters in events that were joint sanctioned with Europe gave the Tour a positive start.

Letter from the Chairman of Orchard

The PGA Tour of Australasia had another successful season that culminated in February with the ANZ Tour Championship, a tournament that is owned and managed by PGA Tour Enterprises Pty Ltd.

The number of tournaments and the level of prize money on the Ladies European Tour continue to increase. Good television ratings were achieved by the Embassy World Snooker Championship staged at the Crucible Theatre in Sheffield for which WSG provided exclusive event management services. There has been considerable media and other interest in the Wales bid to stage the 2009 Ryder Cup. WSG Europe has been providing consulting services to the bid and the committee's final decision on venue is expected in September.

The directors of WSG believe that the trading prospects for the remainder of the year are promising.

PMI

Parallel Television's operating results for the first five months of the year have been in line with PMI's projections. The sales division within the PMI Group has made progress in contracting advertising sales and sponsorship revenues for Parallel Television in Asia and Europe. Booked to date airtime sales are in excess of 50 per cent. of the annual airtime sales budget. Sales in the first quarter of 2001 were up significantly from the same period in 2000.

In Asia, Parallel Television achieved its first two week sell out period during the Carlsberg Malaysian Open and the Caltex Singapore Masters live programming in February 2001. These two events, which are co-promoted with the WSG Group, have ensured a promising start with event properties. In conjunction with the BBC's coverage in the UK, Parallel Television has agreed to acquire live pan-European broadcasting rights to the Scottish Women's PGA Championship. Discussions are at a contract stage for the title sponsorship of this year's Hong Kong Open, due to be held in December 2001.

Parallel Television is currently negotiating licence extensions for 2002 onwards. Negotiations continue towards the creation of a new golf channel in Germany, which is anticipated to be in a start-up phase by the year end and fully operational by 2002.

The directors of PMI believe that the trading prospects for the remainder of the year are promising.

The City Code

The terms of the Acquisition give rise to certain considerations under the City Code. Brief details of the City Code and the protections it affords are described below.

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

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

Under Rule 9 of the City Code, when any person or a group of persons acting in concert acquires shares in a company which is subject to the City Code and such shares, when taken together with shares already held, would result in such person or persons holding shares carrying 30 per cent. or more of the voting rights of the company, such person or group is normally obliged to make a mandatory offer to all the company's shareholders to acquire the remaining equity share capital.

A concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. Control means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.



The Concert Parties

The Panel has been consulted by Investec on behalf of the Company and has determined that, pursuant to the terms of the Acquisition Agreements, certain of the vendors of WSG and PMI are acting in concert with respect to their acquisition of Ordinary Shares in the Company. The membership of each of the various Concert Parties deemed by the Panel to arise as a result of the Proposals is detailed below.

The WSG Concert Party and the PMI Concert Party

The members and the respective interests in the Company immediately following Admission of each of the WCP and the PCP are detailed in the table below.

	No. of New Ordinary Shares	% of issued Ordinary Share capital	No. of options over New Ordinary Shares	Maximum potential % of issued Ordinary Share capital
1. The WCP				
Seamus O'Brien	–	–	–	–
Tony Morgan	3,267	0.01	–	0.01
Park House	15,722,219	27.45	–	27.45
Oakstaff	1,610,658	2.81	–	2.81
George Taylor	402,665	0.70	–	0.70
Total	17,738,809	30.98	–	30.98
2. The PCP				
David Ciclitira	–	–	–	–
Luna Trading	902,238	1.58	–	1.57
Walbrook	11,188,989	19.54	–	19.42
Pinnacle Trustees	214,525	0.37	–	0.37
Robert Bland	–	–	114,379	0.20
Keld Kristiansen	536,312	0.94	114,379	1.13
Tony Hallett	536,312	0.94	–	0.93
Claudio Tinari	122,353	0.21	32,680	0.27
Gabriela Narozny	13,791	0.02	49,020	0.11
Vivien Langford	13,791	0.02	49,020	0.11
Total	13,528,311	23.62	359,478	24.10

Note 1: In addition to the Consideration Shares Park House will receive pursuant to the Acquisition Agreement, it has applied for 18,300 Placing Shares pursuant to the Placing. Tony Morgan has applied for 3,267 Placing Shares pursuant to the Placing.

Note 2: For each member of the Concert Party disclosed above, the issued share capital of the Company is here based on the number of Ordinary Shares in issue on Admission plus Ordinary Shares issued pursuant only to the exercise of the relevant individuals' options. Luna Trading has a call option to purchase certain shares from Walbrook, further details of which are set out in paragraph 3(k) of Part 12 of this document.

Following Admission, the WCP will hold more than 30 per cent. but less than 50 per cent. of the Company's issued Ordinary Share capital. Subject to the passing on a poll of Resolution 2 at the EGM, the Panel has agreed to waive any obligation on any member of the WCP to make a general offer for the issued share capital of the Company that would otherwise arise under rule 9 of the City Code. Following Admission, none of the members of WCP will be able to acquire any Ordinary Shares without triggering a Rule 9 obligation on the part of WCP to make a general offer, unless the Panel otherwise consents.

Following Admission, the PCP will hold 23.62 per cent. of the Company's issued Ordinary Share Capital and will have options that, should they all be exercised, would result in the PCP members together holding 24.10 per cent. of the ordinary share capital of the

Letter from the Chairman of Orchard

Company (assuming the Company issues no other Ordinary Shares). Accordingly, Rule 9 is not triggered by this concert party and no waiver or shareholders' resolution is required in respect of it. Therefore, members of the PCP other than David Ciclitira, Luna Trading and Walbrook, may increase their own shareholdings in the Company without incurring a Rule 9 obligation providing that the aggregate shareholding of members of the PCP including David Ciclitira, Luna Trading and Walbrook does not exceed 29.9 per cent. of the Company's enlarged share capital.

The PECP

The terms of the Acquisition Agreement pursuant to which Park House, Walbrook and Luna Trading have granted to each other a right of pre-emption over their respective shareholdings in the Enlarged Group constitute an ongoing arrangement on account of which they are deemed to be acting in concert under the Rules of the City Code. In addition, as directors or beneficiaries of these respective trusts, Seamus O'Brien, Tony Morgan and David Ciclitira are included in this Pre-emption Concert Party (the "PECP"). Details of the interests of the members of the PECP in Ordinary Shares in the Company immediately following Admission are set out below:

	No. of New Ordinary Shares	% of issued Ordinary Share capital	No. of options over New Ordinary Shares	Maximum potential % of issued Ordinary Share capital
The PECP				
Park House	15,722,219	27.45	–	27.45
Seamus O'Brien	–	–	–	–
Tony Morgan	3,267	0.01	–	0.01
Walbrook	11,188,989	19.54	–	19.54
Luna Trading	902,238	1.58	–	1.58
David Ciclitira	–	–	–	–
Total	27,816,713	48.57	–	48.57

For each member of the Concert Party disclosed above, the issued share capital of the Company is here based on the number of Ordinary Shares in issue on Admission.

Immediately following Admission, the PECP will hold 48.57 per cent. of the issued ordinary share capital of the Company. Subject to the passing on a poll of Resolution 2 at the EGM, the Panel has agreed to waive any obligation on any member of the PECP to make a general offer for the issued share capital of the Company that would otherwise arise under Rule 9 of the City Code. Each member of the PECP will at all times be subject to the City Code and the Substantial Acquisition Rules in relation to any purchase of Ordinary Shares from each other and from third parties outside the PECP.

Following Admission, the PECP will hold more than 30 per cent. but less than 50 per cent. of the Company's issued Ordinary Share capital. Accordingly, its members will not be entitled to acquire any Ordinary Shares without triggering a Rule 9 obligation to make a general offer unless the Panel otherwise consents. However, a Rule 9 obligation will not arise for the PECP in the event that a member of the PCP, other than David Ciclitira, Luna Trading and Walbrook, acquires further shares in the manner described above.

General

None of the members of the WCP, the PCP and the PECP has purchased relevant securities of the Company in the 12 months immediately preceding the date of this document. The waivers which the Panel has agreed to provide, subject to the passing of Resolution 2, will be invalidated if any purchases of shares in the capital of the Company are made by any members of the WCP and the PECP in the period between the date this document and the EGM. The members of the WCP and the PECP have undertaken to the Company that none of them will make any purchases of shares in the capital of the Company prior to Admission.

Save as disclosed above, no member of any of the Concert Parties will hold any interest in shares in the Company immediately following Admission. No member of the Concert Parties has dealt for value in any shares in the Company during the 12 months prior to the date of this document.



Each member of the WCP, the PCP and the PECP will at all times be subject to the City Code and the Substantial Acquisition Rules in relation to any purchase of the Company's shares from each other and from third parties outside their respective Concert Parties.

Save for the Acquisition Agreements (which are further described in paragraph 8 of Part 12 of this document), there are no agreements, arrangements or understandings (including compensation agreements) between any of the members of the WCP, the PCP and the PECP connected with or dependent upon the Acquisition.

Extraordinary General Meeting

You will find set out at the end of this document a notice convening the EGM to be held at the offices of Investec Henderson Crosthwaite, 2 Gresham Street, London EC2V 7QP at 10.00 am on 10 August 2001 at which resolutions will be proposed to:

- approve the Acquisition;
- waive the requirement on the Concert Parties to make a general offer under the City Code;
- consolidate every 200 of the Existing Shares in issue of 0.1 pence each into one Ordinary Share of 20 pence;
- authorise an increase in the authorised share capital of the Company;
- authorise the Directors and Proposed Directors, specifically and unconditionally, to allot the New Ordinary Shares and any relevant securities pursuant to section 80 of the Act up to an aggregate nominal amount of £13,123,883.60 such authority to expire fifteen months from the date of the resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2002. The Directors and Proposed Directors have no current intention to issue Ordinary Shares pursuant to such authority save for the purposes set out in this document;
- disapply the provisions of section 89 of the Act to empower the directors of the Company to allot unissued shares for cash otherwise than pro-rata to existing shareholders pursuant to the authority referred to in the paragraph above; provided that such power is limited to (i) allotments in connection with the Placing and Open Offer and (ii) save in connection with the above, an aggregate nominal amount of £572,678.40 (representing approximately 5 per cent. of the enlarged issued share capital of the Company);
- change the name of the Company to World Sport Group plc;
- adopt the New Articles;
- amend the Memorandum; and
- adopt the New Share Option Scheme.

Action to be taken

In respect of the Open Offer

The action to be taken in respect of the Open Offer is set out under the paragraph headed "Procedure for application" in the letter from Investec Henderson Crosthwaite which comprises Part 2 of this document, and in the enclosed Application Form. The Application Form should be returned along with the appropriate payment in full for the Open Offer Shares applied for to be received by post or by hand (during normal business hours) by the New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand only during normal business hours to Capita IRG Plc, Guildhall House, 81/87 Gresham Street, London EC2 by no later than 3.00 pm on 8 August 2001. A reply-paid envelope is enclosed for this purpose.

Letter from the Chairman of Orchard

In respect of the EGM

A Form of Proxy is enclosed for use at the EGM. Whether or not you intend to be present at the meeting you are requested to complete, sign and return the Form of Proxy to Orchard's registrars, Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ, as soon as possible but in any event so as to arrive not later than 10.00 am on 8 August 2001. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you subsequently wish to do so.

Further information

Your attention is drawn to Parts 2 to 12 of this document, which provide additional information on the matters discussed above.

Recommendation

Your Directors, who have been so advised by Investec Henderson Crosthwaite, believe that the Proposals are in the best interests of the Company and of its Shareholders as a whole and consider that the proposed acquisition of Newco will enhance the value of the Group. In providing advice to the Directors, Investec Henderson Crosthwaite has taken into account the Directors' and the Proposed Directors' commercial assessment.

Your Directors unanimously recommend that you vote in favour of Resolutions 1 to 7 to be proposed at the EGM and have undertaken to vote in favour of these Resolutions in respect of their own beneficial holdings amounting to 92,215,334 Existing Shares representing approximately 4.29 per cent. of Orchard's current issued share capital.

Yours faithfully

Arthur Timothy Lawson-Crutenden
Chairman



Investec Henderson Crosthwaite

Corporate Finance

2 Gresham Street

London EC2V 7QP

16 July 2001

To the holders of Existing Shares and, for information only, to the Warrantholder

Dear Sir or Madam

**Open Offer of 3,579,241 New Ordinary Shares at an issue price of 153p per share
on the basis of 1 Open Offer Share for every 600 Existing Shares**

1 Introduction

As the letter from your Chairman (which comprises Part I of this document) explains, Orchard is proposing to raise approximately £13.54 million (before expenses) by way of the Placing and Open Offer. Of this amount, the Principal Vendors will receive £8.06 million gross as part of a vendor placing. The balance, being approximately £5.48 million gross, will be used by the Company to cover the expenses of the Proposals and to provide additional working capital for the Company following Admission. This amount is to be raised by the issue of the Placing Shares at the Issue Price, of which 3,441,383 New Ordinary Shares have been placed subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer, and 5,406,389 New Ordinary Shares have been conditionally placed firm by Investec Henderson Crosthwaite as agent for the Company. The Placing and Open Offer have been fully underwritten by Investec.

This letter, together with the accompanying Application Form, contains the formal terms and conditions of the Open Offer.

2 The Firm Placing

5,268,531 New Ordinary Shares (representing 59.55 per cent. of the Placing Shares) have been placed firm by Investec Henderson Crosthwaite at the Issue Price and are not subject to recall under the Open Offer. In addition, Richard Armstrong, who holds 82,715,334 Existing Shares, representing approximately 3.85 per cent. of the Company's existing issued ordinary share capital, has undertaken to the Company and Investec not to take up his entitlement under the Open Offer in respect of 137,858 New Ordinary Shares. In order to increase the Company's existing shareholder base, which the Directors and the Proposed Directors believe is in the best interests of the Company, this entitlement has been placed firm pursuant to the Firm Placing.

Investec Henderson Crosthwaite Corporate Finance is a division of Investec Bank (UK) Limited which is regulated by the SFA and is a member of the London Stock Exchange. Authorised institution under the Banking Act 1987. Registered office as above. Registered in England Number 489604.

3 The Open Offer

On behalf of and as agent for the Company, Investec Henderson Crosthwaite hereby invites Qualifying Shareholders, subject to the terms and conditions set out below and in the enclosed Application Form, to apply for Open Offer Shares at the Issue Price payable in full in cash on application and free of all expenses on the basis of:

1 Open Offer Share for every 600 Existing Shares

held at the close of business on the Record Date and so in proportion for any other number of Existing Shares then held. Entitlements to Open Offer Shares will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements to Open Offer Shares will not be allotted and will be aggregated and placed for the benefit of the Company pursuant to the Placing Agreement.

If valid applications are not received for all of the Open Offer Shares being made available under the Open Offer, such number of Open Offer Shares not so applied for will be subscribed at the Issue Price by subscribers procured by Investec Henderson Crosthwaite, as agent for the Company, pursuant to the terms of the Placing Agreement. To the extent that the Open Offer Shares not the subject of valid applications under the Open Offer cannot be so subscribed, Investec will, as underwriter, itself subscribe for such shares.

If you have sold or otherwise transferred all of your Existing Shares, please forward this document together with the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. Such documents should not, however, be forwarded or transmitted in or into the United States, Canada, Australia, the Republic of Ireland or Japan as the Open Offer is not being made in these countries.

Any Qualifying Shareholder who sold or transferred all or part of his/her registered holding(s) of Existing Shares prior to 9 July 2001 is advised to consult his/her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the benefits arising under the Open Offer may be claimed from him/her by purchasers under the rules of the London Stock Exchange.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Ordinary Shares arising on consolidation of the Existing Shares including the right to receive all dividends and other distributions declared or paid thereon following Admission.

The Placing and Open Offer are conditional, *inter alia*, upon:

- (a) the passing of the Resolutions;
- (b) the Acquisition Agreement becoming unconditional subject only to Admission and not having been terminated prior to Admission;
- (c) the Placing Agreement becoming unconditional subject only to Admission and not having been terminated in accordance with its terms; and
- (d) Admission.

The Open Offer is not a rights issue. Shareholders' entitlements under the Open Offer are not transferable unless to satisfy *bona fide* market claims and the Application Form is not a document of title and cannot be traded. Qualifying Shareholders should be aware that in the case of the Open Offer, unlike in a rights issue, the Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but will be placed for the benefit of the Company at the Issue Price pursuant to the terms of the Placing Agreement.



The attention of overseas Shareholders is drawn to paragraph 7 of this Part 2.

Further details of the Placing Agreement are set out in paragraph 8 of Part 12 of this document.

4 Procedure for application

Each Application Form shows the number of Existing Shares registered in the relevant Shareholder's name on the Record Date and also shows the number of Open Offer Shares for which such Shareholder is entitled to apply under the Open Offer, calculated on the basis set out in paragraph 3 above. The Application Form incorporates further terms and conditions of the Open Offer. Qualifying Shareholders may apply for any number of Open Offer Shares at the Issue Price. However, in the event that an application is received from any Qualifying Shareholder for Open Offer Shares in excess of his entitlement, such application may be scaled down in such manner as the Directors shall, in their absolute discretion, determine. Excess allocations will only be possible to the extent that other Qualifying Shareholders do not apply for their full entitlement under the Open Offer.

Applications for Open Offer Shares under the Open Offer may only be made on the Application Forms. Each Application Form is personal to the Qualifying Shareholder(s) named thereon and may not be assigned, transferred or split except to satisfy *bona fide* market claims in relation to purchases of Existing Shares through the market prior to the date upon which the Existing Shares are marked "ex" the entitlement to the Open Offer by the London Stock Exchange. The Application Form represents only a right to apply for Open Offer Shares. It is not a document of title and cannot be traded.

Any Shareholder who wishes to apply for all or any of the Open Offer Shares to which he/she is entitled must complete the Application Form in accordance with the instructions printed thereon and return it by post or by hand (during normal business hours) to the Receiving Agent New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or, by hand only, during normal business hours, to Capita IRG Plc, Guildhall House, 81/87 Gresham Street, London EC2 with a cheque or banker's draft for the full amount payable on application so as to arrive before 3.00 p.m. on 8 August 2001, at which time the Open Offer will close. A reply-paid envelope is enclosed for use by Shareholders in connection with the Open Offer. Please allow at least two working days for delivery.

By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, acceptances of applications and controls resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, English law; and
- (ii) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you, accordingly, agree that no person responsible solely or jointly for this document or any part of it shall have any liability for any representation or information not so contained.

Any Shareholder who does not wish to apply for any of the Open Offer Shares to which he/she is entitled should not return a completed Application Form to Capita IRG. All Shareholders are nevertheless requested to complete and return the enclosed Form of Proxy for use in connection with the EGM.

Applications made under the Open Offer are irrevocable and will not be acknowledged.

Cheques and banker's drafts should be made payable to "Capita IRG Plc – A/C Orchard Furniture" and crossed "A/C payee only". Cheques or banker's drafts must be drawn in sterling on a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the committees of the Scottish or Belfast clearing houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sorting code in the top right hand corner and must be for the full amount payable on application. The Company reserves the right to reject applications unless these requirements are fulfilled.

The Company reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Capita IRG to seek special clearance of cheques to allow Orchard to obtain value for remittances at the earliest opportunity. Any person returning an Application Form with a remittance in the form of a cheque warrants that the cheque will be honoured on first presentation. Orchard may elect at its sole discretion to treat as invalid any acceptance in respect of which remittance is notified to it as having been so honoured.

If cheques or banker's drafts are presented before the conditions of the Open Offer are fulfilled, the application monies will be held in a separate interest bearing account, with any interest being retained for the benefit of the Company until all conditions are met. If the conditions outlined in paragraph 3 above are not fulfilled by 31 August 2001 at the latest, the Placing and Open Offer will lapse and application monies will be returned, without interest, by crossed cheque in favour of the applicant(s) through the post at their own risk as soon as practicable after the lapse of the Placing and Open Offer.

The Company reserves the right to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions and is not accompanied by the required remittance or a valid power of attorney (where required) or verification of identity satisfactory to Capita IRG to ensure that the Money Laundering Regulations 1993 (the "Money Laundering Regulations") would not be breached by acceptance of the payment submitted in connection with the Application Form.

The Company reserves the right, but shall not be obliged, to accept applications accompanied by the required remittances which are received after 3.00 p.m. on 8 August 2001 but not later than 9.00 a.m. on 9 August 2001, provided that the cover bears a legible postmark not later than 3.00 p.m. on 8 August 2001.

The Company reserves the right, but shall not be obliged, to accept applications in respect of which remittances are received prior to 3.00 p.m. on 8 August 2001 from an authorised person (as that term is defined in the Financial Services Act 1986) specifying the number of Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

All enquiries in connection with the procedure for application and completion of the Application Form should be referred to New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH in respect of the Open Offer. The telephone number of Capita IRG is 020 8639 3306.

5 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, Capita IRG may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). The person (the "applicant") who, by lodging an Application Form with payment, applies for Open Offer Shares (the "relevant shares") and any agent lodging such Application Form on his/her behalf shall thereby be deemed to agree to provide Capita IRG with such information and other evidence as Capita IRG may require to satisfy the verification of identity requirements.

If Capita IRG determines that the verification of identity requirements apply to any application, the relevant shares will not be allotted to the applicant (notwithstanding any other term of the Placing and Open Offer) unless and until the verification of identity requirements have been satisfied.

Capita IRG shall be entitled, at its sole discretion, to determine whether the verification of identity requirements apply to any applicant and whether such requirements have been satisfied, and neither Capita IRG nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in a delay in the despatch of a share certificate or delivery of the relevant shares in CREST (as applicable). If the verification of identity requirements have not been satisfied within a reasonable period following a request for evidence of identity, the Company shall, at its sole discretion, be entitled to elect to treat the relevant application as invalid, in which case the monies paid



by the applicant will be returned without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply:

- (A) if the applicant is an organisation required to comply with the EU Money Laundering Directive (no. 91 308 EEC); or
- (B) if the applicant (not being an applicant who delivers his/her application in person) makes payment by way of a cheque drawn on an account in the name of such applicant, or
- (C) if the aggregate subscription price for the relevant shares is less than £8,500.

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account in the name of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or banker's draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;
- (ii) if payment is not made by cheque drawn on an account in the name of the applicant and (i) above does not apply, the applicant should enclose with his/her Application Form evidence of his/her name and address from an appropriate third party, for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the applicant's name and address (originals of such documents (not copies) are required which will be returned in due course); and
- (iii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (A) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Australia, Canada, Hong Kong, Iceland, Japan, New Zealand, Norway, Singapore, Switzerland, Turkey and the United States), the agent should provide with the Application Form written confirmation that it has that status and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Capita IRG.

In order to confirm the acceptability of any written assurances referred to in paragraph (iii) above or in any other case, the applicant should contact New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH. The telephone number of Capita IRG is 020 8639 3306.

If (an) Application Form(s) in respect of Open Offer Shares with an aggregate subscription price of £8,500 or more is/are lodged by hand by the applicant in person, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example his/her passport) and evidence of his/her address.

If an Application Form is delivered by hand and the accompanying payment is not the applicant's own cheque, the applicant should ensure that he/she has with him/her evidence of identity bearing his/her photograph, for example a valid full passport.

6 CREST

Although the Open Offer will be processed outside CREST, for the purposes of calculating entitlements under the Open Offer, CREST and non-CREST shareholdings will be treated independently and a separate Application Form will be issued in respect of each. If a Qualifying Shareholder has both an uncertificated and certificated shareholding in the Company, there will be two separate Application Forms despatched in respect of such holdings.

Qualifying Shareholders holding their Ordinary Shares in certificated form will be allotted all Open Offer Shares for which they validly apply in certificated form to the extent their entitlement arises as a result of their holding of Ordinary Shares in certificated

form. Qualifying Shareholders holding their Ordinary Shares in uncertificated form will be allotted all Open Offer Shares for which they validly apply in uncertificated form to the extent that their entitlement arises as a result of their holding Ordinary Shares in uncertificated form.

Qualifying Shareholders who currently hold their Existing Ordinary Shares in certificated form but who wish to hold all or part of their holding of Ordinary Shares in uncertificated form will need to comply separately with the relevant CREST procedures for conversion of such shares into uncertificated form following receipt of their share certificates.

Notwithstanding any other provision of this document or of the Application Form, the Company reserves the right to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST. This right may also be exercised if the correct details in respect of *bona fide* market claims (such as the Member Account ID and Participation ID details) are not provided as requested on the Application Form.

Qualifying Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Open Offer.

For more information as to the procedure for application in each case, Qualifying Shareholders are referred to the Application Form.

7 Overseas Shareholders

The making of the Open Offer to persons not resident in the United Kingdom or who are citizens of countries other than the United Kingdom may be affected by the laws or regulatory requirements of such relevant jurisdiction. No person receiving a copy of this document and/or the Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him/her and such Application Form could lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which may have been fulfilled.

It is the responsibility of any person outside the United Kingdom wishing to apply for any Open Offer Shares under the Open Offer to satisfy himself/herself as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required and compliance with any other formalities needing to be observed in such territory and payment of any issue, transfer or other taxes due in such territory.

Persons (including, without limitation, nominees and trustees) receiving a copy of this document and/or an Application Form in connection with the Open Offer must not distribute or send either of these documents in or into the United States, Canada, Australia, the Republic of Ireland or Japan or their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations (together the "prohibited territories"). If a copy of this document and/or the Application Form is received by a person in any of the prohibited territories or by his/her agent or nominee of such a person, he/she must not seek to take up the Open Offer Shares under the Open Offer. Any person who does forward a copy of this document and/or the Application Form into any prohibited territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this letter.

Orchard reserves the right to accept or reject in its absolute discretion Application Forms received from persons in any prohibited territory or persons it believes are acquiring Open Offer Shares for resale in any such territory. A Shareholder who is in any doubt as to his/her position should consult an appropriate professional adviser without delay. All payments must be made in pounds sterling.



In particular, Shareholders should note the following:

United States and Canada

As the Open Offer Shares are not being registered under the United States Securities Act of 1933 (as amended) and as the relevant exemptions are not being obtained from the appropriate provincial authorities in Canada, the Open Offer Shares are not being offered in or for purchase by persons resident in the United States or Canada or any territory or possessions thereof (“North America”). Applications from any North American person who appears to be or whom Orchard or Investec Henderson Crosthwaite has reason to believe to be so resident or the agent of any person so resident will be deemed to be invalid. No Application Form will be sent to any Shareholder whose registered address is in North America. If any Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a North American person or the agent of a North American person so resident, he/she should not apply under the Open Offer.

For the purposes of this document, “North American person” means a “U.S. Person” as defined in Regulation S of the United States Securities Act of 1933 or citizen or resident of North America including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of North America or any state or trust, the income of which is liable to Canadian income tax regardless of its services or any political sub-division thereof.

Australia

No prospectus in relation to the Open Offer Shares has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:

- (a) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or
- (b) distribute any draft or definitive document in relation to any such offer, invitation or sale

in the Commonwealth of Australia, its states, territories or possessions (“Australia”) or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia).

Accordingly, this document and the Application Form will not be issued to Shareholders with registered addresses in, or to residents of, Australia.

Republic of Ireland

In order to comply with the laws of the Republic of Ireland, no Application Forms will be sent to Qualifying Shareholders with registered addresses in the Republic of Ireland.

Japan

The Open Offer is not being made in Japan and the Open Offer Shares will not be available for purchase by any resident of Japan, including any corporations organised under the laws of Japan.

Other overseas territories

Shareholders resident in other overseas territories should consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

8 Taxation

The attention of Shareholders is drawn to paragraph 12 of Part 12 of this document. Shareholders who are in any doubt as to their tax position should consult a suitable professional adviser immediately.

9 Admission, dealings and settlement

Applications have been made for the admission of the Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. Subject to the Placing and Open Offer becoming unconditional in all respects, it is expected that Admission will become effective and that dealings in the Placing Shares, fully paid, will commence on 15 August 2001.

Subject to the satisfaction of the conditions of the Open Offer, the Open Offer Shares will be registered in the names of the Qualifying Shareholders validly applying for them and issued as applicable either:

- (a) in certificated form, with the relevant share certificate expected to be despatched by post, at the applicant's risk by 22 August 2001; or
- (b) in CREST, with delivery (to the designated CREST account) of the Open Offer Shares applied for expected to take place on 15 August 2001 unless the Company exercises its right to issue such Open Offer Shares in certificated form.

No temporary documents of title will be issued. All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register.

10 Holders of options over Existing Shares under the Existing Share Option Scheme

The Open Offer is not being extended to holders of the Existing Share Options.

11 Further information

Your attention is drawn to the information set out in the remainder of this document which contains, *inter alia*, information on the Placing and Open Offer, PMI and WSG and to the terms and conditions set out in the enclosed Application Form.

Yours faithfully
for and on behalf of Investec Henderson Crosthwaite

Jagjit Mundi
Managing Director of Corporate Finance



Background

The WSG Group is an international sports marketing, media and management organisation which was established originally by Seamus O'Brien in 1992 after he had identified an opportunity to develop the commercial rights for Asian football. These rights were acquired from the Asian Football Confederation ("AFC") in 1993 for an initial period of 4 years. WSG successfully exploited and sold these rights to broadcasters and sponsors, generating sufficient revenues in this initial period to help it to acquire the rights to Asian basketball, renew the rights for Asian football and to establish, and subsequently develop, a unique relationship with the Asian Professional Golfers' Association ("APGA") to exploit their commercial rights on a long-term basis.

WSG's principal activity is to acquire commercial and media rights to sports events from their regional governing bodies. These rights are then sold to corporations in the form of sponsorship and marketing programmes as well as to media broadcasters in the television, radio, internet and publishing sectors. An important part of WSG's philosophy is to work together with sports' governing bodies over a number of years to help them manage the development of their particular sport and their associated brands. This is achieved by entering into long term contracts to acquire rights in return for fees payable to the sports body. In turn, the sports bodies are able to utilise the fees they receive to fund their administration costs and to provide a financial basis for the future development of their sport.

Since commencing operations in Asia, WSG has established an international asset base and has extended its activities into the Oceania region, Europe and the Americas. WSG employs over 200 people and stages more than 50 events in 25 countries per year. WSG is currently active in cricket, football, golf, basketball and snooker.

WSG's activities are supported by relationships with prominent international partners such as News Corp, which has underwritten the acquisition of the ICC cricket rights.

Key Strengths of WSG

The Proposed Board believes the competitive strengths of WSG include:

❑ **Sports rights**

Through its commercial contracts, WSG has established a strong base of sports rights assets that it is able to exploit world wide. The majority of these rights are located in the growing Asian market and, in addition, WSG has expanded and acquired a number of rights in other regions, the most high profile being the rights to the ICC cricket tournaments. The Proposed Directors believe that these rights provide the base from which WSG is able to leverage broadcasting and sponsorship revenues.

❑ **Experienced Management Team**

WSG's management team draws on many years' experience operating at a senior level in the broadcasting, sports marketing and event management industry.

❑ **Existing relationships**

WSG has built up a number of strong relationships and partnerships with the various regional sports bodies with which it works. The Proposed Directors believe that this assists in the future negotiation and retention of sports rights. In addition, WSG has built up extensive relationships with television broadcast companies and large multinational corporations that purchase broadcast rights and provide sponsorship for the various sports activities.

Summary of WSG's business

The international businesses of WSG are currently organised on a regional basis by sport and/or activity.

Asia

The WSG Group's Asian activities are headquartered in Hong Kong and supported by offices in Singapore, Kuala Lumpur and Beirut with additional representation in Tokyo and Manila.

Football

AFC Marketing Limited ("AML")

AML was established in 1992 to acquire the commercial and media rights to Asian football for four years from the AFC. The AFC is the regional governing body for football, with forty-five member countries, and is one of six regional confederation bodies that comprise FIFA, football's international governing body. Since the initial contract, AML has successfully negotiated to acquire these rights for two subsequent four-year terms covering 1997-2001 and 2001-2005, has a fixed option to acquire these rights for a further four years from 2005-2009 and first and last matching rights from 2009 to 2013.

Regional tournaments organised by the AFC include the Asian Cup, the Asian World Cup and Olympic Qualifying tournaments, the Asian Club Championship, the Asian Cup Winners Cup and Youth and Womens' tournaments. In addition, AML has promoted, managed and, in some cases, introduced a series of biennial, major sub-regional, national football tournaments including the Dynasty Cup, the Tiger Cup, the South Asian Football Federation Cup, the West Asian Nations Football Federation Championships and the Gulf Cup.

Revenues are generated by selling the broadcast rights to various international, regional and local television broadcasters and by selling sponsorship to major corporations. Historically, these Asian football rights have produced the most significant proportion of WSG's revenues, which has allowed WSG to invest in other sports rights opportunities.

The broadcasting rights to the AFC tournaments listed above are sold to television broadcasters primarily for a four-year period. For the 2001 to 2005 period, contracts have been signed granting rights to NHK and TV Asahi in Japan, ASBU in the Middle East, SBS in Korea and Channel 7 in Thailand. The production and host broadcasting of individual events is generally handled by ASTV (the WSG Group's television production company described below) working together with a domestic broadcaster in the country in which the event is held.

During the last eight years AML has raised sponsorship from a range of multinational corporations to support its marketing and development programmes including Adidas, Amway, Canon, Clarion, Coca-Cola, Diadora, Epson, Heineken, Hyundai, Konica, Makita, Mitsubishi, Motorola, National Panasonic and Sanyo.

Golf

Asian PGA Tour Limited ("ATL")

The concept of a regional Professional Golfers' Association ("PGA") Tour for Asia was developed by WSG's management in conjunction with a number of Asian national PGA's and individual representatives from amongst the region's professional golfers. In July 1994 the Asian PGA was inaugurated as a not-for-profit Malaysian company, based in Kuala Lumpur. The Asian PGA is the governing body for professional golf throughout the region and is responsible for the governance of its membership and the administration and implementation of the Asian PGA Tour.

ATL has a long-term contract with the Asian PGA which runs until 2025. Thereafter, ATL has an option to renew for an additional 20 years. The current contract gives ATL the right to exploit all commercial and media rights to golf events sanctioned by the Asian PGA. ATL has guaranteed a minimum total prize fund of US\$5 million which increases to US\$7 million per annum in 2005 based on a minimum of 20 events being staged on the Asian PGA Tour every year. Major tournaments staged on the Asian PGA Tour (which is currently known as the Davidoff Tour) include the Carlsberg Malaysian Open, the Volvo Malaysian Masters, the Alcatel Singapore Open, the Caltex Singapore Masters, the Omega Hong Kong Open, the Volvo China Open, the Kolon Cup Korean Open, the Indian Open, the Davidoff Nations Cup, the Johnnie Walker Classic, the Macau Open and the BMW Asian Open.

In 1998 the Asian PGA Tour was accepted as an Associate member of the International Federation of PGA Tours, the world governing body for professional golf and it became a full member of the Federation on 1 January 2000. Since 1998, it has joint sanctioned events with the European and Australasian tours. Recently the Davidoff Tour has reached an agreement with the Japan Golf Tour to stage a Ryder Cup format Japan Tour vs Asian Tour tournament to be called the Dynasty Cup. The inaugural event will be held in Phuket, Thailand in March 2002 and thereafter will be staged biennially alternating between Japan and Asia.

Revenues are generated from television sales, sponsorship and event management. The Davidoff Tour has attracted participation from a range of prominent corporate sponsors including Alcatel, Alfred Dunhill, Caltex, Carlsberg, Cathay Pacific, Ericsson, Jaguar, Lucent Technologies, Mercedes-Benz, Omega, Star Alliance, Unisys, United Distillers, Volvo, Wedgewood/Waterford and Wilson.



ATL has also raised sponsorship to assist Asian PGA members to attend the Open Championship final qualifying tournament in the UK. The Davidoff Tour has been supported by ESPN STAR and Parallel Television in providing live event broadcasts and tournament highlights shows across the Asian region. Other international broadcasters, such as BSKyB in the UK, air the highlights show.

The years of WSG's involvement in the Asian PGA Tour to date have represented a period of substantial investment. Accordingly, although substantial losses have been accumulated to date from these activities the Proposed Board expects Asian golf to be a source of significant revenue in the future.

Basketball

ABC Promotions Limited ("APL")

In 1994 WSG was approached by the Asian Basketball Confederation ("ABC") to develop a marketing programme for Asian basketball along similar lines to that developed by AML for Asian football. The ABC is the regional governing body for basketball with forty-five member countries, and is one of five regional confederations that comprise the International Basketball Federation ("FIBA"). In 1994 APL signed a four-year contract for the commercial rights to events organised by the ABC. This contract has been renewed for a further four years from 1999 to 2002.

Events organised by ABC include the Champions Cup, the Men's and Women's Championships, the Men's and Women's Youth Championships, the Men's and Women's Junior Championships and the ABC All Star Extravaganza. In 1998 APL organised a series of games in China involving ex-NBA players, known as the XNBA Tour. In 2000 this concept was developed into a three match NBA Legends Tour staged in China and organised in association with the NBA and the National Basketball Retired Players Association.

APL's marketing programme has been successful in attracting many high profile sponsors including Adidas, Amway, Coca-Cola, Ericsson, Fila, Ford, Heineken, Kellogg's, LG Electronics, Molton, Nescafe, Northwest Airlines, Samsung, Spalding and Sony. In addition, events have been broadcast live and in highlight format on CCTV, LBC, SBC, ESPN STAR, Shanghai TV and a number of terrestrial and satellite channels in over 40 countries in the Asian region.

Basketball has to date contributed less revenue to WSG than either of football or golf. The Proposed Board believes, however, that it has growth potential through its appeal to the youth demographic and that the popularity of the sport in China affords an opportunity for the WSG Group to establish a presence in the enormous potential market that China represents.

Cricket

WSG Nimbus Pte Limited ("WSG Nimbus")

WSG Nimbus was set up in 2000 as a joint venture between Nimbus Communications, an Indian media and sports marketing company, and WSG to manage and distribute the rights to cricket events throughout the world and other sports events in India, Sri Lanka and other parts of South Asia. In December 1999, WSG Nimbus signed a 3 year agreement to be the exclusive marketing partner for the Board of Control for Cricket in Sri Lanka. The contract covers 14 Sri Lankan home tests and one day international series. WSG Nimbus has already secured television contracts with BSKyB and Sony Entertainment Television in relation to these matches. See also "ICC Cricket" section below.

Television

Asia Sport Television Limited ("ASTV")

ASTV was established in early 1993 to centralise the television production and sales activities of WSG's Asian businesses. ASTV is responsible for the production and sale of television rights for the WSG Group's regional football, golf and basketball properties and earns a commission from the sale of the television rights from the respective WSG subsidiaries. In addition, ASTV earns revenues from the production and sale of magazine style sports programmes. These weekly programmes include the Asia Sport Show, Football Asia, the Asian PGA Tour Highlights Show and the Asian Basketball Show.

In 1998 and 1999 the Asia Sport Show won the "Best Sports Show in Asia" award at the Asia television industry's annual awards evening. In addition the production team have recorded several notable achievements across the region in their drive to take the Group's sporting properties to viewers in Asia – the Proposed Directors believe that the live pictures from Vietnam for the 1998 Tiger Cup, for example, constituted the first ever live outside broadcast of a sporting event from that country.

Publishing

WSG (Asia) Limited ("ASC")

ASC has three principal functions:

- (i) In 1998 the design and publications functions of WSG were reorganised as a new division within ASC to service the WSG Group's internal publishing requirements and to undertake commercial publishing activities, such as the publication and distribution of the Asian Golf Monthly magazine;
- (ii) ASC stages local sports events such as the Hong Kong Rugby Tens tournament (in association with the Hong Kong Football Club), the Hong Kong International Cricket Sixes tournament (in association with the Hong Kong Cricket Association) and corporate golf days for ATL sponsors and other corporations looking to outsource such activities; and
- (iii) ASC is a corporate service company providing business support functions to subsidiary companies within the Asian division. Business support functions serviced centrally by ASC include legal, company secretarial, accounting, personnel, information technology and administration services.

On-line

Sportal Asia Limited

Sportal Asia (in which the WSG Group owns approximately 25 per cent.) was created in 1999 as a global provider of interactive sports content offering up-to-the minute information on sporting news, results, statistics and features. Sportal creates, manages, and promotes sports websites, both under its own brand name and in partnership with broadcasters and other organisations. It also produces and manages the official websites of a number of sporting bodies and entities (federations, events and individuals).

Oceania

The Oceania activities are based in Sydney, Australia and supported by an office in Melbourne.

Football

WSG (Oceania) Pty Limited ("OSG")

OSG is WSG's regional holding company for investments in Oceania. OSG is also responsible for the management of the commercial and media rights of the Oceania Football Confederation ("OFC"). The OFC is the regional governing body for football with eleven member countries and is one of the six regional confederations that comprise FIFA.

OSG's rights investment in OFC mirrors that with the AFC and the ABC as noted above. The sponsorship and broadcasting arrangements are managed by OSG as a component of the multi-year marketing contracts for the AFC events as described above.

Golf

PGA Tour Enterprises Pty Limited ("PGATE")

PGATE is a joint venture company that was formed to manage the commercial aspects of the PGA Tour of Australasia. Included within PGATE's operations are television, sponsorship sales and management of the Australasian Tour's flagship tournament, the Tour Championship.

PGATE manages the sale and production of the Australasian Tour's television coverage for each of the tournaments throughout the season. This production includes five hours of live coverage on each of the four days of the tournament. Television broadcast rights have been sold locally on long term contracts to Fox Sports and Network Ten.

Events on the PGA Tour of Australasia include the Holden Australian Open, Australian PGA Championship, Ford Open Championship, Victorian Open Championship, New Zealand Open Championship, Canon Challenge, Heineken Classic, Greg Norman Holden International, Ericsson Masters and the ANZ Tour Championship.



Olympic Marketing

Sports Marketing and Management Pty Limited ("SMAM-Aust")

SMAM-Aust is the sales and marketing representative for the Australian Olympic Committee, the PGA Tour of Australasia, Swimming Australia, the Australian Cycling Association, the Australian Rowing Association and the Australian Commonwealth Games Federation.

SMAM-Aust was a consultant to the Organising Committee for the Sydney Olympics ("SOCOG") for the 2000 Olympic Games.

SMAM-Aust was also responsible for sourcing the ANZ Bank's five year sponsorship of the PGA Tour of Australasia and recently initiated the successful Qantas swimming skins evenings which are televised live across Australia by Channel Nine. OSG owns a 49 per cent. shareholding in SMAM-Aust.

Public Relations

Javelin Pty Limited (Javelin-Aust)

Javelin-Aust is a subsidiary company of SMAM-Aust that provides public relations, marketing and media services to a number of multinational companies, national sports bodies and clubs in Australia. This is primarily, but not exclusively, in support of sports marketing programmes being run by clients of SMAM-Aust.

Clients who retain or who have recently retained Javelin's services on a monthly retainer fee include Adidas, Australia Post, Coca-Cola, Mitsubishi, the New South Wales Cricket Board, the Northern Spirit Soccer Club, Optus, PGA Tour of Australasia, Qantas, Swimming Australia and Telstra.

Europe

The European activities of the WSG Group are based in London and supported by offices in Bath and Cannes, France.

Snooker and other

WSG Europe Limited ("ESL")

ESL was originally established to provide corporate support for WSG's European business activities. However, since establishing these infrastructure services ESL has expanded to provide revenue generating services which include consultancy, event management and television production.

In 2000 ESL secured a contract to manage events on behalf of the World Professional Billiards and Snooker Association ("WSA"). ESL, in conjunction with and on behalf of WSA, managed a number of events in Asia and Europe in 2000 including the Embassy World Championships. The success of these events has resulted in ESL expanding its snooker activities in 2001 and ESL has been appointed by WSA to be its exclusive event management services provider until 2006.

Ladies Golf

Ladies European Tour Enterprises Limited ("LETE")

LETE is a joint venture between ESL and the European Ladies Professional Golfers' Association. LETE was established in 1999 to manage and develop the commercial and media rights of the Ladies European Tour throughout Europe and internationally.

The objective of LETE was to revitalise the Ladies European Tour in much the same way as PGATE had restructured the marketing of and raised the profile of the PGA Tour of Australasia. In 1999 sixteen events were staged, compared to the ten events staged in 1998. In 2000 the number of events was expanded to eighteen, including one held in Australia which was joint sanctioned with the Ladies Golfers' Association of Australia. By 2000 the prize money had increased by US\$1 million to US\$5.7 million.

LETE staged the Solheim Cup at Loch Lomond, Scotland in October 2000. The Solheim Cup is a biennial event hosted alternately by the European LPGA and the USA LPGA. In much the same way as the Ryder Cup for men's golf, the match between the USA and Europe represents a pinnacle for ladies' golf and helps to raise the profile of the sport. The quality of LETE's staging of the 2000 Solheim Cup was recognised by the LPGA which awarded LETE the highest honour for event staging at its annual awards ceremony in 2000.

Olympic Marketing

Sports Marketing and Management (UK) Limited ("SMAM-UK")

Following on from the successful relationship with the Australian Olympic Committee, SMAM-Aust was approached by a number of national Olympic committees to discuss potential business relationships. In 1998 a number of discussions and presentations were made to the British Olympic Association ("BOA"), which resulted in SMAM-Aust contracting with the BOA as its exclusive sales and marketing representative through to the 2008 Olympics. SMAM-UK was set up to service the contract.

SMAM-UK has since been appointed as official sales and marketing agent and consultant to the Manchester 2002 Commonwealth Games. ESG owns a 49 per cent. shareholding in SMAM-UK.

Exhibitions

Football Expo

Football Expo is a trade show for the football industry. Football Expo provides a forum for the game's administrators to meet and discuss the development of the game. Football Expo also presents an opportunity for suppliers to the industry to exhibit and demonstrate their products.

The first Football Expo was staged in Singapore in January 1998 and was moved to Cannes, France in January 1999. The success of Football Expo has been reflected in increased attendance and exhibitor numbers. Participation by senior members of the sport worldwide, all the regional governing bodies that comprise FIFA, namely CONCACAF, CAF, AFC, OFC, CONMEBOL, UEFA and national bodies such as the English FA, reflects the political importance of Football Expo both to WSG and within the industry. Football Expo is the only football trade show endorsed by FIFA.

In addition to the European activities described above, WSG is also involved with sports properties that span multiple regions. These activities and relationships are managed from a number of WSG Group's offices and for reference purposes are described in the European section.

ICC Cricket

Global Cricket Corporation Pte Limited ("GCC")

WSG, together with News Corp, acquired the commercial and media rights to ICC sanctioned cricket events in July 2000. The minimum guarantee for the acquisition of these ICC rights is US\$550 million, which is underwritten by News Corp. The ICC tournaments within the contract, for the next seven years, include the ICC Cricket World Cups in South Africa (2003) and the West Indies (2007), the ICC Knockout tournaments (in 2000, 2002, 2004 and 2006), the ICC Trophy tournaments (in 2001 and 2005) and the ICC Youth World Cups (in 2002, 2004 and 2006). GCC is an equity joint-venture between the WSG Group and News Corp. and WSG Nimbus is the vehicle used by the WSG Group to manage the WSG Group's cricket business.

GCC successfully staged the ICC Knockout, its first tournament under the contract, in Kenya in October 2000 only three months after acquiring the rights and is currently preparing to stage the ICC Trophy event in Toronto, Canada during July 2001.

GCC has in place a mix of one-year and multi-year sponsorship and television agreements with international corporations and broadcasters including BSKyB, ESPN STAR, Fox Sports, Hero Honda, Pepsi and South Africa Broadcasting Corporation.

The Americas

The Americas activities are based in New York and supported by an office in Miami.

Sales and Marketing

WSG Americas Inc. ("WSGA")

In January 2000 WSG established an operation in New York with George Taylor. The office was set up to provide a regional sales and client servicing base, with particular emphasis on maintaining and developing relations with US corporations that contract with WSG across its global sports properties. In its first year of operation the office has been responsible for establishing relationships with several multinational US corporations.

WSGA is also responsible for managing the Group's sports property investments in North, Central and South America. The first of these is the Tour de las Americas.



Golf

Tour de las Americas Limited ("TLA")

In 1999 WSG was approached by The Muller Sports Group (a management affiliate of Hicks, Muse, Tate & Furst) to invest in the South American golf tour based upon WSG's industry experience in Asia, Europe and Australia.

The Group entered into a joint venture with The Muller Sports Group and launched the Tour de las Americas in September 2000. The inaugural 2000/2001 season comprised two qualifying events and nine tournaments including TPG Movilnet Classic (Venezuela), Peru Open, Litoral Open (Argentina), Argentina Open (co-sanctioned with Argentine Golf Association), Brazil Open, Paraguay Open, Rabobank Chile Masters, Mexico Masters and the Lucent Technologies Tour Championship of Latin America.

Lucent Technologies were the Tour de las Americas' title sponsor for the first year. Other corporations registering support for the Tour de las Americas in its first season include Callaway, Rabobank and Unisys.

Football

FIFA Club World Championships

WSG was appointed in 1999 as the official agent in Asia, Oceania and Africa for the sale of television rights for the FIFA Club World Championships tournament by Traffic (a Hicks, Muse, Tate & Furst management affiliate) which acquired the rights from FIFA.

WSG Senior Management

In addition to Seamus O'Brien and Tony Morgan, the senior management of WSG includes:

George Taylor (aged 51) (Chief Executive Officer, WSG Americas Inc)

George has represented and advised international corporations, sports federations, agencies and athletes in international marketing, corporate sponsorship consulting, sports programme creation and implementation, and contract negotiations. He has a number of long standing relationships in the sports industry with individuals and companies including Johan Cruyff, Franz Beckenbauer, Greg LeMond, Eric Heiden, Dentsu, Panasonic, McDonalds, DuPont, BP, Philips, FIFA, UEFA, IOC and NBA. A regular lecturer on the sports business circuit, George is a graduate from Netherlands School of Business, Bowdoin College and Kent University (MBA). He is a co-founder of Asian American TV.

Tim Howland (aged 38) (Chief Executive Officer, ESL)

Tim joined the WSG Group in 1995 as Sales and Marketing Director of the Asian PGA Tour after working at CSI with Seamus O'Brien. Tim returned to Europe from Asia in 1998 to take up the position as CEO of World Sport Group (Europe). With 18 years experience in the sports marketing industry, Tim is also commissioner of the Ladies European Golf Tour and CEO of Ladies European Tour Enterprises Limited.

Ian Hogg (aged 34) (Chief Executive Officer, World Sport Television)

Ian joined World Sport Television in January 2001 as CEO. He spent the previous 8 years at Becker Group Limited, a publicly listed Australian media company where he was Executive Director and Group General Manager. Prior to this he was Director of Programming at TV3 in New Zealand and earlier worked at Network Ten, Australia as Programme Manager.

Pierre Kakhia (aged 44) (Chief Executive Officer, World Sport Group Asia Limited (Lebanon))

Pierre has headed up the WSG Group's Middle East operations since 1994. Previously marketing adviser to the Qatar Football Association and sales manager for Mesport in Dubai, Pierre speaks English, French and Arabic fluently and has a BA in Marketing and Administration.

Nick Mould (aged 38) (Chief Executive Officer, AML)

Formerly a news reporter/anchor with ATV Hong Kong and sports editor with Metro Broadcast Hong Kong, Nick joined the WSG Group in 1993 and is currently CEO of AFC Marketing Limited with responsibility for the WSG Group's Asian Football business.

Justin Strachan (aged 34) (Chief Executive Officer, ATL)

Justin became CEO of ATL in 1999 having previously directed all operations from the Tour's launch in 1995 until 1997. Justin has extensive international sports business experience including the set up and directing of a joint venture sports marketing business in the Indian subcontinent between 1997 and 1998.

Tom W McCarthy (aged 51) (Chief Executive Officer, APL)

Tom has served as CEO of APL since October 1995 and has international experience in the sport of basketball as both a university professional player and coach for more than 25 years. Previously, he was the Vice President of Worldcat Limited and Product Manager of the world wide basketball division of Etonic Inc. With several years experience as an international broadcaster and public speaker, Tom has received the CLIO Advertising Award and several other civil awards.

Spencer Robinson (aged 39) (Chief Executive Officer, Asia Sport Communications)

Having trained as a journalist in the UK, Spencer took up an editorial position at Hong Kong's South China Morning Post in 1984. He was voted Hong Kong Sports Writer of the Year in 1987 and promoted to Deputy Sports Editor in 1988. In 1990 he became Managing Editor of Asian Golfer and oversaw the launch of a Chinese-language edition. He joined WSG Asia in 1998, setting up a design and publication house which now produces more than 100 titles a year.

Richard Relton (aged 35) (Managing Director, ESG)

Formerly at BDS Sponsorship and IMG, Richard joined the WSG Group in 1996 and served as CEO of ATL until September 1999. Currently Managing Director of both ESG and Ladies European Tour Enterprises Ltd, Richard is also responsible for the WSG Group's Snooker business and ICC cricket sponsorship sales.

Jean-Marc Prestifilippo (aged 39) (Chief Executive Officer, FEL)

Before founding and becoming Chief Executive of FEL, Hong Kong in 1996 and Football Expo France in 1998, Jean-Marc founded and was Managing Director of the consulting companies CMO and RDMC, specialising in direct marketing, sports marketing, corporate sponsorship, and exhibition and event organisation. Jean-Marc is a graduate of Nice University (Economic Sciences), CERAM Business School (Master of Business Administration) and has also studied various aspects of film production, marketing and public relations at UCLA in Los Angeles.

Rohan Shell (aged 36) (Group Financial Controller)

A certified practising accountant, Rohan joined WSG in 1998 as Group Financial Controller after spending 15 years in a wide range of commercially focussed finance roles including 11 years with BP Australia. Rohan is responsible for the WSG Group's finance, personnel, information systems and administration functions.

Mark Whitehead (aged 32) (Group Business Affairs Manager)

Mark joined WSG in October 2000 after acting for the WSG Group in the successful ICC rights bid and acquisition. A City-trained lawyer who subsequently worked for sports law specialists Townleys, Mark was also responsible for the legal management of Rugby World Cup 1999. Mark is currently co-ordinating the WSG Group's ICC cricket project and is a former international athlete with a first-class honours degree from the University of Birmingham.

David Mallinson (aged 34) (Group Legal Counsel)

David joined WSG as Group Legal Counsel in August 1996 and has since been responsible for overseeing the WSG Group's legal and company secretarial affairs. Prior to this David worked for Deacons in Hong Kong as an associate in the company and commercial department for 2½ years after a similar period with Ashurst Morris Crisp in London. David qualified as a solicitor in England in 1993 and in Hong Kong in 1995.



Financial Record of WSG

Set out below is a summary of the financial record of WSG for the three financial years ended 31 December 2000 which has been extracted without material adjustment from the accountants' report set out in Part 6 of this document. **In order to make a proper assessment of the financial position of WSG, investors should not rely solely on the summary information set out below but should read the whole of this document, including the accountants' report set out in Part 6 of this document.**

	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Turnover	33,795	32,548	40,402
Operating profit/(loss)	(891)	419	(999)
Profit/(loss) before taxation	(1,712)	(929)	(5,267)

The table above illustrates that, over the last three years, WSG has incurred losses. This was principally as a result of the reinvestment of its profits arising primarily from the football and television businesses into expanding its international operations outside the Asian region and developing an office infrastructure to support this. In expanding its international operations, WSG has entered into new business relationships, primarily in the form of joint venture companies with sports bodies including the PGA Tour of Australasia in 1998, the Ladies European Tour in 1999 and the Tour de las Americas in 2000. These companies have historically not been profitable in their early operations.

The loss before taxation in the financial year ended 31 December 2000 also includes WSG's share of losses from its internet start-up, Sportal Asia and its new ICC cricket venture, Global Cricket Corporation ("GCC") which is an equity joint venture partnership with News Corporation. WSG's share of losses from these two ventures make up the majority of the share of losses of associates, being approximately US\$3.2 million. For GCC this loss primarily related to the ICC Knockout tournament which took place in Kenya almost immediately after signature of the ICC master rights contract, giving GCC little time to sell the broadcast and sponsorship rights. In addition the 2000 operating loss includes a one-off charge of US\$1.6 million in relation to the settlement of a dispute with a broadcaster prior to the issue of this document, further details of this are set out in paragraph 13 of Part 12 of this document.

The WSG directors believe that WSG's portfolio of assets is maturing. As a result, the financial statements set out above do not reflect the WSG directors' expectations of the company's potential.

Background

The PMI Group is an international sports media, marketing and management organisation.

Founded by its Chairman, David Ciclitira, PMG was established as a sports media and events marketing agency in the UK in 1987. For the period from incorporation until 1997, PMG was involved in promoting numerous sports events including the World Cup of Golf from 1987 to 1999, numerous events on the PGA European Tour, the Davis and Federation Cups from 1987 to 1992, The World Nordic Ski Championships in 1989, the Buckler Basketball Challenge from 1993 to 1995 and the Tour of China in 1995. In 1997, PMG reorganised its business and created a new corporate entity PMI which was restructured to focus on sports, media and marketing. In December 1998, PMI expanded its shareholder base by introducing Nomura as a shareholder. Simultaneously, the PMI Group entered into a joint venture with CNBC Europe, a wholly-owned subsidiary of NBC Inc, to create Parallel Television.

The current principal activity of the PMI Group is the supply of CNBC Sports branded programming on the CNBC business news channels in Europe and Asia (the "CNBC Channels"). In addition, the PMI Group is, or has been, involved in the promotion, marketing, management and/or programme supply in relation to sports events including golf, tennis, sailing, skiing, rugby and equestrian and motor sports. In order to support and complement these business activities, PMI has recently consolidated and expanded its sales team by establishing an international sponsorship and sales house headed by Robert Bland, the proposed Sales and Marketing Director for the Enlarged Group.

Key strengths of PMI

The Proposed Board believes the competitive strengths of PMI include:

❑ **Experienced Management**

The two key executives of PMI, David Ciclitira, the founder, and Robert Bland, the Managing Director, have many years of experience in the sales, marketing and sponsorship aspects of the sports sector, particularly in Europe and Asia. David was one of the founders of Satellite Television PLC, of which the majority was sold to News Corp in 1983 and renamed Sky Channel, where he remained as its Deputy Managing Director until 1986. David was instrumental in developing the CNBC Sports concept. Robert, formerly a senior sales executive with a News Corp affiliate in Asia, has spent several years in television sales and sponsorship.

❑ **Distribution**

Through its programme supply arrangements with each of the CNBC Channels in Europe and Asia, the PMI Group offers significant opportunities for television exposure to sports bodies and event organisers. The PMI Group packages events, media sales and sponsorship opportunities, around its access to the weekend schedule on the CNBC Channels in Europe and Asia. It should be noted however, that continuation of these agreements is dependent on PMI securing certain long-term sports content, the rights to some of which are currently being renegotiated. The Proposed Directors are confident that negotiations in relation to its securing access to this content will be successful.

❑ **Sales**

PMI/PMG has a 15-year record in the event management, sponsorship and media sales aspects of sport, with a strong focus on executive sports including, golf, tennis and skiing. PMI has created an international sales force network which will assist the Enlarged Group in generating revenue from its rights and assets.

Summary of PMI's Business

Television Programme Supply

The terms of the initial joint venture arrangement relating to Parallel Television were recently re-negotiated and Parallel Television is now a wholly-owned subsidiary of PMI. To mark the exit of CNBC Europe from the joint venture and to facilitate the expansion of CNBC Sports programming distribution activities beyond the exclusive parameters of the CNBC Channels, it has been renamed as Parallel Television.



Pursuant to the amended arrangements between the PMI Group and CNBC Europe, Parallel Television will remain the provider of the CNBC Sports strand of executive sports programming (i.e. golf, tennis, sailing, skiing) to the operators of the CNBC Channels in Asia and Europe, and will also be entitled to supply additional sports programming (i.e. equestrian sports, rugby and motor racing) in certain circumstances. These supply arrangements are regulated by two programme supply agreements between Parallel Television and each of the CNBC Channels. The agreements require Parallel Television to supply 12 hours of executive sports programming (primarily featuring professional golf), for broadcast on the two channels each weekend. Parallel Television may also, in certain circumstances, supply additional sports programming in substitution for such executive sports programming. Under the programme supply arrangements, Parallel Television's revenues are generated by the sale of advertising and sponsorship opportunities in connection with the supplied programming. Over the past 2 years the company has raised advertising and sponsorship revenues from a range of corporations, including Carlsberg, Credit Suisse, FedEx, Jaguar, MasterCard, Rolex and Volkswagen.

Parallel Television currently has programme content arrangements for the acquisition of live, as-live, delayed or highlights coverage of events with, *inter alia*:

US PGA Tour

Parallel Television has various arrangements in place for the acquisition of its flagship programming relating to the US PGA Tour (including the World Golf Championships series), the Senior PGA Tour and the BUY.COM Tour Championship (previously the Nike Tour Championship). Pursuant to these arrangements, Parallel Television has been granted rights to supply delayed coverage of all US PGA Tour events and most of the Senior PGA Tour events for broadcast via non-standard television on a Pan-European basis. It also has the rights to supply delayed coverage of 7 US PGA Tour events and most Senior PGA Tour events for broadcast on a Pan-Asian basis. The arrangements run to January 2002 and negotiations for their renewal for a further 2 years are currently underway.

PGA European Tour

The terms of Parallel Television's agreements with the PGA European Tour are currently being formalised. However, Parallel Television continues to be supplied with, and arrange broadcast of highlights of 50 PGA European Tour events and certain PGA European Seniors Tour events owned by the PGA European Tour on a Pan-European basis and 3 PGA European Tour events and all PGA European Seniors Tour events on a Pan-Asian basis. The grant of rights extends to delayed broadcast rights on a Pan-European and a Pan-Asian basis of the official Ryder Cup.

Asian PGA Tour

Parallel Television has arrangements in place, terminating in December 2001, with the Asian PGA Tour for rights to receive and supply broadcasters with highlights coverage of all Asian PGA Tour events owned by the Asian PGA Tour, including those jointly owned by Parallel Television (i.e. the Caltex Singapore Masters, the Omega Hong Kong Open, the Carlsberg Malaysian Open and the Davidoff Nations Cup). In addition, when available, Parallel Television has acquired rights to supply broadcast coverage of the events live or in "long-form". The rights are for broadcast on a Pan-European and Pan-Asian (including Australia and New Zealand) basis. Parallel Television is confident that, taking into consideration WSG's close relationship with the Asian PGA Tour, the arrangements will be extended on a long-term basis when they are re-negotiated.

PGA Tour of Australasia

Parallel Television has arrangements in place, terminating in March 2002 (together with rights to negotiate an extension of such arrangements until 2004), with the PGA Tour of Australasia to receive and supply broadcast coverage of 7 AusTour events on a Pan-European and Pan-Asian basis. Taking into consideration WSG's close relationship with the PGA Tour of Australasia, the Proposed Directors believe that the arrangements will be extended on a long-term basis when they become open for re-negotiation.

Augusta National, Inc

Parallel Television has agreed terms on an annual basis with the Augusta National for the CNBC Sports branded programming to supply coverage for non-standard delayed broadcast rights in certain European jurisdictions to the final rounds of The US Masters. Parallel Television is confident that it will retain the rights to supply coverage of non-standard television broadcasts of the event in future years and negotiations for a renewal of its agreement will commence later in the year. In addition to the above, Parallel

Television has a contract with the Augusta National which expires at the end of 2001 for the acquisition and distribution of the official film of the US Masters tournaments that were held in the years 1960 to 1995.

ATP Senior Tennis Tour

Parallel Television has acquired non-standard delayed broadcast rights on a Pan-European and Pan-Asian basis for the ATP Seniors Tennis Tour from Trans-World International, Inc. These rights expire on 31 December 2003. Additionally, Parallel Television has agreed terms to 28 February 2002 with Fox Sports International BV for further Pan-Asian rights to the 2001 Worldwide Senior Tennis Tour.

Events

The PMI Group has entered into arrangements with the various PGA Tours to promote specific events, and it remains PMI's strategic objective to build marketing and promotional alliances with the 6 professional golf tours that make up the International Federation of PGA Tours. Revenues from such arrangements are generated by the sale of on-the-ground sponsorship opportunities at the events (including hospitality, signage and other such rights) as well as from the sale of broadcast rights to such events to various television companies worldwide.

In Europe, the PMI Group is working with the PGA European Senior Tour to develop a successor to the Abu Dhabi Senior Tour Championship and is working with the Ladies European Tour to develop the Ladies Irish Open.

Additionally in Asia, a strategic alliance has been formed with the Asian PGA Tour and WSG to develop new events, raising revenue through the sale of sponsorship and airtime opportunities in and around such events. Over the last two years, the PMI Group has entered into joint venture arrangements with WSG Group companies to promote the 3 joint Asian PGA and PGA European Tour sanctioned events (i.e. the Caltex Singapore Masters, the Omega Hong Kong Open and the Carlsberg Malaysian Open) and the Davidoff Nations Cup.

PMI has been appointed by the US PGA Tour on behalf of the International Federation of PGA Tours as its exclusive marketing representative for the World Golf Championship Series including the Accenture Match Play Championship, the NEC Invitational, the American Express Championship and the EMC World Cup.

Sales and Marketing

Following PMG's, and subsequently the PMI Group's success in generating revenues via the sale of sponsorship opportunities generally, the PMI Group has recently expanded its sales team by establishing an international sponsorship and sales house headed up by Robert Bland, previously the managing director of TV10 BV Netherlands, a Fox Entertainment channel. It is anticipated that this sales division will absorb the existing WSG sales operations thus building upon the existing Sports Media (Asia) Limited joint venture relationship established in 1999 with WSG.

PMI's sales operations are currently located in London, Rome, Munich, New York, Kuala Lumpur, Singapore and Seoul.

Sports Marketing and Management

Parallel Media Rugby Limited ("PMR")

Italy

In 1999 PMR was appointed as the exclusive worldwide commercial agent of the Italian Rugby Federation. The current contract runs to June 2002, and discussions are underway to extend the contract for a further three-year period.

Under this arrangement PMR has been responsible, since September 1999, for the development and implementation of a sponsorship and marketing programme for the Italian national rugby team structured around Italy's introduction into the Six Nations Championship, the premier rugby tournament in the Northern Hemisphere.

The profile of Italian rugby has increased substantially following the inclusion of the national team in the Six Nations Championship in 2000 and as well as attracting high profile sponsors such as Jaguar, PMR has developed extensive hospitality facilities for the Italian home matches staged in Rome.



To build on its initial success with Italian rugby, PMI has recently established an office in Rome, which will absorb the PMR team and be used as the base for the expansion of PMI's operations in Italy. It is planned that such operations will include marketing for other sports in Italy. To assist in its Italian ambitions, PMI has appointed Claudio Tinari as the managing director of PMR, and as the PMI Group's specialist on Italian business.

Parallel Formula Limited ("PF")

PF was established in 2000 as the PMI Group's first investment in the motor racing world. It currently operates as the exclusive worldwide management and commercial agent of driver, Gimmi Bruni who currently drives for the Fortec Racing Team in British Formula 3.

Other Interests

In addition to the programme supply and marketing functions carried out by PMI, the PMI Group holds a series of strategic shareholdings in media or sports related companies for the benefit of its trade.

Internet

PMI indirectly holds approximately 20 per cent. equity stake in Sportal Asia Limited, an Internet company in the Far East. On Admission, the Enlarged Group will hold approximately 45 per cent. of that company.

Music

PMI holds a 50 per cent. equity stake in the media promotions company, Broadcast Innovations Limited, whose principal business clients include Pepsi and MasterCard. Broadcast Innovations Limited through its 50 per cent. subsidiary H'Away the Lads Limited is the producer of the Pepsi Chart Show world-wide.

PMI Senior Management

In addition to David Ciclitira and Robert Bland, the senior management of PMI includes:

Maria Serena Merry (aged 53) (Deputy Chairman, PMI)

Maria Serena is a member of the board of PMI and is involved in the overall strategic planning and business development for PMR and PF. She is also responsible for the development of branding of all PMI Group Companies. Prior to joining PMI, Maria Serena was Deputy Managing Director of Super Channel, the pan-European satellite broadcaster. She studied at the University of Stanford in California, the University of Kent, Canterbury and at Trinity College, Dublin.

Keld Kristiansen (aged 33) (Managing Director, PMI Asia)

Keld founded the Asia office of PMI with David Ciclitira in 1995, with responsibility for organising and marketing events such as the World Cup Golf 1996, the World Cup Golf 1997 and the World Cup Golf 1998. Prior to working with PMI, Keld established his own company, Universal Performances, to develop sports marketing in the Asian region. He was a professional tennis player on the ATP Tour for four years.

Claudio Tinari (aged 41) (Managing Director, PMI Italy)

Claudio joined PMI in April 2001 after 15 years as a consultant with the Cecchi Gori Group, working on ventures which included the Italian private television network, Telemontecarlo, and the Italian Pay TV digital platform, Stream.

Rowan McGregor (aged 44) (Sales Director, PMI Europe)

Rowan joined PMI in November 2000 with responsibility for sales within Europe. He began his career in television in 1977 with the Nine Network in Sydney, Australia. Since then, he has worked with the Seven Network, TVW-7 and Golden West Network, the first satellite broadcasting operation in Australia. He moved to the UK in late 1988 and has worked within numerous media companies such as Yorkshire/Tyne Tees Television, Capital Radio Group and STAR TV. In 1997 he headed up South East Asian operations in Singapore for STAR TV, then in 1998 he moved to Tokyo to open an advertising sales operation for the company.

Louise Cardwell (aged 45) (Sales Director, Americas, PMI)

Louise joined PMI in March 2001 with responsibility for sales within the US. Prior to joining PMI, she was the London sales manager for Eurosport, and part of News Corp One, the integrated sales team of News Corp in New York with responsibility for integrating

Information on PMI

promotions across all divisions. In 2000 she joined National Geographic Channels International and worked as a consultant on advertising sales. Louise has a BA Honours degree in French, Spanish and History of Art from Bristol University.

Eve Neider (aged 30) (Vice-President, Corporate Development, PMI)

Eve joined PMI in 2000 with responsibility for managing the strategy and business planning of PMI's core companies. Eve is also involved in providing deal evaluation analysis and decision support. Prior to joining PMI, Eve worked for NBC/General Electric at Parallel Television, managing the financial and business aspects of the joint-venture between PMI and NBC. She started her financial career at PricewaterhouseCoopers in Estonia. Eve has an MBA in Finance from the Bentley Graduate School of Business, USA.

Vivien Langford (aged 39) (Group Financial Controller, PMI)

Vivien is a Chartered Accountant and has served as the PMI Group Financial Controller for the last two years with responsibility for the accounting function and control of all PMI Group companies. Prior to working at PMI, Vivien worked for Shandwick International plc for 8 years, where she was their UK Regional Controller from 1996-1998. Prior to that she worked in the audit departments of Reids & Co in Jersey and KPMG. Vivien has a BA Combined Honours degree in Economics & Statistics from Exeter University.

Gabriela Narozny (aged 31) (Group Legal Counsel, PMI)

Gabriela joined PMI in September 1999 as legal counsel for the PMI Group world-wide. Following her admission as a solicitor in England & Wales in September 1998, she was employed as an Assistant Solicitor in Herbert Smith's company/commercial department. Gabriela has a Bachelor of Business Science (Law) degree from the University of Cape Town and concluded her legal education at the College of Law in London.

Financial Record of PMI

Set out below is a summary of the financial record of PMI for the three financial years ended 31 December 2000 which has been extracted without material adjustment from the accountants' report set out in Part 8 of this document. **In order to make a proper assessment of the financial position of PMI, investors should not rely solely on the summary information set out below but should read the whole of this document, including the accountants' report set out in Part 8 of this document.**

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Turnover	6,299	7,732	4,744
Operating loss before exceptional item	(2,286)	(3,178)	(1,179)
Exceptional item	–	(1,201)	(2,765)
Loss before taxation	(1,486)	(3,984)	(3,577)

The table above illustrates the losses before taxation incurred by PMI for the three years ended 31 December 2000. For the year ended 31 December 1998, restructuring costs relating to Nomura's investment and the Parallel Television set-up costs impacted on PMI's result. For the year ended 31 December 1999, the loss of £3.9 million includes an exceptional item of £1.2 million, of which £1.05 million was an uncollectable debt due from an internet-based advertiser. For the year ended 31 December 2000, the reduction in turnover reflected the fact that the business of PMI changed from event management to the promotion of events managed by third parties, principally WSG. As a result, event profits rather than the share of total event sponsorship revenue and costs were recorded in the accounts. Furthermore, the £3.5 million loss included an exceptional item of approximately £2.8 million, which represents a provision against the value of shares held in Sportal International Limited. The value of these shares was considered to be negligible and provision was therefore made to write them down to zero.

The PMI directors refocused the business in December 1998 to concentrate principally on the supply of sports programming, advertising and sponsorship sales. They have been building this business since that time and believe that the past performance does not reflect the potential of the current business.



Enlarged Group market drivers

The Directors and the Proposed Directors believe that there are a number of key dynamics operating within the sports rights industry which are likely to influence companies operating in this field.

Access to Content

The importance of content in the sports rights sector is paramount. Media and sponsorship rights to professional sport have become a major driver of pay television and global advertising – notably in the US and Europe. WSG has acquired content in the form of professional Asian football, Asian golf, Asian basketball, ladies European golf, South American golf, Australasian golf and, in a joint venture with News Corp, ICC cricket. Access to such rights as these allows WSG to derive revenues from multiple sources, including television, outdoor advertising, sponsorship, marketing consultancy, publications and the internet.

Competitive Environment

Sports rights have attracted the interest of major companies such as IMG, IPG, SFX, News Corp and Vivendi. At the same time, major broadcasters, including regional companies such as NHK, ESPN STAR and PerfecTV in Japan have sought to secure exclusive broadcasting rights to professional sport fixtures. The Directors and the Proposed Directors believe that the level of competition is testimony to the robustness of the revenue streams that can be derived from the marketing of professional sport in sponsorship, advertising and broadcasting terms. The key determinant of success, in their view, is control of media rights.

Market Consolidation

The sports rights market has already seen significant consolidation, led by major broadcasters such as News Corp, Canal Plus and the Kirch Group and by sports rights specialists such as Vivendi and Octagon. Major advertising agencies, particularly IPG, have been active in acquiring sports marketing companies, as have specialist companies such as Sportsworld. The market continues to afford consolidation opportunities. The Proposed Directors believe that the sports rights business will see fewer owners, as the advantages of access to public funding (driven by the need to acquire high-quality rights) and critical mass (particularly driven by the need to provide advertisers with “one-stop shop” services) become increasingly clear.

Relationships with Corporate Sponsors, Advertisers and Broadcasting Companies

The Directors and the Proposed Directors believe that the ability to monetise access to sports rights relies upon close contacts and professional relationships with the ultimate clients – sponsors, advertisers and broadcasters. A number of global brands are seeking to be identified with strong sports properties, particularly at a time when television audiences are fragmenting as a result of the introduction and roll-out of multi-channel television in major markets. At the same time, major pay-TV broadcasters are aiming to secure exclusive access to popular sporting fixtures in order to drive take-up of their services. The Directors and the Proposed Directors believe that successful sports marketing companies generally need close ties to these end clients in order to convert their ownership of rights into revenues.

Enlarged Group market opportunity

The Directors and the Proposed Directors believe that the Asian sports and television markets are maturing rapidly, spurred in part by investments by regional governments in sports facilities and in part by the roll-out of multi-channel networks in key TV markets. The Directors and the Proposed Directors believe that the Enlarged Group, with its content and distribution advantages, will be well placed to benefit from this emerging market opportunity, particularly in light of its long term ownership of key sports rights. While the US and European markets are more mature (consolidation in sports marketing has already occurred in these regions on a large scale), the Directors and the Proposed Directors believe that the fast-growing Asian market continues to offer further scope for well-positioned specialist companies. The Proposed Directors believe the Enlarged Group will be able to provide a complete media package to clients (sponsors and broadcasters), focused both on mass market sports (football, cricket and, to a lesser degree, basketball) and emerging “executive” sports such as professional golf. The Enlarged Group will offer television programming, airtime sales, outdoor marketing opportunities, internet services, exposure in print publications and bespoke event management plus sponsorship and marketing programmes for football, cricket, rugby, basketball and golf.

The Enlarged Group business strategy

The Enlarged Group aims to become one of the leading international sports marketing, event management and sports broadcasting companies. It would seek to draw upon its management expertise, its existing reputation and its strong sports body and multinational corporate relationships to further develop and expand its portfolio of sporting properties. It also intends to focus on sports including football, cricket, rugby, golf, motor racing, basketball, snooker and Olympic sports. To achieve their aim, the Proposed Directors will adopt a strategy to maximise the revenue streams from its on-going and future sports properties through the following key elements of its development:

- ❑ Maintaining a leading position in the Asian market place. The Enlarged Group will continue to work with the AFC, ABC and Asian PGA under its existing long-term contracts. At the same time the Enlarged Group will seek to expand the revenue opportunities within those contracts whilst working on new business opportunities that may exist in the region in the Enlarged Group's focus sports.
- ❑ Leveraging strategic relationships with sports bodies. The Enlarged Group will continue to work closely with key sports bodies with whom it already has existing strong relationships to grow and develop other commercial opportunities that may exist within their sports.
- ❑ Increasing exploitation of a fully integrated media sales platform. The availability of a wide range of media services as provided by the Enlarged Group will allow it to continue to package together various streams of media that will provide multinational corporate sponsors with a "one-stop shop" at which to spend sponsorship and media budgets.
- ❑ Increasing operational efficiencies. The merger of PMI and WSG to create the Enlarged Group will allow the businesses to be managed under one consolidated and centralised administration unit. This will result in increased management and operational efficiency combined with associated cost benefits for the Enlarged Group.

Enlarged Group revenue model

The Directors and the Proposed Directors believe that the key to a sustainable model for future revenue generation will be the development of the Enlarged Group's revenue model to comprise:

- ❑ *Sponsorship*
Revenues generated from a combination of individual one-off event sponsorship sales and the sale of sponsorship benefits as part of multi-year marketing programmes. The Proposed Directors believe these marketing programmes will deliver added value to the normal benefits of event sponsorship through the provision of day to day association with the sport in question over the term of the relevant contract.
- ❑ *Broadcast rights*
Revenues generated from the sale of television, radio, video, WAP, internet and other forms of broadcast rights, either on an event by event or longer term basis. The Enlarged Group will also sell television and video programming produced in-house.
- ❑ *Media*
Revenues generated from the sale of commercial airtime on CNBC Sports and other television channels. In addition the Enlarged Group intends to publish a number of magazines and intends to produce and develop internet sites which should, in turn, generate subscription, newsstand and advertising revenues.
- ❑ *Integrated media sales*
By combining each of the above revenue streams the Enlarged Group will be in a position to offer a fully integrated media sale to multinational corporations. In addition, the Proposed Directors believe that the Enlarged Group will have the flexibility to sell its integrated multi-media packages either over an extended time period and/or by individual sport and/or by geographical area.
- ❑ *Others*
The Enlarged Group will raise additional revenues from a number of related activities within the sports marketing industry including athlete management, licensing, consultancy, television production and hospitality.



Enlarged Group Competition

The Directors and Proposed Directors believe that whilst no single company offers a directly competitive fully integrated sales platform, the main categories of competitors are:

Major Advertising Agencies

A number of global agencies, such as WPP, IPG and Omnicom, have sought to secure direct access to sports rights to ensure delivery of tailored sponsorship and advertising opportunities to end clients.

Broadcasters

Like BSkyB in the UK and Kirch Gruppe in Germany, many broadcasters have secured or are attempting to secure direct access to sports rights directly from the sports governing bodies in order to drive take-up of their TV services. This trend has been extended in the UK to include links between traditional broadcasters such as Granada and leading football clubs. Cable operators such as UPC and NTL have also secured agency ties with sports organisers.

Specialist Sports Rights Companies

This sector has its share of large players, including IMG, the talent agency with significant TV interests. In addition there are a number of smaller, specialist marketing companies, Sportsworld, listed in the UK, being a prime example.

Sports Organisations

In some cases, sports bodies themselves have developed in-house expertise in the exploitation of their commercial rights. An example of this would be in Formula One racing, where SLEC controls the prime commercial/broadcast aspects of the sport.

Risk factors relating to the Enlarged Group

The Directors and the Proposed Directors consider that prospective investors should take account of the significant risk factors associated with investing in a company operating in markets and regions such as those in which WSG and PMI operates. Prospective investors should consider carefully all the information in this document and also evaluate the potential risks described below, which individually or collectively, could have a material adverse effect on the business of the Enlarged Group.

General economic conditions and dependence on sponsorship and advertising

The Enlarged Group's performance will be affected by the general economic environment in which it operates. Should there be a significant deterioration in this economic environment, the Enlarged Group's business is likely to be adversely affected, but it is not possible to determine to what extent. Advertising and sponsorship revenues, which are sensitive to general economic conditions, may be affected by a deterioration in the level of corporate advertising, sponsorship and marketing budgets. There can be no assurance that the Enlarged Group's current advertisers and sponsors will continue to purchase advertisements or enter into sponsorship agreements.

Exposure to Asia

Over 80 per cent. of the PMI and WSG Groups' revenues for the year ended 31 December 2000 were generated in Asia. Investments in Asia involve a broad range of political, economic, legal and financial risks, many of which are unquantifiable or unpredictable and not necessarily associated with investing in activities in more developed and regulated environments. Should the region suffer from economic downturn or increased levels of political instability, the business of the Enlarged Group may be affected.

Competition

The market for sports rights is considered to be highly competitive and it is not possible for the Enlarged Group to predict the strategies of its competitors with any degree of certainty.

The Enlarged Group can provide no assurances that its existing competitors or other companies will not provide services that could be more attractive to clients than those provided by the Enlarged Group or that the Enlarged Group will be able to respond adequately to the competitive challenges it faces. In particular the Enlarged Group may face significant competition from existing competitors that have greater capital resources than the Enlarged Group and which have larger and more established customer bases and greater access to, and more established relationships with, suppliers and sponsors.

Volatility of Share Price/Liquidity

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of technological innovations or new services by the Enlarged Group or its competitors, changes in financial estimates and recommendations by securities analysts, the operating and share price performance of other companies that investors may deem comparable to the Company, and news reports relating to trends in the Enlarged Group's markets. The fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Enlarged Group's operating performance.

The Enlarged Group's Limited Operating History

The WSG Group and the PMI Group have a limited operating history and have both incurred operating losses to date. Whilst individually they have experienced growth historically, it is difficult to estimate accurately the level of operating expenses the Enlarged Group will incur and the revenues it will generate in the future. It is not possible to accurately predict how the combination of the two entities will impact on the financial and operational performance of the Enlarged Group. There can be no guarantee that the Enlarged Group will maintain its present rate of growth or reverse operating losses in the future.

Reliance on access to quality sports rights

The Enlarged Group's ability to offer competitive services will be dependent on its ability to obtain access to a wide variety of good quality sports rights, events and other content on reasonable commercial terms. The Enlarged Group cannot guarantee that it will be able to renegotiate similar sports rights deals at the end of its current agreements at a commercially acceptable price, or at all. No assurance can be given that the Enlarged Group will be able to find or maintain suitable relationships with alternative sports rights providers. If the Enlarged Group is unable to secure these rights on an acceptable basis, the business of the Enlarged Group may be materially affected.



Management of Growth

Any expansion of the Enlarged Group's operations may place a significant strain on the Enlarged Group's management and operational resources. The Enlarged Group's success in this regard will be dependent on its ability to manage this growth and to continue to recruit and retain suitable personnel to accommodate its business expansion. Competition for suitable employees is intense and this may hinder the Enlarged Group's ability to retain existing employees or to identify and hire new employees. The failure of the Enlarged Group to attract, hire or retain the necessary personnel could have a material adverse effect on the Enlarged Group and its future trading prospects. Moreover, the Enlarged Group's future success will be substantially dependent on the retention and continued contribution of its senior management and, in particular, each member of the Proposed Board. Should certain individuals cease to be employed by the Enlarged Group, the Enlarged Group may have difficulty in renegotiating or retaining its significant commercial contracts, which may impact upon the profitability of the Enlarged Group.

Cyclical Business

The success of the Enlarged Group will be dependent on the acquisition of premier sports content. Many of these rights have to be acquired for extended periods of time, and at the time of negotiating the acquisitions the management has no certainty that it will be able to sell these to third parties. A significant number of the Enlarged Group's sports rights will be on terms which involve the payment of minimum guaranteed sums or entering into substantial financial commitments. If the Enlarged Group is unable to sell these rights to broadcasters or arrange sponsorship on acceptable terms it may not be able to generate sufficient revenue to recoup the minimum guaranteed sums paid or meet the commitments it has entered into. In addition, a number of the Enlarged Group's rights acquisitions will be for an extended period of time. The business cycle may deteriorate from the time of the acquisition to the time these rights are exploited, and the Enlarged Group may not be able to generate sufficient revenue to recoup the initial sums paid.

The Need for Additional Capital in the Future

It is difficult for the Directors and the Proposed Directors to predict accurately the timing and amount of the Enlarged Group's capital requirements for new business developments. If its requirements vary materially from its budget, the Enlarged Group may require further financing. Any equity financing may be dilutive to Shareholders and debt financing may involve restrictions on financing and operating activities. There is no guarantee that, if required, the Enlarged Group will be able to procure additional equity or debt financing on terms acceptable to the Enlarged Group or at all. If the Enlarged Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion which may have a material adverse effect on its future trading prospects.

Lack of Contractual Formalities

Certain of the business dealings of the WSG Group and the PMI Group with third parties are not structured in written agreements and consequently reliance is placed by them on a course of dealings with such third parties based on outline terms and conditions. In addition, certain contracts have not been the subject of formal renewal but continue to be performed or undertaken on the previous terms and conditions. Whilst steps are being taken to regularise such arrangements and to record the full terms of such agreements in writing, the lack of formal written agreements might give rise to the risk of potential disputes as to the precise terms and conditions governing such arrangements.

Accountants' Report on The World Sport Group Limited



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16 July 2001

Dear Sirs

THE WORLD SPORT GROUP LIMITED ("WSG" OR THE "COMPANY")

Introduction

We report on the financial information of WSG and its subsidiary undertakings (the "Group") set out below. This financial information has been prepared for inclusion in the prospectus of Orchard Furniture plc dated 16 July 2001 (the "Prospectus") in connection with the proposed acquisition of World Sport Group (Jersey) Limited (the "Proposed Transaction").

Basis of preparation

WSG has not been required to prepare audited consolidated accounts. Furthermore, the Group in its current form has only existed since January 1999. Therefore the financial information set out below is based on consolidated management accounts that have been prepared as if WSG had been in existence throughout the three years ended 31 December 2000 ("the Relevant Period") after making such adjustments as we considered necessary.

Jimmy C H Cheung & Co, Certified Public Accountants of 304 Dominion Centre, 43 Queen's Road East, Wanchai, Hong Kong were the auditors to most of the principal subsidiaries of WSG for the three years ended 31 December 2000.

Each of the audit reports on the subsidiaries of WSG that were audited throughout the Relevant Period was unqualified.

Responsibility

The management accounts are the responsibility of the directors of WSG who approved their issue. The directors and proposed directors of Orchard Furniture plc are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the management accounts, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the consolidated management accounts underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.



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

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its results and cash flows for the Relevant Period.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraphs 45(2)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with International Accounting Standards.

Goodwill on consolidation

Goodwill or capital reserve arising on consolidation of subsidiaries and on acquisition of associates represents the excess or shortfall of purchase consideration paid over the fair values ascribed to the underlying net assets acquired and is respectively eliminated against or credited to reserves in the year of acquisition. On disposal of subsidiaries or associates the relevant portion of attributable goodwill or capital reserve previously eliminated against or credited to reserves is included in the determination of the gain or loss on disposal.

Subsidiary companies

A subsidiary company is a company in which the Group or the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors.

Associates

An associate is a company in which the Group or the Company has significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated accounts under the equity method and is stated at the Group's share of the net assets of the associate less any provision for diminution in value considered necessary by the directors. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associate for the year.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation of fixed assets is calculated to write off the cost of the assets over their estimated useful lives in equal annual instalments at the rate of 25%. All assets with a cost below US\$1,000 are fully depreciated in the year of acquisition.

The carrying value of fixed assets is assessed annually and when factors indicating an impairment are present, the Company determines the recoverable amount of fixed assets by measuring discounted future cash flows. If an impairment is present, the fixed assets are reported at the lower of carrying amount or recoverable amount.

Accountants' Report on The World Sport Group Limited

When assets are sold, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

Golf club membership

Golf club membership is stated at cost.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- i Management fee and other fees earned – on rendering of services to third parties
- ii Income from sponsorship – on a straight line basis in accordance with the terms of the agreement
- iii Income from sales of commercial and broadcasting rights – on a straight line basis in accordance with the terms of the agreement
- iv Income on sales of television programmes and production costs – on delivery of the programmes to customers
- v Bank interest income – in proportion to time, taking into account the principal outstanding and the effective interest rates applicable
- vi Dividend income – when the right to receive payment is established

Barter transactions

When services are rendered in exchange for dissimilar goods or services, the revenue generated for the services rendered is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred.

Foreign currencies

The financial information has been prepared in United States Dollars. Transactions in currencies other than United States Dollars during the year are converted into United States Dollars at exchange rates ruling at the transaction dates. Foreign currency balances other than United States Dollars at the year ends are translated into United States Dollars at rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

Deferred taxation

Deferred taxation is provided, using the liability method, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that the liability is expected to crystallise in the foreseeable future.



Consolidated profit and loss accounts

		Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
	Notes			
Group turnover	1	33,795	32,548	40,402
Other revenues	1	589	1,301	1,654
Staff costs		(4,699)	(4,698)	(7,242)
Depreciation		(201)	(266)	(572)
Other operating expenses		(30,375)	(28,466)	(35,241)
(Loss)/profit from operations	2	(891)	419	(999)
Finance costs	4	(608)	(632)	(1,019)
Loss on disposal of associate		–	(83)	–
Share of results of associates		(213)	(633)	(3,249)
Loss before taxation		(1,712)	(929)	(5,267)
Taxation	5	(3)	(41)	(37)
Loss after taxation		(1,715)	(970)	(5,304)
Minority interest		150	(81)	392
Loss attributable to shareholders		(1,565)	(1,051)	(4,912)

Consolidated statement of recognised gains and losses

		Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Exchange difference on translation of the accounts of overseas subsidiaries	13	(12)	8	140
Net (loss)/profit not recognised in the profit and loss account		(12)	8	140
Loss for the year attributable to shareholders	13	(1,565)	(1,051)	(4,912)
Total recognised losses		(1,577)	(1,043)	(4,772)



Consolidated balance sheets

	Notes	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Non-current assets				
Fixed assets	6	460	723	1,488
Associates	8	1,332	1,354	1,194
Investment securities		–	–	78
Golf club membership		–	110	110
Loan receivable	9	535	535	535
		2,327	2,722	3,405
Current assets				
Trade debtors less provision		2,759	6,201	5,565
Sundry debtors, prepayments and deposits		1,168	3,549	7,756
Tax recoverable		–	–	27
Pledged deposits	15	2,227	5,651	9,965
Cash and bank balances		437	527	3,047
		6,591	15,928	26,360
Less: Current liabilities				
Bank overdraft		3,785	8,268	13,680
Accounts payable and accruals		11,616	18,165	30,098
Current portion of interest bearing borrowing	10	1,300	800	800
Amounts due to shareholder	11	1,600	954	694
Taxation		–	7	1
		18,301	28,194	45,273
Net current liabilities		(11,710)	(12,266)	(18,913)
Non-current liabilities				
Interest bearing borrowing	10	–	(800)	–
Net liabilities		(9,383)	(10,344)	(15,508)
Capital and reserves				
Share capital	12	1	1	1
Reserves	13	(6,828)	(7,870)	(12,643)
Capital contribution		2,100	2,100	2,100
Capital deficiencies		(4,727)	(5,769)	(10,542)
Minority interest		(4,656)	(4,575)	(4,966)
		(9,383)	(10,344)	(15,508)

Consolidated cashflow statements

	Notes	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Net cash flow from operating activities	14	(221)	6,557
Returns on investments and servicing of finance			
Interest paid		(632)	(1,019)
Dividend income from an associate		826	852
Interest received		175	423
Net cash flow from investments and servicing of finance		369	256
Taxation			
Hong Kong profits tax paid		–	(43)
Withholding tax paid		(29)	(26)
Profits tax paid for non-resident persons		(5)	(2)
Net cash outflow from taxation		(34)	(71)
Investing activities			
Purchases of fixed assets		(539)	(1,357)
Acquisition of investment securities		–	(78)
Proceeds from sales of fixed assets		4	5
Acquisition of golf club membership		(110)	–
Investments in associates		(738)	(3,090)
Net cash flow from investing activities		(1,383)	(4,520)
Net cash flow before financing		(1,269)	2,222
Financing			
Loan borrowed		1,600	–
Loan repaid		(1,300)	(800)
Net cash flow from financing		300	(800)
Increase/(decrease) in cash and cash equivalents		(969)	1,422
Cash and cash equivalents at the beginning of the year		(1,121)	(2,090)
Cash and cash equivalents at the end of the year		(2,090)	(668)
Analysis of cash and cash equivalents			
Pledged deposits		5,651	9,965
Cash and bank balances		527	3,047
Bank overdraft		(8,268)	(13,680)
		(2,090)	(668)



Notes to the accounts

1 Revenues and turnover

Revenues recognised during the Relevant Period are as follows:

	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Turnover			
Commission income	–	–	698
Designer, publication and consultant fees	47	435	1,013
Golf society membership and consultant fees	496	286	–
Income from exhibitions	958	894	873
Management fees earned	–	24	1,320
Rugby management and hospitality fees	–	74	85
Sales of commercial and broadcasting rights and other rebillings	8,800	9,460	13,419
Sales of television programmes and production costs	266	328	774
Sponsorship fees	23,228	21,047	22,220
	33,795	32,548	40,402
Other revenues			
Sundry sales and other rebillings	405	13	100
Bank interest earned	126	175	423
Dividend income from associates	–	826	851
Recovery of bad debts	–	85	2
Miscellaneous income	58	201	278
	589	1,300	1,654
Total revenues	34,384	33,848	42,056

2 Profit/(loss) from operations

Profit/(loss) from operations is stated after charging:

	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Auditors' remuneration	24	52	56
Bad and doubtful debts	–	285	152
Exchange losses	203	12	130
Loss on disposal of fixed assets	–	6	10

Accountants' Report on The World Sport Group Limited

3 Directors' remuneration

	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Fees	–	–	–
Other emoluments	189	462	738
Rent of accommodation for directors	143	130	94
	332	592	832

4 Finance costs

	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Interest paid on bank and other borrowings wholly repayable within five years	606	631	1,017
Hire purchase charges	–	–	1
Interest on leasing obligation	2	1	1
	608	632	1,019

5 Taxation

	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Hong Kong profits tax			
– Current year provision	–	7	–
– Underprovision in prior years	–	–	9
Withholding tax	3	29	26
Profits tax paid for non-resident person	–	5	2
	3	41	37

Deferred taxation has not been provided for as the deferred tax receivable arising from tax losses not yet utilised is not expected to be recovered in the foreseeable future. The unprovided deferred taxation assets/(liabilities) consist of the tax effect of timing differences arising from:

	Year ended 31 December 1998 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Excess of depreciation allowances for tax purposes over fixed assets depreciation charged in the accounts	(5)	(16)	(13)
Obligations under finance leases	–	(1)	–
Tax losses carried forward	2,483	2,589	2,608
	2,478	2,572	2,595



6 Tangible assets

	Furniture and equipment \$'000	Motor car \$'000	Total \$'000
Cost or valuation			
At 1 January 1998	758	73	831
Additions	219	13	232
Disposals	–	(31)	(31)
At 31 December 1998	977	55	1,032
Additions	520	19	539
Disposals	(48)	(32)	(80)
Exchange adjustments	(1)	–	(1)
At 31 December 1999	1,448	42	1,490
Additions	1,331	26	1,357
Disposals	(23)	(22)	(45)
Exchange adjustments	(9)	–	(9)
At 31 December 2000	2,747	46	2,793
Depreciation			
At 1 January 1998	349	37	386
Provision for year	182	18	200
Eliminated on disposal	–	(15)	(15)
At 31 December 1998	531	40	571
Provision for year	252	14	266
Eliminated on disposal	(38)	(32)	(70)
Exchange adjustments	(1)	–	(1)
At 31 December 1999	744	22	766
Provision for year	562	10	572
Eliminated on disposal	(8)	(22)	(30)
Exchange adjustments	(3)	–	(3)
At 31 December 2000	1,295	10	1,305
Net book value			
At 31 December 2000	1,452	36	1,488
At 31 December 1999	704	19	723
At 31 December 1998	446	14	460

Accountants' Report on The World Sport Group Limited

7 Subsidiary companies

Subsidiary undertakings are as follows:

	Country of incorporation	Equity held	Principal activities
<i>Held directly</i>			
The Asia Sport Group Limited	British Virgin Islands	70%	Holding Company
The European Sport Group (BVI) Limited	British Virgin Islands	100%	Holding Company
Darwin Group Limited	British Virgin Islands	100%	Holding Company
Interex Holdings Limited	British Virgin Islands	100%	Holding Company
F Biz Holdings Limited (formerly Basketball Super League Limited)	British Virgin Islands	100%	Holding Company
The Americas Sport Group Limited	British Virgin Islands	100%	Holding Company
<i>Held indirectly</i>			
WSG Asia Limited (formerly Asia Sport Communications Limited)	Hong Kong	100%	Provision of management services to group companies and golf societies
AFC Marketing Limited	Hong Kong	100%	Exploitation and sale of commercial and broadcasting rights relating to Asian football events
Asian PGA Tour Limited	Hong Kong	75%	Exploitation and sale of commercial and broadcasting rights relating to Asian golf tournaments
ABC Promotions Limited	Hong Kong	100%	Exploitation and sale of commercial and broadcasting rights relating to Asian basketball events
Asia Sport Television Limited	Hong Kong	100%	Sale of television rights, outside broadcasts, and the production of sports and other shows for television
The Asia Sport Group Pte Limited	Singapore	100%	Provision of consultancy and management services for sport events and sale of television rights
Asia Sport Group	United Arab Emirates	100%	Dormant
Euro SG Limited	United Kingdom	100%	Provision of consulting services relating to sport activities
Football Expo France SARL	France	100%	Organising football related products exhibition
Football Expo Limited	Hong Kong	100%	Organising football related products exhibition
Oceania Sport Group Pty Limited	Australia	100%	Exploitation of commercial and advertising rights for sport events in Australia
WSG Americas Inc	USA	66.7%	Provision of management services to group companies



8 Associates

	31 December 1998 \$'000	31 December 1999 \$'000	31 December 2000 \$'000
Unlisted shares, at cost	1,227	1,185	1,612
Share of post-acquisition results	(213)	(845)	(4,095)
Amounts due from associates	318	1,274	6,452
Amounts due to associates	–	(260)	(2,775)
	1,332	1,354	1,194

The details of the associates are as follows

	Country of incorporation	% Equity held			Principal activities
		1998	1999	2000	
<i>Held directly</i>					
Sportal Asia Limited	British Virgin Islands	–	25	25	Holding Company
Sports Media (Asia) Limited (formerly Sports Media Sales (Asia) Limited)	British Virgin Islands	–	50	50	Sales agency
Global Cricket Corporation Pte Limited	Singapore	–	–	25	Exploitation and sale of commercial and broadcasting rights relating to cricket events
<i>Held indirectly</i>					
Tiger Sports Marketing Limited	India	50	–	–	Consultancy on sport events
Sports Marketing & Management Pty Limited	Australia	49	49	49	Marketing consultancy services
PGA Tour Enterprises Pty Limited	Australia	40	40	40	Exploitation and sale of commercial and broadcasting rights relating to golf tournaments in Australia
Javelin Pty Limited	Australia	26	26	26	Marketing consultancy services
Ladies European Tour Enterprises Limited	United Kingdom	49	49	49	Exploitation and sale of commercial and broadcasting rights relating to ladies golf tournaments in Europe
Sportal (Greater China) Limited	Hong Kong	–	25	25	Sport internet business
Sportal Asia (UK) Limited	United Kingdom	–	25	25	Sport internet business
Sportal (Japan) Limited	Hong Kong	–	15	15	Sport internet business
Sportal (South East Asia) Pte Limited	Singapore	–	25	25	Sport internet business
Hong Kong Golf Promotions Limited	Hong Kong	–	–	33.3	Exploitation and sale of commercial and broadcasting rights relating to Hong Kong Golf Open Championship
Golf Festival Asia Pte Limited	Singapore	–	–	37.5	Exhibition of products relating to golf
Sports Marketing and Management (UK) Limited	United Kingdom	–	–	49	Marketing consultancy services
Javelin (Europe) Limited	United Kingdom	–	–	26	Dormant
Tour de las Americas Limited	British Virgin Islands	–	–	33.35	Exploitation and sale of commercial and broadcasting rights relating to golf tournaments in the Americas region
F Biz Limited	United Kingdom	–	–	33	Dormant

Accountants' Report on The World Sport Group Limited

9 Loan receivable

The loan is advanced by a subsidiary, Asian PGA Tour Limited, to Asian PGA Berhad, a company incorporated in Malaysia. It is unsecured, interest free and has no fixed terms of repayment. The Group does not anticipate requesting repayment within the next twelve months.

10 Interest bearing borrowings

	31 December 1998 \$'000	31 December 1999 \$'000	31 December 2000 \$'000
Secured loan	1,300	1,600	800
Less: amounts repayable within one year included in current liabilities	(1,300)	(800)	(800)
	–	800	–

\$300,000 of the loan outstanding at 31 December 1998 was owed to a bank, and secured by a corporate guarantee issued by the Group together with personal guarantees from all the directors. It was repayable in monthly instalments up to March 1999 and interest was charged on the outstanding balance on a daily basis at a rate of 2.5 per cent. over US Dollars best lending rate.

The balance of the loan outstanding at 31 December 1998, of \$1,000,000, was secured by a charge over the assets of a subsidiary company. The loan was repaid in January 1999. Interest was charged on this loan at the rate of Barclays Bank US dollars base rate plus 2 per cent. per annum.

The loan outstanding at 31 December 1999 and 31 December 2000 is owed to Parallel Media Group International Limited and is secured on shares representing between 30 per cent. and 100 per cent. of the voting power in certain subsidiaries and associates. It is repayable by two instalments up to August 2001. Interest is charged on this loan at 8 per cent. per annum.

11 Amounts due to shareholder

The advances are unsecured, interest free and have no fixed terms of repayment.

12 Share capital

	31 December 1998 \$'000	31 December 1999 \$'000	31 December 2000 \$'000
Authorised			
50,000 shares of US\$1 each	50	50	50
Issued and fully paid			
1,000 shares of US\$1 each	1	1	1



13 Reserves

	Goodwill on consolidation \$'000	Exchange fluctuation reserve \$'000	Revenue reserve 1999 \$'000	Total \$'000
At 1 January 1998	(27)	–	(5,224)	(5,251)
Exchange gain on translation of accounts of overseas subsidiary	–	(12)	–	(12)
Loss for the year	–	–	(1,565)	(1,565)
At 31 December 1998	(27)	(12)	(6,789)	(6,828)
Exchange gain on translation of accounts of overseas subsidiary	–	9	–	9
Loss for the year	–	–	(1,051)	(1,051)
At 31 December 1999	(27)	(3)	(7,840)	(7,870)
Exchange gain on translation of accounts of overseas subsidiary	–	139	–	139
Loss for the year	–	–	(4,912)	(4,912)
At 31 December 2000	(27)	136	(12,752)	(12,643)

14 Reconciliation of loss for the year to net cash flow from operating activities

	Year ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000
Operating loss for the year before taxation	(929)	(5,267)
Depreciation	266	572
Exchange adjustment on fixed assets	–	6
Interest paid	632	1,019
Interest received	(175)	(423)
Loss on disposal of fixed assets	6	10
Loss on disposal of associate	83	–
Share of results of associates	633	3,249
Dividend income from an associate	(826)	(851)
Increase in debtors, prepayments and deposits	(5,823)	(3,571)
Increase in net amounts due to shareholder	(646)	(259)
Decrease in accounts payable and accruals	6,549	11,933
Minority interest	–	–
Exchange fluctuation reserve	9	139
	(221)	6,557

15 Pledge of assets

At 31 December 2000, the Group pledged the following to its bankers to obtain general banking facilities to the extent of \$13 million (1999: \$9 million, 1998: \$5.4 million):

- (a) Bank deposits totalling \$8 million (1999: \$5.65 million, 1998 \$2.23 million)
- (b) Pledged trade receivables amounting to \$24.8 million (1999: \$18 million, 1998: \$4.5 million) under sponsorship contracts in each year

Accountants' Report on The World Sport Group Limited

16 Barter transactions

The Group entered into barter transactions in the year ended 31 December 2000 from which revenue of \$334,000 (1999: \$279,000, 1998: \$250,000) was generated.

17 Commitments

On 22 December 1999, the Group, through Park House Holdings Limited (a company incorporated in the British Virgin Islands), entered into an agreement with a third party to buy back the 25 per cent. interest in a subsidiary company at a consideration of \$2.5 million. The consideration is payable in instalments up to 15 July 2002 and the transaction will be completed on that date subject to these instalments being paid. At 31 December 2000, the Group had a commitment of \$1.4 million (1999: \$2.4 million, 1998: \$nil) outstanding in respect of this transaction.

At the balance sheet dates, the Group had commitments under non-cancellable operating leases in respect of land and buildings to make payments in the next year as set out below:

	31 December 1998 \$'000	31 December 1999 \$'000	31 December 2000 \$'000
Operating leases which expire:			
Within one year	–	637	770
In the second to fifth years inclusive	–	1,729	1,046
	–	2,366	1,816

At 31 December 2000 the Group had commitments in respect of contracts placed for soccer event licence rights amounting to \$96.6 million (1999: \$5 million, 1998: \$10 million).

18 Litigation

During the year ended 31 December 2000 a claim of \$48 million through a writ of summons was made against a subsidiary company for damages for breach of contract. The claim has subsequently been settled for \$6.8 million, which is fully provided for in the 31 December 2000 balance sheet.

19 Related parties and control

The ultimate holding company is Park House Holdings Limited.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants



BDO Stoy Hayward
Chartered Accountants

8 Baker Street
London W1U 3LL

The Directors
Orchard Furniture plc
10-11 Gray's Inn Square
London
WC1R 5JD

The Directors
Investec Henderson Crosthwaite
(a division of Investec Bank (UK) Limited)
2 Gresham Street
London
EC2V 7QP

16 July 2001

Dear Sirs

PARALLEL MEDIA GROUP INTERNATIONAL LIMITED ("PMI" OR THE "COMPANY")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus of Orchard Furniture plc dated 16 July 2001 (the "Prospectus") in connection with the proposed acquisition of Newco Limited (the "Proposed Transaction").

Basis of preparation

The financial information set out below is based on the audited consolidated accounts of PMI and its subsidiary undertakings (together "the Group") for the three years ended 31 December 2000 ("the Relevant Period") after making such adjustments as we considered necessary.

BDO Stoy Hayward, Chartered Accountants and Registered Auditors, of 8 Baker Street, London W1U 3LL, were the registered auditors to PMI for the three years ended 31 December 2000.

Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of PMI who approved their issue. The directors and proposed directors of Orchard Furniture plc are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

Accountants' Report on Parallel Media Group International Limited

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

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its results and cash flows for the Relevant Period.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraphs 45(2)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

Basis of accounting

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

Basis of consolidation

The financial information consolidates the accounts of PMI and all its subsidiary undertakings using the acquisition method of accounting.

Joint venture

The group's joint venture interests are accounted for using the gross equity method of accounting.

Goodwill on consolidation

Positive and negative goodwill arising on consolidation, represents the difference between purchase consideration and the fair value of the net tangible assets acquired. Positive and negative goodwill has been capitalised and amortised on a straight line basis over twenty years.

Purchased goodwill

Depreciation is provided so as to write purchased goodwill off over its anticipated useful lives on a straight line basis over twenty years.

Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets so as to write them off over their anticipated useful lives at the following annual rates on a straight line basis:

Plant and machinery	-20%
Fixtures and fittings	-nil – 20%
Motor vehicles	-33%

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Differences on exchange have been written off to the profit and loss account.

Leases

Assets being acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their anticipated useful lives. The obligation to make future rental payments, net of future finance charges, is recognised as a liability in the balance sheet. The interest element of the lease and hire purchase payments is charged to the profit and loss account at a constant rate over the period of the agreement.



Rentals under operating leases are charged to the profit and loss account as incurred.

Investments

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

Acquisition of investments for non cash consideration

When an investment is acquired in return for the supply of advertising space, the investment is stated in the accounts at cost, less any provision for diminution in value of the investment. The cost of the investment represents the costs to the Group of supplying the advertising space.

Work in progress

Payments made, or due, in respect of the acquisition of rights for the sponsorship or media distribution of sporting events are charged to the profit and loss account during the period in which the event takes place. Payments made in respect of future events are carried forward at cost provided there is reasonable assurance that sponsorship income will exceed such costs.

Revenue

Receipts due on the sales of rights for the sponsorship or media distribution of sporting events are credited to the profit and loss account during the period in which the events take place.

Cash flow

Liquid resources include short term liquid investments in bonds and equities.

Accountants' Report on Parallel Media Group International Limited

Consolidated profit and loss accounts

	Notes	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Turnover: Group and share of joint venture		8,267	9,288	6,893
Less: Share of joint venture turnover		(1,968)	(1,556)	(2,149)
Group turnover		6,299	7,732	4,744
Cost of sales		(5,673)	(6,171)	(2,644)
Gross profit		626	1,561	2,100
Administration expenses		(3,161)	(4,594)	(3,503)
Other operating income		–	–	258
Exceptional item	1	–	(1,201)	(2,765)
Write back/(off) of loan balances		249	(145)	(34)
Operating loss		(2,286)	(4,379)	(3,944)
Share of operating profit in joint venture		99	55	143
Profit on disposal of investments		755	–	74
Loss on disposal of subsidiary		(61)	–	–
Investment income	3	287	433	285
		(1,206)	(3,891)	(3,442)
Interest payable	4	(280)	(93)	(135)
Loss on ordinary activities before taxation	1	(1,486)	(3,984)	(3,577)
Tax on loss on ordinary activities	5	(36)	(15)	(27)
		(1,522)	(3,999)	(3,604)
Minority interest		(61)	1,206	431
Retained loss for the year		(1,583)	(2,793)	(3,173)

All disclosures relate only to continuing operations. All recognised gains and losses are shown in the profit and loss account.



Consolidated balance sheets

		31 December 1998	31 December 1999	31 December 2000
	Notes	£'000	£'000	£'000
Fixed assets				
Intangible assets				
Positive goodwill	6	6,763	6,274	6,176
Negative goodwill	6	(27)	(7)	(7)
Tangible assets				
Investments	8	637	2,912	868
		7,439	9,313	7,148
Current assets				
Stocks and work in progress		411	8	45
Debtors	10	5,438	4,228	3,647
Investments	11	–	2,671	2,029
Cash at bank		8,123	241	108
		13,972	7,148	5,829
Creditors: amounts falling due within one year	12	(5,927)	(4,990)	(5,602)
Net current assets		8,045	2,158	227
Total assets less current liabilities		15,484	11,471	7,375
Creditors: amounts falling due after one year	13	(513)	(500)	–
Total net assets		14,971	10,971	7,375
Capital and reserves				
Called up share capital	14	11	11	11
Share premium account	15	14,891	14,891	14,891
Profit and loss account	15	(910)	(3,703)	(6,876)
Shareholders' funds	16	13,992	11,199	8,026
Minority interest		979	(228)	(651)
		14,971	10,971	7,375

Accountants' Report on Parallel Media Group International Limited

Consolidated cash flow statements

	Notes	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Net cash outflow from operating activities	17	(1,475)	(3,624)	(675)
Returns on investments and servicing of finance				
Interest paid		(231)	(43)	(204)
Interest received		227	293	217
Cash (outflow)/inflow from returns on investments and servicing of finance		(4)	250	13
Tax received/(paid)		5	(39)	(40)
Capital expenditure				
Payments to acquire fixed assets		(29)	(132)	(36)
Receipts from the sale of fixed assets		10	–	–
Net cash outflow from capital expenditure		(19)	(132)	(36)
Acquisitions and disposals				
Payments to acquire subsidiaries		–	–	(261)
Payments to acquire investments		(398)	(2,292)	(667)
Receipts from sale of investments		–	–	885
Cash/(overdraft) acquired with subsidiary		1	–	(41)
Cash lost on disposal of subsidiary		(518)	–	–
Net cash outflow from acquisitions and disposals		(915)	(2,292)	(84)
Equity dividends paid		(57)	–	–
Management of liquid resources				
Purchase of short term investments		–	(2,671)	–
Disposal of short term investments		–	–	642
Cash outflow before financing		(2,465)	(8,508)	(180)
Financing				
Capital element of finance lease payments		(2)	(1)	(14)
Repayment loans		(1,500)	–	–
Issue of ordinary share capital		8,194	–	–
Increase/(decrease) in cash in period		4,227	(8,509)	(194)



Notes to the accounts

1 Loss on ordinary activities before taxation

	Year ended 31 December 1998 £	Year ended 31 December 1999 £	Year ended 31 December 2000 £
Loss on ordinary activities before taxation is stated after charging/(crediting):			
Depreciation	81	63	59
Amortisation of purchased goodwill	10	179	4
Amortisation of consolidated goodwill	346	350	364
Release of negative goodwill	(1)	1	–
Hire of plant and machinery	23	3	39
Loss on disposal of fixed assets	8	–	–
(Loss)/profit on foreign exchange	(23)	25	68
Write (back)/off of loans	(249)	59	(3)
Other lease payments	150	150	150
Auditors' remuneration	43	50	45
Exceptional item	–	1,201	2,765

The exceptional item in 1999 represented exceptional bad debts during the year and includes one item of £1,048,000 due from a customer of Parallel Television. Subsequent to 31 December 1999, the amount was not able to be recovered and the directors therefore provided against the debt.

The exceptional item in 2000 represented a provision against the value of shares held by Parallel Media Investments (2000) Limited and Parallel Television in Sportal International Limited. The value of these shares is now considered to be negligible and provision has therefore been made to write them down to their estimated recoverable amount.

Accountants' Report on Parallel Media Group International Limited

2 Directors and other employees

Staff costs include the following:

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Wages and salaries	803	949	803
Social security costs	80	75	105
Other pension costs	–	–	22
	883	1,024	930

The average number of employees was as follows:

	Year ended 31 December 1998 Number	Year ended 31 December 1999 Number	Year ended 31 December 2000 Number
Administration	29	32	31

The emoluments of the directors were as follows:

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
For services as directors	335	510	492
Contributions to personal pension schemes	–	–	22

Included in the above are payments for the services of the directors paid to related companies (see note 22).

3 Investment income

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Bank interest receivable	227	293	217
Interest on loans to related parties	58	137	67
Share of joint venture interest receivable	2	3	1
	287	433	285

4 Interest payable

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
On bank overdrafts wholly repayable within five years	230	92	133
On finance leases and hire purchase contracts	2	–	–
Share of joint venture interest payable	2	1	2
Other loan	46	–	–
	280	93	135



5 Tax on loss on ordinary activities

	Year ended 31 December 1998 £	Year ended 31 December 1999 £	Year ended 31 December 2000 £
UK corporation tax	–	1	–
Share of joint venture taxation	36	14	27
	36	15	27

6 Intangible assets

	Positive goodwill on consolidation £'000	Negative goodwill on consolidation £'000	Purchased goodwill £'000	Total £'000
Cost				
At 1 January 1998	6,928	–	203	7,131
Additions	3	(28)	–	(25)
Disposals	(5)	–	–	(5)
At 31 December 1998	6,926	(28)	203	7,101
Additions	40	–	–	40
Disposals	–	20	–	20
At 31 December 1999	6,966	(8)	203	7,161
Additions	270	–	–	270
At 31 December 2000	7,236	(8)	203	7,431
Amortisation				
At 1 January 1998	–	–	10	10
Amortisation	346	(1)	10	355
At 31 December 1998	346	(1)	20	365
Amortisation	350	–	179	529
At 31 December 1999	696	(1)	199	894
Amortisation	364	–	4	368
At 31 December 2000	1,060	(1)	203	1,262
Net book value				
At 31 December 2000	6,176	(7)	–	6,169
At 31 December 1999	6,270	(7)	4	6,267
At 31 December 1998	6,580	(27)	183	6,736

Accountants' Report on Parallel Media Group International Limited

7 Tangible assets

	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 1998	61	79	207	347
Additions	8	9	13	30
Disposals	(40)	–	(100)	(140)
At 31 December 1998	29	88	120	237
Additions	–	92	39	131
At 31 December 1999	29	180	159	368
Additions	–	30	6	36
At 31 December 2000	29	210	165	404
Depreciation				
At 1 January 1998	23	44	106	173
Additions	8	30	43	81
Disposals	(19)	–	(64)	(83)
At 31 December 1998	12	74	85	171
Provision for year	11	20	32	63
At 31 December 1999	23	94	117	234
Provision for year	6	38	15	59
Disposals	–	–	–	–
At 31 December 2000	29	132	132	293
Net book value				
At 31 December 2000	–	78	34	111
At 31 December 1999	6	86	42	134
At 31 December 1998	17	14	34	66

8 Fixed assets investments

	31 December 1998 £'000	31 December 1999 £'000	31 December 2000 £'000
Joint venture	63	106	241
Other investments	574	2,806	627
	637	2,912	868



Joint ventures

The joint venture companies are:

- (a) Throughout the Relevant Period, Broadcast Innovations Limited, a company incorporated in the UK, which organises broadcast sponsorship and media promotions; and
- (b) In 1999, Parallel Murray Management Limited, a company incorporated in the UK, which operated in the promotion and management of sportsmen, until the acquisition of the remaining 50% of the share capital of Parallel Murray Management as noted in note 9.

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Share of turnover	1,968	1,556	2149
Share of operating result	99	55	143
Share of assets			
Share of fixed assets	8	34	(15)
Share of current assets	918	82	(28)
	926	116	(43)
Share of liabilities			
Liabilities – less than one year	864	37	132
Liabilities – greater than one year	–	25	25
	864	62	157
Share of net assets and liabilities	62	54	114
Less: share of share capital issued	–	(10)	–
Share of Parallel Murray Management, now treated as subsidiary	–	–	21
Share of net assets brought forward	–	62	106
Share of net assets carried forward	62	106	241

Other investments

	£'000
At 1 January 1998	76
Additions	499
At 31 December 1998	575
Additions	2,231
At 31 December 1999	2,806
Additions	1,379
Provisions	(2,785)
Disposals	(773)
At 31 December 2000	627

Accountants' Report on Parallel Media Group International Limited

9 Subsidiaries

Subsidiary undertakings are as follows:

Subsidiaries	Country of incorporation	Percentage holding of ordinary shares			Nature of business
		1998	1999	2000	
<i>Held directly</i>					
Parallel Sport Ltd	UK	100	100	100	Holding Company
Parallel Media Ltd	Jersey	100	100	100	Dormant
Parallel Media Ltd	UK	100	100	100	Marketing of sports events
Parallel Media Rugby Ltd	UK	–	75	75	Marketing of sports events
Parallel Media Group (Asia) Ltd	Hong Kong	100	100	100	Dormant
Parallel Media (Middle East) Ltd	Jersey	100	100	100	Dormant
Parallel Media (Asia) Limited (formerly Parallel Media (S.E.A.) Ltd)	Jersey	70	70	80	Marketing of sports events
Parallel Media Investments (2000) Ltd	Jersey	–	100	100	Investment holding
Parallel Media Group (Golf) Ltd	UK	100	100	100	Dormant
Parallel Formula Ltd	Jersey	–	–	70	Motor racing sponsorship
<i>Held indirectly</i>					
Parallel Television (2001) Ltd* (formerly CNBC Sports International Limited)	UK	50	50	50	Marketing of sports events
The Finest Company Ltd* (formerly NBC Super Sports (Television) Ltd)	UK	50	50	50	Marketing of sports events
Parallel Television (International) Ltd* (formerly NBC Super Sports (International) Ltd)	UK	50	50	50	Marketing of sports events
Parallel Media (2000) Ltd	UK	70	70	80	Co-ordination services
Parallel Television Ltd	UK	100	100	100	Holding company
Parallel Media Golf Ltd (formerly Parallel Murray Management Ltd)	UK	50	–	100	Management of golf players
Parallel Zone Ltd	UK	50	50	50	Dormant
Parallel Media Consultants SDN BHD	Malaysia	50	50	50	Dormant
Parallel Media (Middle East) LLC	Abu Dhabi	49	49	49	Dormant

* – consolidated as subsidiaries on the basis of dominant influence exercised by the group

Acquisitions during the year ended 31 December 1998

On 31 December 1998, the entire share capital of Parallel Sport Limited, Parallel Media Group (Golf) Limited, Parallel Media Limited and Parallel Television Limited were acquired by PMI from a related group by a transfer of shares at nominal value.

The value of the consideration was as follows:

	£
Parallel Sport Limited	2
Parallel Media Group (Golf) Limited	60,000
Parallel Media Limited	2
Parallel Television Limited	2



Below are the fair values at the date of acquisition for material subsidiaries

	Parallel Sports Ltd £'000	Parallel Media Group (Golf) Ltd £'000	Parallel Media Ltd £'000	Parallel Television Ltd £'000
Investments	–	60	–	–
Stock	–	–	45	–
Debtors	40	20	–	–
Cash at bank	1	–	–	–
Creditors	(34)	–	(45)	(3)
Net assets	7	80	–	(3)
Goodwill	(7)	(20)	–	3

Acquisitions during the year ended 31 December 2000

In 2000, the Group acquired an additional 10% interest in Parallel Media (S.E.A.) Limited, for a consideration of £200,000. The Group also acquired 70% of the issued share capital of Parallel Formula Limited at par.

Additionally, on 21 September 2000, the Group acquired the remaining 50% of the issued share capital of Parallel Murray Management Limited, a company in which the Group had previously held a joint venture interest, for no consideration. The consideration for the 50% originally acquired by the Group, after allowing for the group's share of subsequent losses of the joint venture, was £39,000.

The fair values of the net liabilities of Parallel Murray Management Ltd at the date of acquisition were:

	£'000	Book value £'000	Adjustments £'000	Fair value £'000
Debtors		64	97 a,b	161
Overdrafts		(41)	–	(41)
Creditors		(158)	16 a,c	(142)
		(135)	113	(22)
Goodwill arising on acquisition				61

The adjustments listed above can be analysed as follows:

- (a) Amounts recoverable from, and loans waived by, the joint venture parties as part of the agreement to terminate the joint venture
- (b) A contribution received from a joint venture partner external to the group in respect of the net liabilities incurred during the joint venture agreement
- (c) Corporation tax payable in respect of the period prior to acquisition

Parallel Murray Management Limited changed its name to Parallel Media Golf Limited following the acquisition.

Accountants' Report on Parallel Media Group International Limited

Parallel Media Golf Limited earned a profit of £59,000 in the year ended 31 December 2000, of which £56,000 arose in the period to 21 September 2000. The summarised profit and loss account for the period from 1 January 2000 to the date of acquisition, incorporating the profit and loss account effect of the above fair value adjustments, was as follows:

	£'000
Turnover	92
Operating profit	69
Profit before taxation	65
Taxation	(9)
	56

Parallel Media Golf Limited contributed a cash inflow of £43,000 to the group's net operating cash flows during the period from the date of acquisition to 31 December 2000.

10 Debtors

	31 December 1998 £'000	31 December 1999 £'000	31 December 2000 £'000
Trade debtors	4,286	1,157	1,305
Other debtors	1,089	3,044	2,259
Prepayments	63	27	83
	5,438	4,228	3,647

Included in other debtors at 31 December 2000 is an amount of £565,000 (1999: £1,012,000, 1998: £nil) due from Asia Sport Group Limited, a World Sport Group company.

11 Current asset investments

	31 December 1998 £'000	31 December 1999 £'000	31 December 2000 £'000
Assets held for resale	–	2,671	2,029

Current asset investments comprise short term liquid investments in bonds and equities.

12 Creditors: amounts falling due within one year

	31 December 1998 £'000	31 December 1999 £'000	31 December 2000 £'000
Bank overdrafts	137	764	825
Other loans	–	–	500
Amounts owed to group undertakings	46	49	–
Trade creditors	1,360	1,403	1,608
Other creditors	321	400	692
Corporation tax	1	49	9
Taxation and social security	34	21	50
Obligations under finance leases	2	14	–
Accruals and deferred income	4,026	2,290	1,918
	5,927	4,990	5,602



13 Creditors: amounts falling due after one year

	31 December 1998 £'000	31 December 1999 £'000	31 December 2000 £'000
Other loans	501	500	–
Obligations under finance leases	12	–	–
	513	500	–

14 Called up share capital

	31 December 1998 £'000	31 December 1999 £'000	31 December 2000 £'000
Authorised			
6,000 'A' ordinary shares of £1 each	6	6	6
3,500 'B' ordinary shares of £1 each	4	4	4
2,500 'C' ordinary shares of £1 each	2	2	2
	12	12	12
Allotted and fully paid			
5,723 'A' ordinary shares of £1 each	6	6	6
3,174 'B' ordinary shares of £1 each	3	3	3
2,087 'C' ordinary shares of £1 each	2	2	2
	11	11	11

In 1998 the following shares were issued:

3,174 'B' ordinary shares of £1 each were issued for cash for £2,099,720

2,087 'C' ordinary shares of £1 each were issued for cash for £4,997,913

All classes of shares rank *pari passu* in all respects.

Accountants' Report on Parallel Media Group International Limited

15 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 1998	8,699	673
Additions in year	7,098	–
Legal expenses written off	(906)	–
Loss for the year	–	(1,583)
At 31 December 1998	14,891	(910)
Loss for the year	–	(2,793)
At 31 December 1999	14,891	(3,703)
Loss for the year	–	(3,173)
At 31 December 2000	14,891	(6,876)

16 Reconciliation of movements in shareholders' funds

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Loss for financial year	(1,583)	(2,793)	(3,173)
Share premium paid	7,098	–	–
Legal expenses written off	(906)	–	–
New share capital subscribed	2	–	–
Net additions/(reductions in) to shareholders' funds	4,611	(2,793)	(3,173)
Opening shareholders' funds	9,381	13,992	11,199
Closing shareholders' funds	13,992	11,199	8,026

17 Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Operating loss	(2,286)	(4,379)	(3,944)
Depreciation	81	63	59
Provision for diminution in value of investments	–	–	2,785
Loss on sale of tangible fixed assets	8	–	–
Amortisation of goodwill	355	529	368
Write back of loan	(249)	–	–
Decrease in work in progress	61	402	(37)
(Increase)/decrease in debtors	(3,565)	1,346	740
Increase/(decrease) in creditors	4,120	(1,585)	(646)
Net cash outflow from operating activities	(1,475)	(3,624)	(675)



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

	As at 1 January 1998 £'000	Cash flow £'000	Other non-cash changes £'000	As at 31 December 1998 £'000
Cash at bank and in hand	3,821	4,302	–	8,123
Bank overdrafts	(62)	(75)	–	(137)
	3,759	4,227	–	7,986
Debt due within one year	(1)	–	–	(1)
Debt due after one year	(2,233)	1,502	218	(513)
Total	1,525	5,729	218	7,472

	As at 1 January 1999 £'000	Cash flow £'000	As at 31 December 1999 £'000
Cash at bank and in hand	8,123	(7,882)	241
Bank overdrafts	(137)	(627)	(764)
	7,986	(8,509)	523
Debt due within one year	(1)	(12)	(13)
Debt due after one year	(513)	12	(501)
Current asset investments	–	2,671	2,671
Total	7,472	(5,838)	1,634

	As at 1 January 2000 £'000	Cash flow £'000	As at 31 December 2000 £'000
Cash at bank and in hand	241	(133)	108
Bank overdrafts	(764)	(61)	(825)
	(523)	(194)	(717)
Debt due within one year	(14)	(486)	(500)
Debt due after one year	(500)	500	–
Current asset investments	2,671	(642)	2,029
Total	1,634	(822)	812

Accountants' Report on Parallel Media Group International Limited

19 Disposal of subsidiary

	1998 £'000
<hr/>	
(Accounted for as a Joint Venture)	
Net assets disposed of:	
Tangible fixed assets	39
Stock	82
Debtors	1,168
Cash at bank	580
Creditors	(1,494)
Bank overdraft	(62)
	<hr/> 313
Pre acquisition retained reserves	(95)
Minority interest	(157)
Loss on disposal	(61)
	<hr/> -
Satisfied by:	
Cash	-
	<hr/>

20 Acquisition of subsidiaries

	1998 £'000
<hr/>	
Net assets acquired consist of:	
Tangible fixed assets	-
Stock	45
Debtors	60
Cash at bank	1
Creditors	(82)
	<hr/> 24
Goodwill	2
Negative Goodwill	(26)
	<hr/> -
Satisfied by:	
Inter company transfer	-
	<hr/>



21 Commitments and contingencies

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	1998	Other leases 1999	2000
	£'000	£'000	£'000
Due within 2 – 5 years	150	150	150

PMI acts as an unlimited guarantor for Parallel Television Limited, which is the Company's wholly owned subsidiary. The guarantee forms part of the subscription and shareholders agreement between Parallel Television Limited and CNBC Europe Limited.

22 Barter transactions

During the year, the Group acquired investments in Sportal International Limited and Birdie Holdings Limited (note 23). The investment in Birdie Holdings Limited was subsequently disposed of (note 23). Both these investments were acquired in exchange for the provision of advertising space by the Group.

The cost of acquiring the investment in Sportal International Limited was £464,825 representing the costs incurred by the Group in supplying Sportal International Limited with advertising space. The advertising space was utilised during the year ended 31 December 2000 and its cost was offset against cost of sales. The advertising space to be supplied to Birdie Holdings Limited will be utilised during the year ended 31 December 2001 and consequently the anticipated costs of providing the advertising space, totalling £772,381, have been accrued within creditors, and will be offset against cost of sales as the advertising is utilised.

23 Related parties and control

The Company incurred consultancy fees from companies of which directors of PMI are directors, as follows:

	1998	1999	2000
	£'000	£'000	£'000
Related party (PMI director who is a director of the related party)			
Elysian Group plc (JDN Ciclitira and M S Merry)	–	450	410
NSA/GENSEC (A Witkin)	–	50	71
Rutishauser Finance Limited (K Rutishauser)	–	10	12

In addition, in 2000, fees and disbursements of £54,000 (1999: £50,000, 1998: nil) were paid to Deloitte and Touche, a partnership of which N Cuttiford is a partner.

During 2000, the Group invested £465,000 (1999: £2,050,000, 1998: £250,000) in Sportal International Limited (formerly Pangolin International Limited), a company in which David Ciclitira is a non executive director (see note 1). During 2000, the Group acquired an investment in Birdie Holdings Limited, a company of which David Ciclitira is also a director. This investment was subsequently disposed of at a profit of £74,000.

Accountants' Report on Parallel Media Group International Limited

	Year ended 31 December 1998 £'000	Year ended 31 December 1999 £'000	Year ended 31 December 2000 £'000
Balances due from related parties at the balance sheet dates:			
PMG Legends SA	–	63	–
Elysian Group plc	–	–	63
Elysian Investments Limited	–	–	3
Art of Illustration Limited	–	–	4
Parallel Media Middle East LLC	–	–	13
Parallel Zone Limited	15	–	–
Broadcast Innovations Limited	53	–	–
Parallel Murray Management Limited	–	19	–

Balances due from directors at the balance sheet dates

JDN Ciclitira	147	27	63
MS Merry	–	13	45

These balances are interest free (with the exception of the amount due from J D N Ciclitira at 31 December 1998) and repayable on demand, and represent the maximum balances outstanding during each accounting period.

Balances owed to related parties at the balance sheet dates

Elysian Group Plc	61	54	–
CNBC Europe Limited	250	250	250

Other transactions with related parties

Office rent payable to Elysian Group Plc	150	150	150
Management charges receivable from Broadcast Innovations Ltd	40	–	–
Amounts written back on balances with related parties	–	–	3

Elysian Group Plc, Elysian Investments Limited, Art of Illustration Limited and PMG Legends SA are companies under the control of David Ciclitira. Parallel Media Middle East LLC is a participating interest of the company which is not included in the consolidation on the grounds of immateriality. CNBC Europe Ltd was until 31 May 2000 a shareholder in Parallel Television, formerly CNBC Sports International Limited.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants



BDO Stoy Hayward
Chartered Accountants

8 Baker Street
London W1U 3LL

The Directors
Orchard Furniture plc
10-11 Gray's Inn Square
London
WC1R 5JD

The Directors
Investec Henderson Crosthwaite
(a division of Investec Bank (UK) Limited)
2 Gresham Street
London
EC2V 7QP

16 July 2001

Dear Sirs

WORLD SPORT GROUP (JERSEY) LIMITED ("NEWCO")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus of Orchard Furniture plc dated 16 July 2001 (the "Prospectus") in connection with the proposed acquisition of Newco (the "Proposed Transaction").

Newco was incorporated in Jersey (company number 80412) on 5 July 2001.

As at 6 July 2001, Newco had not commenced trading.

Basis of preparation

The financial information set out below has been prepared specifically for the purposes of the Prospectus.

Responsibility

The directors of Newco are responsible for the financial information in this report. The directors and the proposed directors of Orchard Furniture plc are responsible for the contents of the Prospectus in which this report is included.

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

Basis of opinion

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

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

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Newco as at 6 July 2001.

Accountants' Report on World Sport Group (Jersey) Limited

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraphs 45(2)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Newco has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation. No dividends have been declared or paid.

Balance sheet as at 6 July 2001

	£
Current assets	
Cash in hand	2
Net assets	2
Share capital and reserves	
Called up share capital	2
Shareholders' funds – equity	2

NOTES TO THE FINANCIAL INFORMATION

Accounting policies

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

Share capital

	£
Authorised share capital	
100,000 Ordinary shares of £1 each	100,000
Allotted, called up and fully paid	
2 Ordinary shares of £1 each	2

On incorporation, 2 ordinary shares of £1 each were subscribed for.

Post balance sheet events

Subsequent to 6 July 2001, Newco entered into various agreements as described in paragraph 8 of Part 12 of the Prospectus, in respect of the acquisition of The World Sport Group Limited and Parallel Media Group International Limited.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000



Introduction

The financial information set out in this Part 10 has been extracted, without material adjustment, from the audited accounts of Orchard Furniture plc for each of the three years ended 30 June 2000 and the six months ended 31 December 2000 ("the Relevant Periods"). The statutory accounts of Orchard Furniture plc for each of the Relevant Periods have been delivered to the Registrar of Companies. The financial information set out below does not constitute statutory accounts within the meaning of section 240 of the Act.

In the year ended 30 June 1999, the Company disposed of all its remaining operating subsidiaries. Consolidated results including those of the operating subsidiaries to the date of disposal were not prepared and thus the profit and loss account for that year, as set out below, represents the results of Orchard Furniture plc alone.

The cash flow statement also does not reflect the impact of the results of subsidiaries up to the date of their disposal.

The auditors of Wyefield Group plc, which changed its name to Orchard Furniture plc on 6 January 1999, for the year ended 30 June 1998 were KPMG Audit Plc, Chartered Accountants and Registered Auditors, 5 Stuart Street, Derby DE1 1BT.

The auditors of Orchard Furniture plc for each of the two years ended 30 June 2000 and for the six months ended 31 December 2000 were Ian Duckworth & Co, Chartered Accountants and Registered Auditors, Ashley House, 9 King Street, Westhoughton, Bolton BL5 3AX.

In each of the Relevant Periods, the auditors made reports under section 235 of the Act in respect of the statutory accounts and each such report was unqualified and did not contain a statement under section 237(2) or 3 of the Act.

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000

Consolidated profit and loss accounts

	Notes	Year ended 30 June 1998 £'000	Year ended 30 June 1999 £'000	Year ended 30 June 2000 £'000	6 months ended 31 December 2000 £'000
Turnover	1	72	54	–	–
Operating costs		(10,203)	(2,036)	(97)	(201)
Other operating income		–	–	92	–
Operating loss		(10,131)	(1,982)	(5)	(201)
Operating loss from continuing operations	2	(373)	(420)	(20)	(85)
Exceptional items		(9,758)	(1,562)	15	(116)
		(10,131)	(1,982)	(5)	(201)
Interest receivable		–	–	84	415
Interest payable	3	(68)	(72)	–	–
(Loss)/profit on ordinary activities before tax	4	(10,199)	(2,054)	79	214
Tax on (loss)/profit on ordinary activities	7	–	–	–	–
(Loss)/profit for the financial year	14	(10,199)	(2,054)	79	214
Basic (loss)/profit per share	8	(40.3)p	(5.8)p	0.02p	0.01p

There were no recognised gains or losses other than disclosed above and there have been no discontinued activities or acquisitions in the Relevant Periods.



Consolidated cash flow statement

	Notes	Year ended 30 June 1998 £'000	Year ended 30 June 1999 £'000	Year ended 30 June 2000 £'000	6 months ended 31 December 2000 £'000
Net cash outflow from operating activities	18	(274)	(1,609)	(24)	(84)
Returns on investments and servicing of finance					
Interest paid		(64)	(72)	–	–
Interest received		–	–	84	415
		(64)	(72)	84	415
Capital expenditure and financial investment					
Receipts from sales of tangible fixed assets		42	1,100	–	–
Payments to acquire tangible fixed assets		(49)	–	–	–
		(7)	1,100	–	–
Net cash (outflow)/inflow before financing		(345)	(581)	60	331
Financing					
Repayment of bank loan and overdraft		(62)	(460)	–	–
Repayment of Convertible Secured Loan Stock		–	(149)	(31)	–
New loans		427	–	–	–
Proceeds from new share issue		–	195	13,074	1,921
Proceeds from issue of Convertible Secured Loan Stock		–	1,000	–	–
		365	586	13,043	1,921
Increase in cash	19	20	5	13,103	2,252

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000

Consolidated balance sheets

	Notes	As at 30 June 1998 £'000	As at 30 June 1999 £'000	As at 30 June 2000 £'000	As at 31 December 2000 £'000
Fixed assets					
Tangible assets	9	1,275	–	–	–
		1,275	–	–	–
Current assets					
Debtors	10	37	–	63	135
Cash		–	5	13,108	15,163
		37	5	13,171	15,298
Creditors: amounts falling due within one year	11	(365)	(293)	(337)	(313)
Total assets less current liabilities		947	(288)	12,834	14,985
Creditors: amounts falling due after more than one year		(227)	–	–	–
Net assets/(liabilities)		720	(288)	12,834	14,985
Capital and reserves					
Called up share capital	13	5,059	5,079	6,965	7,174
Share premium account	14	6,155	6,330	18,338	20,164
Other reserves	14	577	557	557	557
Profit and loss account	14	(11,051)	(13,105)	(13,026)	(12,910)
Equity shareholders' funds		720	(1,139)	12,834	14,985
Non equity share capital					
Convertible secured loan stock		–	851	–	–
Total shareholders' funds		720	(288)	12,834	14,985



Reconciliation of movements in consolidated shareholders' funds

	Year ended 30 June 1998 £'000	Year ended 30 June 1999 £'000	Year ended 30 June 2000 £'000	6 months ended 31 December 2000 £'000
(Loss)/profit for the financial year	(10,199)	(2,054)	79	214
Proceeds from issue of shares	–	195	13,074	1,921
Proceeds from issue of Convertible Secured Loan Stock	–	1,000	–	–
Repayment of Convertible Secured Loan Stock	–	(149)	(31)	–
Issue of shares to creditors	–	–	–	114
Net (decrease)/increase in shareholders' funds	(10,199)	(1,008)	13,122	2,249
Opening shareholders' funds	10,919	720	(288)	12,834
Closing shareholders' funds	720	(288)	12,834	15,083

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000

ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable Accounting Standards and prepared under the historical cost accounting rules modified to include the revaluation of certain freehold land and buildings.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings. The financial statements of all subsidiary undertakings are made up to the same date as those of the company. Unless otherwise stated the acquisition method of accounting has been adopted. Under this method the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Depreciation

Depreciation is calculated to write down the cost or valuation of fixed assets to their estimated residual values in annual instalments over their anticipated useful economic lives as follows:

Freehold buildings	2%
Plant and equipment	10% – 25%

Freehold land is not depreciated.

Leases

Certain items of plant, equipment and vehicles may be financed by leasing arrangements which give rights that approximate to ownership. These are included in the balance sheet as fixed assets at cost less depreciation and the capital element of future rentals is treated as a liability. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments included in creditors.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Deferred tax

No provision is made nor asset recognised for deferred taxation unless there is a reasonable probability that the liability or asset will crystallise in the foreseeable future.

Pension commitments

The company has accrued contributions to employees' pension schemes. Contributions are charged against profits in the year in which they arise.



Notes

1 Analysis of results

The directors consider that the company has a single activity. The Group is currently a non-trading group whose only source of income is that of capital gains on investments and interest on monies held in interest bearing accounts. All turnover and profits originate from operations in the United Kingdom.

2 Exceptional items

The exceptional items for the period to 31 December 2000 of £116,750 comprises of a charge of £109,914 of legal costs in respect of an abortive take-over and £6,836 in connection with redundancy claims from former employees.

The exceptional items for the year to 30 June 2000 of £15,263 comprise of a write-back of £122,113 in respect of creditors as a result of approval of the company voluntary arrangement that took place on 10 January 2000 and a charge of £106,850 in respect of pension and compensation payments made to former directors and employees for loss of office.

The exceptional items shown in the 1999 accounts relate to the cost of raising additional working capital finance of £198,000 and provision against irrecoverable loans made to former subsidiary companies in the amount of £1,364,000.

The exceptional items shown by the 1998 accounts represent a provision against a loan made to Wyefield Holdings Limited of £8,310,000 and a provision against the value of investments in subsidiary undertakings of £1,434,000 together with other exceptional items of £14,000.

3 Interest payable

	Year ended 30 June 1998	Year ended 30 June 1999	Year ended 30 June 2000	6 months ended 31 December 2000
Notes	£'000	£'000	£'000	£'000
Payable – on bank loans and overdrafts	39	30	–	–
– all other loans	29	42	–	–
	68	72	–	–

4 (Loss)/profit on ordinary activities before tax

	Year ended 30 June 1998	Year ended 30 June 1999	Year ended 30 June 2000	6 months ended 31 December 2000
Notes	£'000	£'000	£'000	£'000
This is stated after charging:				
Depreciation – owned assets	49	39	–	–
Operating leases rentals – plant and equipment	27	10	–	–
Auditors – company audit fee	10	10	5	5
– non-audit fees	21	–	5	–

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000

5 Employees

The average number of employees during the year was:

	Year ended 30 June 1998	Year ended 30 June 1999	Year ended 30 June 2000	6 months ended 31 December 2000
Notes	£'000	£'000	£'000	£'000
Administration	6	5	3	3

The aggregate payroll costs were:

	Year ended 30 June 1998	Year ended 30 June 1999	Year ended 30 June 2000	6 months ended 31 December 2000
Notes	£'000	£'000	£'000	£'000
Wages and salaries	206	215	11	18
Social and security costs	19	21	–	–
Other pension costs	24	17	6	–
Compensation for loss of office	–	–	101	–
	249	253	118	18

6 Remuneration of directors

(a) Six months ended 31 December 2000

The remuneration, excluding pension contributions, of the directors in the six months to 31 December 2000 is made up as follows:

	Salary and fees £'000	Taxable benefits £'000	Total 1999 £'000
A T Lawson-Cruttenden	18	–	18
R J Armstrong	–	–	–
M Wilsher	–	–	–
	18	–	18

No pension contributions were paid in the period.

Directors' service contracts are terminable by a notice period not exceeding one year.



(b) Year ended 30 June 2000

The remuneration, excluding pension contributions, of the directors in the year to 30 June 2000 is made up as follows:

	Salary and fees £'000	Taxable benefits £'000	Total 1999 £'000
A T Lawson-Crutenden	7	–	7
R J Armstrong	–	–	–
M Wilsher	–	–	–
H R Gillespie	4	–	4
A P Appleton	–	–	–
P M C Rabl	–	–	–
D W R Harland	–	–	–
A P Davies	–	–	–
D K Exley	–	–	–
B W Partington	–	–	–
P A Whitelocks	–	–	–
	11	–	11

Pension contributions totalling £5,750 were paid in 2000 in the year to 30 June 2000 in respect of A P Davies (£2,875) and D K Exley (£2,875). Information concerning directors' share options is given in Note 16.

The number of directors to whom benefits were accruing under money purchase pension schemes in the year to 30 June 2000 was 2.

(c) Year ended 30 June 1999

The remuneration, excluding pension contributions, of the directors in the year to 30 June 1999 is made up as follows:

	Salary and fees £'000	Taxable benefits £'000	Total 1999 £'000
H R Gillespie	4	–	4
A P Appleton	7	–	7
P M C Rabl	10	2	12
D W R Harland	6	–	6
A P Davies	71	6	77
D K Exley	71	4	75
B W Partington	15	2	17
P A Whitelocks	15	2	17
	199	16	215

Pension contributions totalling £16,500 were paid in the year to 30 June 1999 in respect of P M C Rabl (£Nil), A P Davies (£6,750), D K Exley (£6,750), P A Whitelocks (£1,500) and B W Partington (£1,500). Information concerning directors' share options is given in Note 16.

The number of directors to whom benefits were accruing under money purchase pension schemes in the year to 30 June 1999 was 2.

Directors' service contracts are terminable by a notice period not exceeding one year.

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000

(d) Year ended 30 June 1998

The remuneration, excluding pension contributions, of the directors in the year to 30 June 1998 is made up as follows:

	Salary and fees £'000	Taxable benefits £'000	Total 1999 £'000
P M C Rabl	34	12	46
D W R Harland	13	–	43
A P Davies	60	6	66
D K Exley	60	4	64
B W Partington	45	5	50
P A Whitelocks	71	5	76
	283	32	315

Pension contributions totalling £24,000 were paid in respect of P M C Rabl (£3,000), A P Davies (£6,000), D K Exley (£4,000), P A Whitelocks (£5,000) and B W Partington (£6,000). Information regarding directors' share options is given in note 16.

The number of directors to whom benefits were accruing under money purchase pension schemes was 5.

Directors' service contracts are terminable by a notice period not exceeding one year.

7 Tax

No charge to corporation tax arises as a result of losses in previous years.

8 (Loss)/profit per share

	Year ended 30 June 1998	Year ended 30 June 1999	Year ended 30 June 2000	6 months ended 31 December 2000
(Loss)/profit for the financial year	(10,199,000)	(2,054,000)	78,295	213,577
Weighted average number of shares	25,295,753	35,045,753	445,905,688	2,091,976,000
Basic (loss)/profit per share	(40.3)p	(5.8)p	0.02p	0.01p
Exceptional items per share	(38.5)p	(4.5)p		
Loss per share before exceptional items	(1.5)p	(1.2)p		

The exceptional items per share for the year to 30 June 2000 and the six months to 31 December 2000 have not been disclosed since it is insignificant, and therefore the profit/(loss) per share before exceptional items is not significantly different from the basic profit/(loss) per share.



9 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation			
At 1 July 1997	1,200	181	1,381
Additions	–	49	49
Disposals	–	(88)	(88)
At 30 June 1998	1,200	142	1,342
Additions	–	–	–
Disposals	(1,200)	(142)	(1,342)
At 30 June 1999 and 2000 and 31 December 2000	–	–	–
Depreciation			
At 1 July 1997	25	54	79
Charge in the period	25	24	49
Disposals	–	(61)	(61)
At 30 June 1998	50	17	67
Charge in the period	9	30	39
Disposals	(59)	(47)	(106)
At 30 June 1999 and 2000 and 31 December 2000	–	–	–
Net book value			
At 30 June 1999 and 2000 and 31 December 2000	–	–	–
At 30 June 1998	1,150	125	1,275

The gross amount of depreciable freehold buildings was £1,100,00 at 30 June 1998.

The land and buildings were valued at £1,200,000 in June 1996 on an open market existing use basis. The historical cost of the freehold land and buildings was £1,744,000 at 30 June 1998, including capitalised interest of £60,000 in relation to the purchase of the property and its refurbishment.

10 Debtors

	30 June 1998 £'000	30 June 1999 £'000	30 June 2000 £'000	31 December 2000 £'000
Amounts owing by subsidiary undertaking	25	–	–	–
Other debtors	12	–	63	36
	37	–	63	36

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000

11 Creditors

	30 June 1998 £'000	30 June 1999 £'000	30 June 2000 £'000	31 December 2000 £'000
Amounts falling due within one year				
Bank loans and overdraft	233	–	–	–
Trade creditors	27	57	–	–
Social security and other taxes	14	117	–	–
Other creditors	17	51	215	101
Accruals	74	68	122	212
	365	293	337	313
Amounts falling due after more than one year				
Bank loans:				
Between one and two years	67	–	–	–
Between two and five years	160	–	–	–
	227	–	–	–

12 Provisions for liabilities and charges

No provision has been made for any actual or potential liability to deferred tax due to the availability of tax losses.

13 Called up share capital

	30 June 1998 £'000	30 June 1999 £'000	30 June 2000 £'000	31 December 2000 £'000
Authorised				
34,102,671 Ordinary shares of 20p each	6,821	–	–	–
1,786,679,353 Ordinary shares of 0.1p each	–	1,787	–	–
6,253,679,353 Ordinary shares of 0.1p each	–	–	6,254	6,254
25,295,753 Deferred shares of 19.9p each	–	5,034	5,034	5,034
	6,821	6,821	11,288	11,288
Issued and fully paid				
25,295,753 Ordinary shares of 20p each	5,059	–	–	–
44,795,753 Ordinary shares of 0.1p each	–	45	–	–
1,931,093,829 Ordinary shares of 0.1p each	–	–	1,931	–
2,140,239,887 Ordinary shares of 0.1p each	–	–	–	2,140
25,295,753 Deferred shares of 19.9p each	–	5,034	5,034	5,034
	5,059	5,079	6,965	7,174

On 16 August 2000 200,000,000 shares of 0.1p each were placed at a price of 1p.

On 7 September 2000 9,146,058 shares of 0.1p were issued to creditors at a price of 1.25p.



Share options:

Under the Company's Executive Share Option Scheme, the following share options have been granted and were outstanding at 31 December 2000:

	Exercise Price	Number
Exercisable between:		
March 2002 and March 2009	1.25p	650,000

Share warrants:

On 10 August 2000, the Company issued warrants to subscribe for 25,000,000 shares at a price of 4p per share. These warrants are exercisable by 4 February 2002.

On the same date, the Company also issued the warrant holder with warrants to subscribe for up to an additional 75,000,000 Ordinary Shares of 0.1p each at a price of 4p per share, exercisable by 30 June 2002. These warrants are only exercisable if the Company utilises a facility of up to £10 million made available by the warrant holder by way of a loan or subscription for shares in the Company. The precise number of shares issued under this warrant will be determined by a pro rata basis by the amount of the facility utilised.

14 Reserves

	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 July 1997	6,155	557	(852)	5,860
Retained loss for the year	–	–	(10,199)	(10,199)
At 30 June 1998	6,155	557	(11,051)	(4,339)
Retained loss for the year	–	–	(2,054)	(2,054)
Share premium arising in the year	175	–	–	175
At 30 June 1999	6,330	557	(13,105)	(6,218)
Retained profit for the year	–	–	79	79
Share premium arising in the year	12,385	–	–	12,385
Cost of share issue	(377)	–	–	(377)
At 30 June 2000	18,338	557	(13,026)	5,869
Retained profit for the period	–	–	214	214
Share premium arising in the period	1,905	–	–	1,905
Cost of share issue	(79)	–	–	(79)
At 31 December 2000	20,164	557	(12,812)	7,909

15 Pension schemes

The Group operated during the Relevant Periods certain defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to personal pension schemes and amounted to £24,000 in the year to 30 June 1998, £16,500 in the year to 30 June 1999, £5,750 in the year to 30 June 2000 and £nil in the six months to 31 December 2000.

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000

16 Directors' interests in shares and options

(a) Six months to 31 December 2000 and year to 30 June 2000

The interest of the directors in office in the ordinary share capital of the Company were as follows:

	As at 30 June 2000 and 31 December 2000 Ordinary shares of 20p	
	Fully paid	Options
M Wilsher	9,500,000	–
R Armstrong	82,715,334	–

None of the directors had share options at 30 June 2000. M Wilsher's shares are held by companies owned by a trust in which he has a possible beneficial interest.

(b) Year to 30 June 1999

The interest of the directors in office at 30 June 1999 in the ordinary share capital of the Company were as follows:

	30 June 1999 Ordinary shares of 20p	
	Fully paid	Options
A P Appleton	56,675	–
A P Davies	66,166	325,000
D K Exley	32,000	325,000

Details of share options held by directors in office at 30 June 1999 are as follows:

	Held on 1.7.98	Granted in year	Held on 30.6.99	Exercise price	Net value	Exercisable Earliest	Exercisable Latest
A P Davies	150,000	(150,000)	–	20.00p	Nil	Mar 1999	Jan 2008
A P Davies	–	325,000	325,000	1.25p	Nil	Mar 2002	Mar 2009
D K Exley	125,000	(125,000)	–	20.00p	Nil	Jan 2000	Jan 2008
D K Exley	–	(325,000)	325,000	1.25p	Nil	Mar 2002	Mar 2009
B W Partington	150,000	(150,000)	–	20.00p	Nil	Mar 1999	Mar 2007
P A Whitelocks	150,000	(150,000)	–	20.00p	Nil	Jan 2000	Jan 2008

The shares were suspended on 15 June 1999.

Since the shares were suspended on 15 June 1999 the closing price of the Company's shares on 30 June 1999 was below the exercise prices of all options held. Therefore the options had a 'nil' net value at that date. No options were exercised during the year to 30 June 1999. The above options may only be exercised if the growth in the Company's earning per share exceeds inflation by more than 5% over the three year period immediately preceding the proposed exercise.

(c) Year to 30 June 1998

The interests of the directors in office at 30 June 1998 in the ordinary share capital of the Company were as follows:

	30 June 1998 Ordinary shares of 20p	
	Fully paid	Options
P M C Rabl	2,516,450	–
D W R Harland	1,017,750	–
A P Davies	66,156	150,000
D K Exley	32,000	125,000
B W Partington	12,000	150,000
P W Whitelocks	–	150,000



At 30 June 1998, directors were the beneficial holders of all shares listed, except for 280,050 of PMC Rabl's shares which are owned by a trust established by him under which his family are beneficiaries.

Details of share options held by directors in office at 30 June 1998 are as follows:

	Held on 1.7.97	Granted in year	Held on 30.6.98	Exercise price	Net value	Exercisable Earliest	Exercisable Latest
A P Davies	100,000	50,000	150,000	20.00p	Nil	Mar 1999	Jan 2008
D K Exley	25,000	100,000	125,000	20.00p	Nil	Jan 2000	Jan 2008
B W Partington	25,000	125,000	150,000	20.00p	Nil	Mar 1999	Mar 2007
P A Whitelocks	150,000	–	150,000	20.00p	Nil	Jan 2000	Jan 2008

The market price of the Company's shares at 30 June 1998 was 7.5p. The range during the year was 6.5p to 16.5p.

The closing price of the Company's shares on 30 June 1998 was below the exercise prices of all options held. Therefore the options had a 'nil' net value at that date. No options were exercised during the year to 30 June 1998. The above options may only be exercised if the growth in the Company's earnings per share exceeds inflation by more than 5% over the three year period immediately preceding the proposed exercise.

On 30 September 1998, the options held by B W Partington and P A Whitelocks were relinquished on their resignation as directors of the Company.

17 Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 30 June 1998 £'000	Year ended 30 June 1999 £'000	Year ended 30 June 2000 £'000	6 months to 31 December 2000 £'000
Operating loss	(10,135)	(1,982)	(5)	(201)
Depreciation	49	39	–	–
(Profit)/loss on disposal of fixed assets	(15)	136	–	–
Other amounts written off investments	9,744	–	–	–
Decrease/(increase) in debtors	232	37	(63)	27
(Decrease)/increase in creditors	(149)	161	44	(24)
Issue of shares to creditors	–	–	–	114
	(274)	(1,609)	(24)	(84)

18 Reconciliation of net cash flow to movements in net debt

	Year ended 30 June 1998 £'000	Year ended 30 June 1999 £'000	Year ended 30 June 2000 £'000	6 months to 31 December 2000 £'000
Increase in cash in the year	(737)	(5)	13,103	2,252
Cash inflow from increase in debt and in-substance borrowings	(839)	(586)	–	–
Change in net debt resulting from cash flows	(1,576)	(591)	13,103	2,252
New finance leases	(12)	–	–	–
Change in net debt in the year	(1,588)	(591)	13,103	2,252
Net debt at start of year	(357)	(460)	5	13,108
Net funds/debt at 30 June	(1,945)	(1,051)	13,108	15,360

Financial Record of Orchard Furniture plc for the three years ended 30 June 2000 and the six months ended 31 December 2000

19 Analysis of changes in net debt

	At 1 July 1997 £'000	Cash flow £'000	Other non- cash changes £'000	At 30 June 1998 £'000
Cash	(2)	(–)	–	–
Overdraft	(69)	(735)	–	(804)
Debt due after more than one year	–	(227)	–	(227)
Debt due within one year	(62)	(5)	–	(67)
Issue of shares	(27)	7	(12)	(32)
Issue of Convertible Secured Loan Stock	(201)	(614)	–	(815)
	(357)	(1,576)	(12)	(1,945)

	At 1 July 1998 £'000	Cash flow £'000	Other non- cash changes £'000	At 30 June 1999 £'000
Cash	–			
Overdraft	(804)			
Debt due after more than one year	(227)			
Debt due within one year	(67)			
Issue of shares	(32)			
Issue of Convertible Secured Loan Stock	(815)			
	(1,945)			

	At 1 July 1999 £'000	Cash flow £'000	Other non- cash changes £'000	At 30 June 2000 £'000
Cash	5	13,103	–	13,108

	At 1 July 2000 £'000	Cash flow £'000	Other non- cash changes £'000	At 31 December 2000 £'000
Cash	13,108	2,252	–	15,360

20 Post balance sheet event

On 22 March 2001, the Company issued 7,304,758 shares of 0.1p in respect of outstanding amounts owed to creditors. This has discharged the remaining creditors under the CVA.



21 Contingent liability

During September and October 2000 the Company was in negotiations to acquire, by way of a reversal, a target company (the "Target Company") to which Arthur Andersen were auditors and financial advisers. The directors of the Company have been advised by the Company's solicitors, Bircham Dyson Bell, that it was agreed between the Company and the Target Company, subject to contract, that Arthur Andersen were, on completion of the transaction, also to be nominated advisers to the enlarged group comprising the Company and the Target Company. The proposed transaction did not proceed. On 6 November 2000 Arthur Andersen wrote to the Company to say that it had allocated and proposed to bill the Company £598,650 (excluding VAT) for its share of Arthur Andersen's costs and expenses in the aborted matter. Included in the £598,650 was a sum of £11,375 plus VAT which the Company acknowledged was due for advice given by Arthur Andersen to the Company in relation to the preparation of the Company's audited accounts. The sum of £11,375 plus VAT has been duly paid to Arthur Andersen, although to date no invoice has been rendered to the Company and no acknowledgement of receipt has been received.

The Company, after seeking advice from Bircham Dyson Bell, has denied that it agreed, except as above, to be responsible for any of Arthur Andersen's costs and expenses and, in particular, denies that it has any further liability to Arthur Andersen in respect of the balance of the sum which they have proposed should be billed by them, namely £585,275. The Company has not received any invoice from Arthur Andersen, nor has Arthur Andersen commenced any legal proceedings against the Company.

Pro forma unaudited statement of combined net assets of the Enlarged Group

Set out below is an unaudited pro forma statement of the combined net assets of the Enlarged Group, as adjusted to reflect the Proposals. This statement has been prepared for illustrative purposes only and because of its nature it may not give a true picture of the financial position of the Enlarged Group after completion of the Proposals. The pro forma statement is based on the balance sheet of the Company as at 31 December 2000, as extracted from the financial information of the Company for the six months ended on that date as set out in Part 10 of this document.

	Orchard at 31 December 2000 £'000	PMI £'000	WSG £'000	Adjustments £'000	Pro forma net assets £'000
Fixed assets					
Intangible assets					
Positive goodwill	–	6,176	–	68,575	74,751
Negative goodwill	–	(7)	–	–	(7)
Tangible assets					
Investments	–	868	126	–	994
Investments in associates	–	–	1,479	–	1,479
	–	7,148	2,601	68,575	78,324
Current assets					
Stock and work in progress	–	45	–	–	45
Debtors	135	3,647	9,293	–	13,075
Investments	–	2,029	–	–	2,029
Cash at bank	15,163	108	8,711	3,575	27,557
	15,298	5,829	18,004	3,575	42,706
Creditors: amounts falling due within one year	(313)	(5,602)	(30,955)	–	(36,870)
Net current assets/(liabilities)	14,985	227	(12,951)	3,575	5,836
Net assets	14,985	7,375	(10,350)	72,150	84,160

Notes

1. The assets and liabilities of Orchard have been extracted from the financial information on Orchard contained in Part 10 of this document.
2. The assets and liabilities of PMI have been extracted from the accountants' report as set out in Part 8 of this document.



3. The assets and liabilities of WSG have been extracted from the accountants' report as set out in Part 7 of this document, translated into sterling at a rate of \$1.4938:£1 (being the exchange rate ruling at 31 December 2000), and allocated to the headings presented above as follows:

	\$'000	£'000	Heading in pro forma
Non current assets			
Fixed assets	1,488	996	Tangible fixed assets
Associates	2,210	1,479	Investments in associates
Investment securities	78	52	Fixed asset investments
Golf club membership	110	74	Fixed asset investments
Loan receivable	535	358	Debtors
	4,421	2,959	
Current assets			
Trade debtors less provision	5,565	3,725	Debtors
Sundry debtors, prepayments and deposits	7,756	5,192	Debtors
Tax recoverable	27	18	Debtors
Pledged deposits	9,965	6,671	Cash at bank
Cash and bank balance	3,047	2,040	Cash at bank
	26,360	17,646	
Current liabilities			
Bank overdraft	13,680	9,158	Creditors due within one year
Accounts payable and accruals	29,917	20,027	Creditors due within one year
Interest bearing borrowing	800	536	Creditors due within one year
Amounts due to shareholder	1,842	1,233	Creditors due within one year
Taxation	1	1	Creditors due within one year
	(46,240)	(30,955)	
Net assets	(15,459)	(10,350)	

4. The net assets of Newco have not been included in this pro forma as Newco was incorporated for the purpose of acquiring WSG and PMI, and its net assets therefore only consist of investments in WSG and PMI.
5. The adjustments above reflect the effects of the Proposals as follows:
- The net proceeds of £3.575 million have been calculated by deducting the expenses associated with the Proposals of £1.901 million from the gross proceeds from the Placing of £5.476 million.
 - Estimated goodwill of £68.575 million represents the excess of the consideration for the acquisition of Newco of £65.6 million over the net liabilities of Newco. The net liabilities of Newco have been calculated by combining the net assets of PMI and the net liabilities of WSG as at 31 December 2000. No fair value adjustments have been made.
6. No adjustment has been made to reflect the trading of Orchard, PMI or WSG during the period since 31 December 2000.

1 Responsibility

- (a) The Directors and the Proposed Directors of the Company whose names appear on page 4 of this document accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM rules. To the best of the knowledge and belief of the Directors and the Proposed Directors, (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) Individual members of the Concert Parties accept responsibility for the information contained in this document relating to themselves, members of their immediate family, related trusts and persons connected with them. To the best of the knowledge and belief of each member of the Concert Parties (who has taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation and Status of the Company

- (a) The Company was incorporated and registered in England and Wales as a private limited company on 23 June 1959 under the Companies Act 1948 with the name Ceylon & Indian Planters Holdings Limited and with registered number 630968. On 12 February 1982 the Company re-registered as a public limited company under the Companies Acts 1948 to 1980 with the name Ceylon & India Planters Holdings Public Limited Company. On 24 April 1984 the name of the Company was changed to William Morris Fine Arts Public Limited Company. On 9 May 1988 the name of the Company was changed to Lincoln House Plc and on 3 August 1994 to Wyefield Group Plc. On 6 January 1999 the Company's name changed to Orchard Furniture Plc. The Company is at present a cash shell although upon completion of the Proposals its main activity shall be that of a holding company, particularly for companies involved in the sports media sector. The liability of the members of the Company is limited.
- (b) In 1984 the Existing Shares then in issue were admitted to trading on the Unlisted Securities Market of The London Stock Exchange and in 1994 to trading on the Official List of The London Stock Exchange. As part of the re-financing of the Group completed on 6 January 1999, the Existing Shares then in issue were transferred to trading on AIM. Dealings in the Company's shares were suspended on 15 June 1999. On 10 January 2000 Shareholders and creditors of the Company approved the CVA pursuant to the Insolvency Act 1986. The Company's shares were re-quoted on AIM on 25 January 2000. Pursuant to the CVA, on 7 September 2000 and 22 March 2001 the creditors were issued with a total of 16,450,816 Existing Shares at a price of 1.25p each in settlement of outstanding amounts owed by the Company to its creditors. On 27 June 2001 the supervisor appointed to administer the CVA reported in accordance with the Insolvency Rules 1986 that the CVA had been fully implemented.
- (c) The principal legislation under which the Company operates is the Act and regulations made thereunder.
- (d) The Company's registered office in the United Kingdom is 10-11 Grays Inn Square, London WC1R 5JD.



3 The Company and its Share Capital

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

	Authorised		Issued and fully paid	
	Number	Amount	Number	Amount
Ordinary Shares	6,253,678,350	£6,253,678.35	2,147,544,645	£147,544.65
Deferred Shares	25,295,753	£5,033,854.85	25,295,753	£5,033,854.85

(b) During the three years preceding the date of this document, the following changes to the authorised and issued share capital of the Company have occurred:

- (i) on 4 January 1999, at an extraordinary general meeting of the Company it was resolved that;
 - (A) each of the 25,295,753 Existing Shares of 20p then in issue be subdivided into one ordinary share of 0.1p and one deferred share of 19.9p;
 - (B) each of the 8,806,918 Existing (but unissued) Shares of 20p be subdivided into 200 ordinary shares of 0.1p;
- (ii) on 6 January 1999, 19,500,000 Existing Shares of 0.1p each were issued for cash at a subscription price of 1p each;
- (iii) on 24 January 2000, 550,000,000 Existing Shares of 0.1p each were issued for cash at a subscription price of 0.2p each;
- (iv) On 31 January 2000, 29,665,000 Existing Shares of 0.1p each were issued for cash at a subscription price of 0.1p each;
- (v) On 31 January 2000, 2,189,656 Existing Shares of 0.1p each were issued for cash at a subscription price of 0.2p each;
- (vi) On 17 February 2000, 71,360,000 Existing Shares of 0.1p each were issued at a price of 1.25p each in respect of the conversion of the debenture stock and accrued interest owed under the debenture;
- (vii) On 17 February 2000, 2,810,344 Existing Shares of 0.1p each were issued for cash at a subscription price of 0.2p each;
- (viii) on 10 March 2000, 1,427,000 Existing Shares of 0.1p each were issued for cash at a subscription price of 0.1p each;
- (ix) on 13 March 2000, 2,140,800 Existing Shares of 0.1p each were issued for cash at a subscription price of 0.1p each;
- (x) on 13 April 2000, 4,000,000 Existing Shares of 0.1p each were issued for cash at a subscription price of 1p each;
- (xi) on 18 April 2000, 310,000,000 Existing Shares of 0.1p each were issued for cash at a subscription price of 1p each;
- (xii) on 2 May 2000 the Company increased its authorised share capital from £6,820,534.20 to £11,287,534.20 by the creation of 4,467,000,000 ordinary shares of 0.1p each;
- (xiii) on 5 May 2000, 310,000,000 Existing Shares of 0.1p each were issued for cash at a subscription price of 1p each;
- (xiv) on 30 May 2000, 517,705,076 Existing Shares of 0.1p each were issued for cash at a subscription price of 1p each;
- (xv) on 1 June 2000, 85,000,000 Existing Shares of 0.1p each were issued for cash at a subscription price of 1p each

- (xvi) on 16 August 2000, 200,000,000 Existing Shares of 0.1p each were allotted for cash at a subscription price of 1p each;
- (xvii) on 7 September 2000, 9,146,058 Existing Shares of 0.1p each were issued at a price of 1.25p each in settlement of outstanding amounts owed by the Company to its creditors; and
- (xviii) on 22 March 2001, 7,304,758 Existing Shares of 0.1p each were issued at a price of 1.25p each in settlement of outstanding amounts owed by the Company to its creditors.

Save as disclosed in this paragraph within three years immediately preceding the date of this document there has been no change in the amount of the issued share capital or loan capital of the Company.

- (c)
 - (i) Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8 February 2001, the Directors were granted authority for the purposes of Section 80 of the Act to allot shares up to an aggregate nominal amount equal to the whole of the unissued share capital of the Company.
 - (ii) Pursuant to a special resolution passed at the annual general meeting of the Company held on 8 February 2001, the Directors were empowered pursuant to Section 95 of the Act to allot shares as if Section 89(1) of the Act did not apply to such allotments. This power is limited to the allotment of shares up to an aggregate nominal amount of £750,000.

These authorities will be superseded by the resolutions to be passed at the EGM to be held on 10 August 2001.

- (d) At the EGM, resolutions will be proposed that conditional on, amongst other things, Admission:
 - (i) the Acquisition be approved;
 - (ii) the waiver by the Panel of the obligation on the WCP, the VCP and the PECP to make a general offer under rule 9 of the City Code be approved;
 - (iii) every 200 of the unissued and issued Existing Shares of 0.1p each in the Company, in existence immediately prior to the passing of this resolution, be consolidated into and re-designated as one Ordinary Share of 20p having the rights and being subject to the obligations set out in the New Articles of the Company and the Directors and the Proposed Directors be empowered to aggregate all issued Existing Shares which cannot be consolidated into Ordinary Shares and sell such shares arising on aggregation on behalf of and for the benefit of the Company;
 - (iv) the authorised share capital of the Company be increased from £11,287,533.20 to £21,033,855 by the creation of 48,731,609 New Ordinary Shares of 20p each;
 - (v) in substitution for any existing authority, the Directors be generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot the New Ordinary Shares and any other relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £13,123,883.60, such authority to expire on the day following 15 months from the passing of this resolution or (if earlier) at the conclusion of the Annual General Meeting of the Company to be held in 2002 and provided that the Company may, before such expiry date, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement if the authority conferred had not expired;
 - (vi) the name of the Company be changed to "World Sport Group Plc";
 - (vii) the New Articles be adopted by the Company as the Articles of Association of the Company to the exclusion of and in substitution for the existing Articles of Association of the Company;



- (viii) the existing Memorandum of the Company be amended by the substitution of the objects clause 4 for a new objects clause to reflect the businesses of the companies being acquired pursuant to the Acquisition; and
- (ix) the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 96 of the Act) for cash pursuant to the authority conferred by the resolution in (v) above as if Section 89(1) of the Act did not apply to any such allotment PROVIDED THAT the power be limited to:

- (A) the allotment of New Ordinary Shares pursuant to the Placing and Open Offer; and
- (B) the allotment of equity securities otherwise than (A) above up to an aggregate nominal amount of £572,678.40 (representing approximately 5 per cent. of the enlarged issued share capital of the Company),

and so such power shall expire on the day following 15 months from the passing of this resolution or, (if earlier) at the conclusion of the Annual General Meeting of the Company to be held in 2002;

- (x) the New Share Option Scheme be approved and accepted.

- (e) The authorised and issued share capital as it is expected to be following completion of the Proposals (assuming that no holders of options over the Existing Shares in the Company exercise their options) is:

	Authorised		Issued and fully paid	
	Number	Amount	Number	Amount
Ordinary Shares	80,000,000	£16,000,000	57,267,856	£11,453,571.20
Deferred Shares	25,295,753	£5,033,854.85	25,295,753	£5,033,854.85

- (f) The Company has issued the Existing Share Options and the Warrants and entered into the M&P Agreement (each of which is more specifically described below) over and in respect of a maximum of 100,650,000 Existing Shares but has not at the date of the issue of this document received any notice of exercise of any such Existing Share Options or Warrants nor has any right to subscribe for any Existing Shares arisen under or pursuant to the M&P Agreement.

(g) **Existing Share Options**

- (i) By a resolution of the Directors dated 12 March 1999 the Company established the Orchard 1999 Unapproved Share Option Scheme (the "Existing Share Option Scheme") for employees of the Company.
- (ii) The Existing Share Option Scheme contained provisions (*inter alia*) to the effect that:
 - (A) the board has absolute discretion to resolve that any qualified employees should be entitled to participate in the Share Scheme;
 - (B) any option granted may be subject to such objective condition as may be specified by the Board;
 - (C) the grant of an option did not form part of a participant's entitlement to remuneration or benefits;
 - (D) options were not transferable and should cease to be exercisable in certain events except if the participant ceased to be an employee of the group other than by reason of ill health, redundancy, retirement at or after normal retirement age or the fact that his office or employment was in a company which ceases to be a member of the group, with the intent that in any such events as outlined above the participant's rights would not be affected by such cessation and he would be entitled within 12 months or such longer period as the Board should allow to exercise all or part of his options;
 - (E) if a change of control of the group (as defined in the Share Scheme) occurred the participant should have the right to exercise any options granted within 6 months from the date of change of control;

- (F) in the event of the death of a Share Scheme participant his personal executives should have the right to exercise the options granted within 12 months from the date of death;
 - (G) if the Company was obliged under any applicable law to withhold an account in respect of tax, Social Security or any like sum in respect of the exercise of an option by a participant then the Company should not allot to him the number of option shares in respect of which an option has been exercised until the participant has put the Company into funds to account for such tax to such governmental or other authority;
 - (H) the exercise price per share should be in the absolute discretion of the Board not being less than the greater of the market value (as determined by the Board) of a share on the date of a grant or the nominal value of a share on the date of a grant of the option; and
 - (I) in the event of a variation of the share capital of the Company by way of the issue of any shares by way of capitalisation of reserves or profits, or subdivision or consolidation of the share capital of the Company or reduction of the share capital of the Company the number of shares and/or the exercise price may be adjusted by the Board subject to the Company's auditors confirming that such adjustment was in their opinion fair and reasonable.
- (iii) Pursuant to the Existing Share Option Scheme, two former directors of the Company hold Existing Share Options as follows:

Name	No. of Ordinary Shares	Exercise price	Net value	Exercisable by
A P Davis	325,000	1.25p	Nil	12 March 2009
D K Exley	325,000	1.25p	Nil	12 March 2009

Under the terms of the Existing Share Option Scheme, the Existing Share Options may become exercisable within 6 months from the completion of the Proposals by reason of a change of control of the Company.

(h) **The M&P Agreement**

- (i) By an agreement (the "M&P Agreement") dated 10 August 2000 made between Meldon Limited (1) (the "Subscriber"), Penlux Limited (2) (the "Investor") and the Company (3), the Company and the Subscriber agreed that the Subscriber would subscribe for 200,000,000 Existing Shares for a subscription price of £2,000,000 and such subscription was completed on 16th August 2000.
- (ii) The M&P Agreement contained further provisions (*inter alia*) as follows:
 - (A) the Company would create and issue the Warrants in favour of the Investor, as described further in (i) below;
 - (B) the Investor would make available to the Company between completion of the M&P Agreement and 4 February 2002 a facility being an advance by way of loan or subscription for Existing Shares by the Investor or the Subscriber in connection with an acquisition by the Company for consideration of not less than £5 million;
 - (C) the Investor agreed to make available to the Company details of potential acquisitions;
 - (D) the said facility was not intended by the Company nor the Investor to be used in connection with any acquisition by the Company for a consideration of less than £5 million;
 - (E) the Investor be entitled in its absolute discretion to advance the facility;
 - (F) the Company gave the Subscriber certain warranties regarding, *inter alia*, its net asset position;



- (G) the Subscriber warranted to the Company that it would not for a period of 6 months from the date of issue of the subscription shares sell or dispose of its interest in the same without the prior consent of the Board such consent not to be unreasonably withheld; and
- (H) if no facility had been provided by the Investor by 4 August 2001 the Company has the option of terminating the facility.

(i) **Share Warrants**

- (i) By a Deed Poll (the "Warrant Instrument") dated 10 August 2000 the Company pursuant to the M&P Agreement created the Warrants and on the same date issued to the Warrantholder:

- (A) Warrants to subscribe for 25,000,000 Existing Shares (the "Unconditional Warrant Shares"); and
- (B) Warrants to subscribe for up to 75,000,000 Existing Shares (the "Conditional Warrant Shares") the precise number of which is to be determined in accordance with the formula:

$$\frac{\text{£A}}{10,000,000} \times 75,000,000$$

where A equals an aggregate of any advance by way of loan to, or subscription for shares in the capital of the Company by the Warrantholder or its Associate (as defined in the said Deed Poll) or a Warrantholder (or its Associate) taking up shares in the capital of the Company pursuant to the M&P Agreement.

- (ii) The subscription price payable for each Unconditional or Conditional Warrant Share is 4p.
- (iii) Warrants in respect of the Unconditional Warrant Shares and Conditional Warrant Shares may be exercised as follows:
 - (A) Unconditional Warrant Shares – between 10 August 2000 and 4 February 2002; and
 - (B) Conditional Warrant Shares – on the date of termination (the "M&P Termination Date") of the M&P Agreement.
- (iv) The Warrant Instrument contains provisions, *inter alia*, as follows:
 - (A) as to the lapse of any subscription rights to the Unconditional or Conditional Warrant Shares as follows:
 - (aa) as regards the Conditional Warrants insofar as the subscription rights shall not have been exercised by 17.30 on 4 February 2002;
 - (bb) as regards the Unconditional Warrants insofar as the subscription rights shall not have been exercised by the M&P Termination Date.
 - (B) as to the manner in which subscription rights may be exercised and payment for the Warrant Shares;
 - (C) as to the provision of information regarding the Company to be provided to the Warrantholder;
 - (D) that the Company will keep available out of its authorised but unissued share capital free from pre-emption rights such number of Existing Shares as would enable the Warrant Shares to be issued to the Warrantholder in full;
 - (E) that the Company shall not without the consent of the Warrantholder make any alteration to the Company's Articles which could have a material adverse effect on the rights attaching to the Existing Shares or the rights of the Warrantholder;

(F) that if there, whilst the Warrants are still outstanding, is any allotment or issue of equity shares (as defined in Section 744 of the Act) by way of capitalisation of profits or reserves to holders of equity shares or if there is any subdivision or consolidation of equity shares then the number and nominal value of ordinary shares to be or capable of being subscribed on any subsequent exercise of the subscription rights attached to the Warrants or the price to be paid thereunder shall be adjusted in such a manner as the auditors of the Company shall certify to be necessary in order that after such adjustment:

(aa) the total number of Existing Shares to be or capable of being subscribed on any subsequent exercise of the subscription rights conferred by the Warrants will carry as nearly as possible the same proportion of the votes and will carry the same entitlement to participate in the profits and assets of the Company as the Warranholder would have expected to receive if there had been no such event giving rise to such adjustment; and

(bb) the aggregate subscription price payable in order to subscribe for the Existing Shares will be as nearly as possible the same as it was prior to such adjustment.

(j) **The New Share Option Scheme**

(i) The Company intends to adopt an unapproved discretionary share option scheme (the "Unapproved Share Option Scheme") and (subject to Inland Revenue approval) an Inland Revenue approved discretionary share option scheme (the "Approved Share Option Scheme") (together the "Schemes") which will enable all employees and directors including (in the case of the Unapproved Share Option Scheme) non-executive directors of the Company or of any other member of the Group to be granted options to acquire Ordinary Shares. It is intended that the first £30,000 worth of options to be granted to an individual will be granted under the Approved Share Option Scheme and the balance will be granted under the Unapproved Share Option Scheme.

(ii) The Schemes will be administered by the board and discretions arising under the Schemes will be exercised by the board.

(iii) The Schemes permit the board, at its discretion, to grant options capable of being satisfied by the issue of Ordinary Shares by the Company or by the transfer of Ordinary Shares to option holders.

(iv) The Schemes provide for options to be granted only during the following times:

A within the period of 42 days following the date on which the Schemes are adopted;

B within the period of 42 days following the announcement of the Company's final or interim results for any financial period; and

C at other times as the Board may determine to be appropriate in exceptional circumstances.

(v) No options can be granted more than ten years after the Schemes are adopted.

(vi) The price per Ordinary Share payable on the exercise of an option will be the market value of an Ordinary Share immediately before an option is granted.

(vii) In normal circumstances, an option will only be exercisable after the period of three years following the date on which the option is granted and in any case cannot be exercised after the tenth anniversary of the date on which it is granted.

(viii) In the event of a take-over of the Company, options may be exercised early, or if the acquired company agrees, options may be exchanged for options over shares in the acquiring company.



- (ix) If a resolution is proposed for the voluntary winding-up of the Company, options may be exercised at any time before the commencement of the winding-up.
- (x) The maximum number of Ordinary Shares which may be comprised in options granted under the Schemes together with Ordinary Shares which have been or can be issued under any other employee share scheme established by the Company in any ten year period is 10 per cent. of the Company's Ordinary Shares in issue at any one time.
- (xi) The board may in its discretion decide to make the exercise of options conditional upon the achievement of performance targets. There are limited provisions for variation of the performance targets subsequent to grant. Broadly, they may be varied if the board considers that events have occurred subsequent to the grant of the option which render variation of the performance target fair and reasonable. If an option becomes exercisable because of a takeover or winding-up notice, option holders may exercise their options notwithstanding that any performance target to which the option is subject has not been satisfied. In all other cases, an option may only be exercised if any performance target to which it is subject, has been satisfied.
- (xii) If there is a variation of the share capital of the Company, such adjustments may be made as the auditors of the Company confirm as being fair and reasonable, to the number of Ordinary Shares subject to each option and the price payable on the exercise of those options.
- (xiii) The grant of an option does not form part of the option holder's contract of employment.
- (xiv) The provisions of the Schemes relating to:
 - A the people who are eligible to participate in the Schemes;
 - B the limitations on the number of Ordinary Shares which may be subject to the Schemes;
 - C the maximum entitlement of any option holder; and
 - D the basis for determining an option holder's entitlement in the event of a variation of the share capital of the Companycannot be altered to the advantage of option holders without the prior approval of the shareholders of the Company in general meeting (except for minor amendments to benefit the administration of the Schemes, to take account of a change in legislation to obtain or maintain a favourable tax, exchange control or regulatory treatment for option holders or for the Company or any of the Company's subsidiaries which have been nominated to participate in the Schemes).
- (xv) Ordinary Shares issued and allotted pursuant to the exercise of options under Schemes will rank *pari passu* in all respects with the fully paid Ordinary Shares then in issue except for any rights determined by reference to a date preceding the date of issue or transfer.
- (xvi) Differences between the Unapproved Share Option Scheme and the Approved Share Option Scheme:
 - A in the case of the Unapproved Share Option Scheme option holders whose employment with the Company ends may only exercise their options if the Board, in its discretion, permits;
 - B in the case of the Approved Share Option Scheme, an option holder (or his personal representatives) will have the right to exercise his option in the event of the option holder's death, retirement, redundancy or termination of employment for reasons of injury or disability. If an option holder leaves employment with the Company for any other reason, he may only exercise his option if the Board, in its discretion, permits;

- C The rules of the Approved Share Option Scheme provide that no option can be granted to an individual which would cause the total value of that individual's subsisting options granted under the Approved Share Option Scheme or any other Inland Revenue approved share option scheme established by the Company or any of its subsidiaries to exceed £30,000.

- (xvii) On Admission, it is intended that options will be granted to certain of the proposed executive and non-executive Directors and other employees of the Enlarged Group under the Unapproved Share Option Scheme, as follows:

The options are exercisable after a period of three years following Admission, at a price per share equal to the Issue Price.

Name of option holder	Option price (£)	Number of Ordinary Shares under option	Exercise period
Robert Bland	1.53	114,379	3-10 years from grant
Ian Frykberg	1.53	130,718	3-10 years from grant
Jonathan Crisp	1.53	65,359	3-10 years from grant
Other employees	1.53	1,267,822	3-10 years from grant

- (k) Luna Trading Limited holds an assignable call option to purchase from Walbrook International Trust Company Limited 4,313 'A' shares in the share capital of PMI for an option price of £5,785,791 which option extends to any shares acquired by way of a share swap for those shares in any other companies. The option was granted on 12 December 2000 for an option period terminating on 1 January 2004 and includes the right for Luna Trading to extend the call option for a further 2 or 5 years provided that the option price is increased by £1,333,333 or £3,000,000 respectively if such extension right is exercised. If the option is not exercised by Luna Trading by 1 January 2009, Walbrook is granted a put option (exercisable for a period of 1 month thereafter) to require Luna Trading to purchase the option shares on terms which would have applied had Luna Trading exercised its option on 31 December 2008. It is intended that this option will be terminated.
- (l) The Directors have given irrevocable undertakings to vote in favour of the Proposals representing approximately 4.29 per cent. of the Orchard current issued share capital.
- (m) Save as disclosed in this paragraph 3 no share capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option, nor has the Company issued any securities not representing share capital and there are no outstanding convertible securities issued by the Company.
- (n) The Existing Shares in issue are, and the New Ordinary Shares will be, in registered form. Otherwise than pursuant to the Placing and Open Offer, none of the New Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the New Ordinary Shares to be admitted to AIM.
- (o) The amount payable on application for and allotment of each of the New Ordinary Shares is 153p of which 133p is payable by way of share premium.
- (p) Save as disclosed in this paragraph 3, the Company has no current intention to issue any of the present authorised but unissued share capital of the Company, nor any of the authorised but unissued share capital of the Company as shall exist following the passing of the resolutions referred to in paragraph 3(d) above.
- (q) Save as proposed in the above resolutions, the provisions of section 89 of the Act, which, to the extent not disappplied pursuant to section 95 of the Act, 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 in respect of an allotment to employees under an employees' share scheme), apply to the authorised but unissued share capital of the Company.
- (r) No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.



4 Information about the Directors and the Proposed Directors generally and their interests in the Company

(a) Current and Previous Directorships of the Directors and the Proposed Directors and other Information

The full names and ages of the Directors and the Proposed Directors, together with details of current directorships, directorships held in the five years prior to the publication of this document, relevant bankruptcies, receiverships and liquidations, unspent convictions and public criticisms (if any) are as follows:

Directors

Arthur Timothy Lawson-Crutenden (aged 46) Non-executive Chairman.

Other current directorships: Andaman Resources Plc, The Holy Trinity Malshanger Trust, Briar Abbey Services Limited, Puzzlenut.com (Holdings) Limited, Puzzlenut Limited, Puzzlenut (Administration) Limited, Puzzlenut (Adultzone) Limited, Puzzlenut (Teenzone) Limited, Puzzlenut (Kidzone) Limited, Puzzlenut (Tinyzone) Limited, Wannabeapuzzlemillionaire Limited and EPRA (UK) Limited.

Former directorships held in last five years: None.

Richard James Armstrong (aged 53) Non-executive.

Other current directorships: Holroyd Consultants Limited and Briar Abbey Services Limited.

Former directorships held in last five years: None.

Mark Andrew Wilsher (aged 39) Non-executive Director.

Other current directorships: Blaze Imaging Limited (in liquidation), Durlacher Corporation Plc, Flying Null Limited, Leisurehunt.com Limited, Thermotic Developments Limited, Venture Consulting Limited, Venture Technologies Limited, WhereonEarth.com Limited, Venture Technologies Academic Research Partners VCT Plc and Winivista Corporation Inc.

Former directorships held in last five years: Infernet Limited, JCP Computer Services Limited, Peopledoc Limited, Zoo Corporation Plc (in liquidation), Image QA Limited and Creature Labs Limited (formerly Cyberlife Technologies Limited).

Mr Wilsher is a non-executive director of Blaze Imaging Limited, which is in liquidation. Zoo Corporation Plc was wound up in 1998, within 12 months of Mr Wilsher's resignation as a non-executive director.

Mr Lawson-Crutenden, Mr Armstrong and Mr Wilsher became directors of the Company while it was subject to the CVA.

Proposed Directors

John David Nikolas Ciclitira (aged 44) Executive Chairman.

Other current directorships: All Stars (Sports) Limited, Aston Martin Service Limited, Broadcast Innovations Limited, CD Innovations Limited, Elysian (Worldwide) Limited, Elysian Group plc, Elysian Investments Limited, Elysian Limited, Elysian Productions Limited, F Biz Limited, Hong Kong Golf Promotions Limited, H'Away The Lads Limited, Parallel Television (International) Limited (formerly NBC Super Sports (International) Limited), The Finest Company Limited (formerly NBC Super Sports (Television) Limited), Parallel Formula Limited, Parallel Media (2000) Limited, Parallel Media (Middle East) Holdings Limited, Parallel Media (S.E.A.) Limited, Parallel Media Cape Town (Pty) Limited, Parallel Media Golf Limited, Parallel Media Group (Asia) Limited, Parallel Media Group (Golf) Limited, Parallel Media Group International Limited, Parallel Media Group (Pty) Limited, Parallel Media International Limited, Parallel Media Limited, Parallel Media Rugby Limited, Parallel Media South Africa (Pty) Limited, Parallel Sport Limited, Parallel Television Limited, Parallel Television (2001) Limited (formerly CNBC Sports International Limited), Parallel Zone Limited, Passengers Limited, Ravapel No. 19 Trading Company (Pty) Limited, Satellite Advanced Development Limited, Sportal Asia (UK) Limited, Sportal Asia Limited, Sports Media (Asia) Limited, The Art of Illustration Limited, Tour of China (Hong Kong) Limited, Tour of China Licensing Limited, Tour of China Limited and World Music Video Awards Limited.

Former directorships held over the last five years: Birdie Holdings Limited, Birdie Management Services Limited, York Mansions (Battersea Park) Limited, G.P.H. (York Mansions) Tenants Limited, PMG Legends (Pty) Limited, Sportal International Limited, Media Makers, CC Limited*, Parallel Media Consultants Sdn. Bhd. and PGA Tour Communications Pty Limited.

*The company was incorporated on 8 May 1990 and the founders were David Ciclitira and Lorenzo Camerana. David Ciclitira initially financed the operations while Mr Camerana was responsible for the running of the business. As a result of Mr Camerana's death, the company was put into creditors voluntary liquidation. A meeting of creditors was held on 12 March 1999 at which time the estimated deficiency was £18,539, the major creditor being the Inland Revenue.

Seamus O'Brien (aged 36) Chief Executive.

Other current directorships: ASG, WSG Asia Limited, APL, ASTV, ATL, AML, Asia Sport Communications Limited, WSG Asia (Singapore) Pte Ltd, Golf Festival Asia Pte Ltd, World Sport Group (Oceania) Limited, WSG Oceania Pty Limited, World Sport Group (Americas) Limited, WSG Americas, Inc., Tour de Las Americas Limited, ESG, Interex Holdings Limited, FEL, World Sport Group Ltd (co nos. 286812), World Sport Group Ltd (co nos. 3883681), F Biz Holdings Limited, F Biz Limited, Global Cricket Corporation Pte Ltd, WSG Nimbus Pte Ltd, Sports Media (Asia) Limited, Sportal (Greater China) Limited, SMAM-Aust, Ladies European Tour Enterprises Limited, European Ladies Professional Golf Association Limited, Land Networks International Ltd, Park House, China Ad Productions Limited, Star Struck Holdings Limited and Bepton Hotels Limited.

Former directorships held over the last five years: None

Anthony Tregherthen Morgan (aged 44) Finance Director.

Other current directorships: ASG, WSG Asia Limited, APL, ASTV, ATL, AML, Asia Sport Communications Limited, WSG Asia (Singapore) Pte Ltd, Golf Festival Asia Pte Ltd, World Sport Group (Oceania) Limited, WSG Oceania Pty Limited, World Sport Group (Americas) Limited, WSG Americas, Inc., Interex Holdings Limited, FEL, World Sport Group Ltd (co nos. 286812), World Sport Group Ltd (co nos. 3883681), F Biz Holdings Limited, Global Cricket Corporation Pte Limited, WSG Nimbus Pte Ltd, Hong Kong Golf Promotions Limited, Sports Media (Asia) Limited, Sportal Asia Limited, Sportal (South East Asia) Pte Limited, Sportal (Greater China) Limited, Sportal (Japan) Limited, Sportal Asia (UK) Limited, SMAM-Aust, Park House, China Ad Productions Limited, Star Struck Holdings Limited and Bepton Hotels Limited.

Former directorships held over the last five years: None

Robert John Philip Bland (aged 53) Sales and Marketing Director.

Other current directorships: Sports Media Sales Limited.

Former directorships held over the last five years: T.V.10 B.V. Netherlands and MT Spot AG (Eurosales).

Ian Stewart Frykberg (aged 55) Non-executive

Other current directorships: Global Cricket Corporation Pte Limited, B4B Sport International Limited and International Sports Television Pty Limited.

Former directorships held over the last five years: Octagon CSI Limited.

Jonathan Twiston Crisp (aged 53) Non-executive

Other current directorships: Austro Irish Developments Pty Ltd, Austro Irish Inns and Taverns Pty Ltd, European Taverns Pty Ltd, Crisp Communications Pty Ltd, Channel 12 Media Pty Ltd, Clear Image Australia Pty Ltd, Grange House Holdings Limited, Intellectual Exchange Golf Pty Ltd, PGA Tour of Australasia Ltd, PGA Tour Enterprises Pty Ltd and The Cape Grim Water Company Pty Ltd.

Ronald Frederick Littleboy (aged 50) Non-executive.

Other current directorships: Foamart Limited, Leap Capital Limited, Leap Holdings Limited, Leap Investments Limited, zCapitalmarkets plc, Airworks ASA, PMI, Global Technology Ventures Limited and Worth Global Style Network Limited.

Former directorships held over the last five years: Efdex, Inc. (in liquidation), Sports Media (Asia) Limited, Parallel Television (2001) Limited (formerly CNBC Sports International Limited) and Parallel Media Rugby Limited.

Richard James Armstrong (aged 53) Non-executive

(As above.)



*Former directorships held over the last five years: Hope Sixteen (No. 157) Limited**

*In August 1988 a new company, Hope Sixteen (No. 157) Limited (“Hope Sixteen”), was founded to take advantage of retail opportunities in the Scottish on licence trade market. Mr Crisp was a non-executive director and major shareholder of the company, and as such was not involved in its day-to-day running. It became apparent in the year following its inception that the company’s business was not trading satisfactorily and the resignation of the executive directors ensued. At this time, Mr Crisp took over responsibility for the funding of the group and made available additional security to certain creditors of £600,000. Trading did not improve however, and it was eventually decided to dispose of Hope Sixteen’s business in 1991. The sale proceeds left a shortfall to a lending bank that was made good by Mr Crisp. Further funding was not found for the company and it was accordingly decided to liquidate Hope Sixteen. The overall shortfall to unsecured creditors of the company (other than Mr Crisp himself) was £121,837.

Save as disclosed above, none of the Directors or the Proposed Directors has any unspent convictions in relation to indictable offences, been made bankrupt or subject to any individual voluntary arrangement, been involved as a director of a company at the time or within 12 months preceding the date of its receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors and none of the Directors or the Proposed Directors have been a partner of any partnership at the time of or within 12 months preceding the date of its compulsory liquidation, administration or partnership, voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been the subject of a receivership nor have the Directors and the Proposed Directors been subject to any public criticisms by any statutory or voluntary arrangement, nor have they been subject to any public criticisms by any statutory or regulatory authority, nor have they ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(b) Directors’ and Proposed Directors’ Interests in Shares in the Company

The interests of the Directors and the Proposed Directors and their immediate families and of persons connected with them within the meaning of Section 346 of the Act, all of which are beneficial unless otherwise stated, in the issued share capital of the Company as at the date of this document (which have been notified to the Company pursuant to Section 324 of the Act and are required to be entered in the Register of Directors Interests maintained under the provisions of Section 325 of the Act or could with reasonable diligence, be ascertained by the Directors and the Proposed Directors) and as they are expected to be immediately following completion of the Proposals and the maximum percentage of the Company that their shareholdings could represent if they and no others exercise their options, are as follows:

	Existing Shares	Percentage of the Existing Issued Share Capital	Ordinary Shares as at Admission	Percentage of the Enlarged Issued Share Capital
Director:				
Timothy Lawson-Crutenden	–	–	–	–
Richard Armstrong	82,715,334	3.85%	413,576	0.72%
Mark Wilsher*	9,500,000	0.44%	47,500	0.08%
Proposed Director:				
David Ciclitira**	–	–	12,091,227	21.11%
Seamus O’Brien***	–	–	–	–
Tony Morgan***	–	–	–	–
Robert Bland****	–	–	214,525	0.37%
Ian Frykberg	–	–	–	–
Jonathan Crisp	–	–	–	–
Ronald Littleboy	–	–	–	–
Richard Armstrong (see above)	–	–	–	–

*Mark Wilsher’s shares are held by companies owned by a trust of which he is a potential beneficiary.

**Some of these shares are held by Luna Trading Limited, which is wholly owned by a discretionary trust, The Tokyo Settlement of which David Ciclitira is a potential beneficiary. The remainder of the shares are held by Walbrook International Trust Company Limited, a trustee of a discretionary trust; “Witco 16”, of which David Ciclitira is a potential beneficiary.

***The Park House Trust, which will own 15,722,219 Ordinary Shares on Admission (representing 27.45 per cent. of the enlarged issued share capital of the Company), is a discretionary trust constituted under the laws of Hong Kong set up by Seamus O'Brien in 1993. Park House, of which Tony Morgan and Seamus O'Brien are two of the four directors, is the trustee of the Park House Trust.

****Robert Bland's shares are held by Pinnacle Trustees, a discretionary trust of which he is a potential beneficiary.

Save as disclosed in this paragraph 4, no Director or Proposed Director nor any member of their respective immediate families, nor any person connected with them within the meaning of section 346 of the Act, is interested in any share capital of the Company.

(c) Directors' and Proposed Directors' Service Contracts and Remuneration

- (i) The Directors and the Proposed Directors, whose names appear in paragraph 4(a), have been appointed to the offices set out against their respective names.
- (ii) The terms of appointment of each of Messrs Lawson-Cruttenden, Armstrong and Wilsher are governed by letters of appointment from the Company each of which is dated 27 April 2000. The appointment of each Director is for an initial period for 6 months and thereafter until terminated by 3 months' prior written notice from either party.
- (iii) Timothy Lawson-Cruttenden receives £18,000 per annum payable in equal monthly instalments in arrears in consideration of his services as a Director of the Company. Mark Wilsher receives £12,000 per annum payable in equal monthly instalments in arrears in consideration of his services as a Director of the Company. In addition, Timothy Lawson-Cruttenden and Richard Armstrong have received £33,500 and £65,000 respectively for work carried out on behalf of the Company over and above that specified under the terms of their service contracts.
- (iv) On Admission Richard Armstrong shall enter into a new letter of appointment as a non-executive director of the Company for an annual fee of £20,000. The appointment will be for an initial period of one year and thereafter until terminated by 3 months' prior written notice from either party. On Admission Messrs Lawson-Cruttenden and Wilsher shall resign as Directors of the Company. Mr Lawson-Cruttenden will be paid £4,500, and Mr Wilsher £3,000, as compensation for loss of office.
- (v) Elysian Group Plc has entered into a consultancy agreement with the Company, conditional upon Admission, to provide David Ciclitira's services to the Company to act as Executive Chairman. Under the agreement, the Company pays Elysian Group Plc a consultancy fee of £240,000 per annum, plus additional service related fees to be determined by the Board's remuneration committee. The agreement also contains covenants restricting David Ciclitira from being involved in a competing business, dealing with customers and prospective customers and employing or soliciting key persons following termination of the agreement. The agreement is terminable on 12 months' written notice by either party, such notice not to expire before 31 December 2002. Elysian Group Plc and David Ciclitira warrant that David Ciclitira's previous consultancy agreements with PMI or PMI Group will terminate on the date on which this new consultancy agreement comes into effect.
- (vi) Seamus O'Brien has entered into a service contract with the Company, conditional upon Admission, which provides for him to act as Group Chief Executive of the Company. The remuneration payable comprises a basic salary of £200,000, and a performance related bonus to be determined by the Board's remuneration committee. The Company also makes pension contributions, and agrees to provide private medical insurance, permanent health insurance and such other insurance benefits as the Board's remuneration committee may decide, the total cost of such benefits not to exceed 20 per cent. of the annual basic salary. In addition, the contract contains covenants restricting Seamus O'Brien from being involved in a competing business, dealing with customers and prospective customers and employing or soliciting key persons following termination of the agreement. The contract is terminable on 12 months' written notice by either party, such notice to expire before 31 December 2002. Seamus O'Brien warrants that any previous employment or consultancy agreement with WSG or WSG Group will terminate prior to Admission.
- (vii) Tony Morgan has entered into a service contract with the Company, conditional upon Admission, which provides for him to act as Group Finance Director of the Company. Otherwise the contract is on materially the same terms as



Seamus O'Brien's contract. Tony Morgan warrants that any previous employment or consultancy agreements with WSG or WSG Group will terminate prior to Admission.

- (viii) Robert Bland entered into a service contract with the Company, conditional upon Admission which provides for him to act as Group Sales and Marketing Director of the Company. Otherwise the contract is on materially the same terms as Seamus O'Brien's contract. Robert Bland warrants that any previous employment or consultancy agreement with PMI or PMI Group will terminate prior to Admission.
- (ix) On 16 July the Board resolved to appoint Ronald Littleboy as a non-executive director of the Company for an annual fee of £25,000 conditional upon Admission. The appointment is for an initial period of one year and thereafter until terminated by 3 months' prior written notice from either party.
- (x) On 16 July the Board resolved to appoint Ian Frykberg as a non-executive director of the Company for an annual fee of £25,000 conditional upon Admission. The appointment is for an initial period of one year and thereafter until terminated by 3 months' prior written notice from either party.
- (xi) On 16 July the Board resolved to appoint Jonathan Crisp as a non-executive director of the Company for an annual fee of £20,000 conditional upon Admission. The appointment is for an initial period of one year and thereafter until terminated by 3 months' prior written notice from either party.
- (xii) Save as disclosed above no Director or Proposed Director has a service agreement with the Company that has been amended or varied within six months prior to the date of this document or which is a contract expiring or determinable by the employing Company without payment of compensation (other than statutory compensation) after more than one year.
- (xiii) Save as disclosed in this document, none of the Directors or the Proposed Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

(d) Aggregate Remuneration of Directors

The aggregate remuneration and benefits in kind payable to the Directors during the financial year ending 30 June 2000 was £11,000. The Directors estimate that the aggregate remuneration payable and benefits in kind to be granted to the Directors during the financial year ending 30 June 2001 and the six month period ended 31 December 2001 (being the Company's current financial period) under arrangements in force at the date of this document will be £128,500 and £350,000 respectively.

(e) Loans

No loan or guarantee has been granted or provided by the Company to any Director or Proposed Director or any person connected with them.

5 Substantial Shareholders'

- (a) The Company is aware of the following persons, in addition to those disclosed in paragraph 4(b) above, who at the date of this document and on Admission directly or indirectly, jointly or severally, hold 3 per cent. or more of the ordinary share capital of the Company or exercise or could exercise control over the Company:

Shareholder	Existing Shares	Percentage of the Existing Issued Share Capital	Ordinary Shares as at Admission	Percentage of the Enlarged Issued Share Capital
Pershing Keen Nominees Limited SGCLT Acct	128,692,600	5.99%	643,463	1.12%
Schweco Nominees Limited 15416 Acct	99,500,000	4.63%	497,500	0.87%
Park House	–	–	15,722,219	27.45%
Walbrook	–	–	11,188,989	19.54%
News Cayman Holdings Limited	–	–	3,221,317	5.63%
Nomura	–	–	2,773,375	4.84%

Note: The above figures are based on the assumption that each shareholder takes up their entitlements under the Open Offer in full.

- (b) Other than as disclosed above the Directors and the Proposed Directors are not aware of any person who immediately following Admission, will, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

6 Information on the Concert Parties

In this document, "disclosure period" means the period commencing 16 July 2000, being the period 12 months prior to the date of this document and ending on 16 July 2001, being the date of this document.

6.1 Shareholdings and dealings in Orchard shares

- (i) as at the date of this document, no member of any of the Concert Parties holds shares in Orchard;
- (ii) during the disclosure period there were no dealings for value in Orchard shares by any of the members of the Concert Parties.

6.2 The PCP

The PCP consists of Walbrook, Luna Trading, Nomura, David Ciclitira, Robert Bland, Pinnacle Trustees, Keld Kristiansen, Tony Hallett, Claudio Tinari, Gabriela Narozny and Vivien Langford, and brief information on each is set out below:

Walbrook International Trust Company Limited as Trustee "Witco 16" ("Walbrook")

Walbrook is a company incorporated in the Cayman Islands on 10 July 1987 with company number 238451. The registered office is PO Box 2192. Grand Cayman, Cayman Islands.

Walbrook holds assets for David Ciclitira and his family.

Luna Trading Limited ("Luna Trading")

Luna Trading is a company incorporated in Jersey on 22 April 1992 with company number 52527. The registered office is Lord Coutanche House, 66-68 The Esplanade, St. Helier, Jersey JE4 5PS.

Luna Trading is a consultancy company and the sole beneficial owner of the shares in Luna Trading is The Tokyo Settlement. Walbrook Nominees No. 1 Limited and Walbrook Nominees No. 2 Limited are the shareholders of Luna Trading and hold the shares as nominee for The Tokyo Settlement.



Pinnacle Trustees Limited (“Pinnacle Trustees”)

Pinnacle Trustees is a company incorporated in Jersey and is trustee of The Bland Discretionary Trust. The address of Pinnacle Trustees is PO Box 544, 14 Britannia Place, Bath Street, St Helier, Jersey, JE2 4SU.

The Bland Discretionary Trust holds assets for Robert Bland.

David Ciclitira

Details of Mr Ciclitira are given in the paragraph entitled “Proposed Board” in Part 1 and in paragraph 4 of this Part 12.

Robert Bland

Details of Mr Bland are given in the paragraph entitled “Proposed Board” in Part 1 and in paragraph 4 of this Part 12.

Keld Kristiansen

Details of Mr Kristiansen are given in the paragraph entitled “PMI Senior Management” in Part 4 of this document.

Tony Hallett

Tony Hallett was appointed as the Managing Director of Parallel Media Rugby in February 1999. In 2001 his contract was terminated by mutual consent. Tony Hallett continues to hold a 24.9 per cent. interest in PM Rugby.

Claudio Tinari

Details of Mr Tinari are given in the paragraph entitled “PMI Senior Management” in Part 4 of this document.

Gabriela Narozny

Details of Ms Narozny are given in the paragraph entitled “PMI Senior Management” in Part 4 of this document.

Vivien Langford

Details of Ms Langford are given in the paragraph entitled “PMI Senior Management” in Part 4 of this document.

6.2.1 The WCP

The WCP consists of Park House, Oakstaff, Seamus O’Brien, Tony Morgan, George Taylor and a number of employees of WSG, and brief information on each is set out below:

Park House Holdings Limited (“Park House”)

Park House is incorporated in the British Virgin Islands with company number 84011 whose registered office is at PO Box 71, Craigmuir Chambers, Tortola, BVI. Park House is wholly owned by the Park House Trust which is a discretionary trust constituted under the laws of Hong Kong set up by Seamus O’Brien in 1993. Park House, of which Tony Morgan and Seamus O’Brien are two of the four directors, is the trustee of the Park House Trust.

Oakstaff Investments Limited (“Oakstaff”)

Oakstaff is incorporated in the British Virgin Islands with company number 82208, whose registered office is PO Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.

Seamus O’Brien

Details of Mr O’Brien are given in the paragraph entitled “Proposed Board” in Part 1 and in paragraph 4 of this Part 12.

Tony Morgan

Details of Mr Morgan are given in the paragraph entitled “Proposed Board” in Part 1 and in paragraph 4 of this Part 12.

George Taylor

Details of Mr Taylor are given in the paragraph entitled “Senior Management” in Part 3 of this document.

6.2.2 **The PECP**

The PECP is comprised of Walbrook, Luna Trading, Park House, David Ciclitira, Seamus O'Brien and Tony Morgan, details of whom are set out in paragraph 6.2 above.

6.3 Save as disclosed in paragraph 8 of Part 12 of this document, no agreement, arrangement or understanding exists between any member of the Concert Parties and any of the Directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence on the Proposals.

6.4 The Concert Parties' intentions regarding the continuance of the Company's business and their intentions regarding the continued employment of the Company's employees and those of its subsidiaries will not be altered on completion of the Proposals and are as summarised in the introduction to the Chairman's letter in Part 1 of this document.

6.5 The acquisition of New Ordinary Shares pursuant to the Proposals by members of the Concert Parties will be financed from their own resources. There will therefore be no loan facilities, the payment of interest on, repayment of, or security for which, will depend to any significant extent on the business of the Company.

6.6 No member of the Concert Parties has dealt for value in the Existing Shares of the Company in the disclosure period.

6.7 Neither the Company nor any of its Directors have any interest in any member of the Concert Parties, nor have they dealt for value in either of WSG or PMI in this disclosure period.

6.8 There are no agreements, arrangements or understandings under which Ordinary Shares issued pursuant to the Proposals to any member of the Concert Parties will be transferred to any other persons.

6.9 During the disclosure period there were no dealings for value in relevant securities by the Directors, Proposed Directors, the Members of the Concert Parties and their immediate families and connected persons (within the meaning of section 346 of the Act).

6.10 Save as disclosed in this paragraph, neither:

- (i) any directors of the Company; nor
- (ii) any member of the Concert Parties; nor
- (iii) any person acting in concert with a member of the Concert Parties for the purposes of the Placing and Open Offer; nor
- (iv) any subsidiary of the Company nor any associated company of the Company, nor any pension fund of the Company in relation to which the Directors have any investment decision or of a subsidiary of the Company, nor any bank or financial or other professional adviser of the Company (including stockbrokers but excluding exempt market-makers), including any person controlling, controlled by or under the same control as any such bank or financial or other professional adviser,

owns or controls any relevant securities, nor has any such person as is mentioned in sub-paragraphs 6.9 (i), (ii) or (iii) above dealt for value therein during the disclosure period.

6.11 Save in respect of the Placing Agreement disclosed in paragraph 8 and the Acquisition Agreement disclosed in paragraph 8 of Part 12 of this document, neither the Company nor, so far as the Directors are aware, any member of or associate of a member of the Concert Parties has any arrangement with any other person in relation to relevant securities.



6.12 References in this paragraph 6 to:

- (i) an “arrangement” includes any indemnity or option arrangement of any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;
- (ii) an “associate” to:
 - (1) subsidiaries and associated companies of the Company or any member of the Concert Parties and companies of which any such subsidiaries or associated companies are associated companies;
 - (2) banks and financial and other professional advisers (including stockbrokers) to members of the Concert Parties or the Company or companies covered in (1) above, including persons controlling, controlled by or under the same control as such banks, financial and other professional advisers;
 - (3) the Directors and the directors of any company covered in (1) above (together in each case with their close relatives or related trusts);
 - (4) the pension funds of the company or any company covered in (1) above; and
 - (5) (in relation to any member of the Concert Parties) an investment company, unit trust or other person whose investments an associate (as otherwise defined in this paragraph 6.11) manages on a discretionary basis, in respect of the relevant investment accounts;
- (iii) a “bank” does not apply to a bank whose sole relationship with the Concert Parties or the Company or a company covered in paragraph (ii)(1) is the provisions of normal commercial banking services or such activities in connection with the Proposals as confirming that cash is available, handling acceptances and other registration work;
- (iv) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holdings of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or holdings give(s) *de facto* control;
- (v) “relevant securities” are to any Existing Shares or any securities convertible into or exchangeable for, or rights to subscribe for or options (including traded options) in respect of, or derivatives referenced to, any Existing Shares.

7 Memorandum and New Articles of the Company

- (a) The new objects clause of the amended Memorandum of the Company states that the Company:
 - (i) carries on the business of a holding company; and
 - (ii) carries on the business of, among other things, a sports media company.
- (b) The New Articles of the Company contain, *inter alia*, provisions to the following effect:

- (i) **Voting**

Subject as otherwise specified below in relation to the Deferred Shares every member present in person or by proxy, or in the case of a corporation present by a duly authorised representative at a general meeting, has upon a show of hands one vote, and every member present in person or by proxy has upon a poll one vote for every share held by that member. No member shall be entitled to attend or vote their shares at any meetings of the Company unless all amounts payable by that member to the Company in respect of such shares have been paid. If any member, or any

other person appearing to be interested in shares held by such member, has been served with a notice under Section 212 of the Act (requiring disclosure of interests in shares) and was in default in supplying to the Company the information thereby required for a period of 28 days following the date of service of such notice (or 14 days where the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of any class of share in the Company), the Company may disenfranchise the shares in question. In the case of joint holders, the vote of the person whose names stands first in the register of members and who tenders a vote is accepted to the exclusion of any vote tendered by any other joint holders.

(ii) **Variation of rights**

Subject to the Act, the rights attaching to any class of shares for the time being forming part of the share capital of the Company may be varied either with the prior consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the relevant class or with the prior sanction of an extraordinary resolution passed at a separate meeting of the holders of the class.

(iii) **Transfers**

Save as otherwise specified below in relation to the Deferred Shares, any member may transfer all or any of its shares by a written standard form instrument of transfer signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee or in any form which the Board may accept including by an uncertificated securities facility, for example, CREST, if the Board implements such a facility under The Uncertificated Securities Regulations. The Board may refuse to register an instrument of transfer unless it is in respect of only one class of shares, has been duly stamped (if required), is accompanied by the share certificate to which it relates (or such other evidence as the Board may reasonably require), is not fully paid up (provided that such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis), is in favour of more than four transferees as joint holders or is a transfer of a share on which the Company has a lien. The Board may also refuse a transfer where a member has failed to provide the Company with relevant information as required under the New Articles or the Act. Save as aforesaid, the New Articles contain no restrictions on the free transferability of fully paid Ordinary Shares. If the Board implements an uncertificated securities facility, to the extent that any provisions in the New Articles are prohibited by The Uncertificated Securities Regulations, those provisions shall not apply to any uncertificated shares. The Board may at its discretion suspend the registration of transfers at any time (for periods not exceeding 30 days) subject, if adopted, to obtaining the appropriate consent in accordance with The Uncertificated Securities Regulations.

(iv) **Return of capital**

On a winding-up, any surplus assets will be divided amongst the holders of Ordinary Shares according to the respective number of Ordinary Shares held by them and in accordance with the provisions of the Act, subject to the rights of the holders of the Deferred Shares specified below and of the holders of any shares which may be issued with special rights or privileges. If the Company shall be wound up the liquidator may, with the authority of an extraordinary resolution and any other sanctions required by law, divide among the members all or any of the assets of the Company, set such value as he considers fair upon any one or more class or classes of property and determine how such division shall be carried out. The liquidator may similarly at his discretion vest any of the assets of the Company in trust for the benefit of members but no member shall be compelled to accept any liability attaching to any shares or any other property.

(v) **Pre-emption**

Subject to the provisions of the Act relating to authority, pre-emption rights and any resolution adopted by the Company, all unissued shares shall be at the disposal of the Board and the Board may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times, and on such terms as the Board may determine.

(vi) **Redemption**

Subject to the provisions of the New Articles and of the Act, the Company may issue any shares which are, or at the option of the Company or any shareholder are liable, to be redeemed.



(vii) **Dividends**

Subject to the Act, the Company may from time to time by ordinary resolution declare dividends whether final or interim. Subject to the rights attaching to or the terms of issue of any shares, all dividends shall be apportioned and paid pro rata to the amounts then paid up on the shares during the period to which the dividend related. The Board may, if authorised by ordinary resolution of the Company, determine that members may elect to receive an allotment of additional shares credited as fully paid in lieu of the whole part of any such dividend. Any dividend unclaimed after not less than 12 years from the date of the declaration of such dividend or other moneys may be forfeited, and if so shall revert to the Company.

(viii) **Alteration of capital**

The Company may by ordinary resolution:

- (A) without prejudice to any rights or privileges conferred on the holders of any Existing Shares or class of shares, issue shares with such preferred, deferred or other rights or such restrictions as the Company may from time to time by ordinary resolution determine;
- (B) increase its share capital, consolidate and divide all or any of its share capital into shares of higher nominal value, subdivide its share capital into shares of lower nominal value and cancel any shares which have not at the date of the ordinary resolution been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by an amount equal to the nominal value of the shares so cancelled; and
- (C) subject to the requirements of the Act, the Company may by special resolution reduce its share capital or the amount standing to the credit of any capital redemption reserve or share premium account or any other distributable reserve in any manner. The Company may also, subject to the requirements of the Act, purchase its own shares.

(ix) **Deferred Share Rights and Restrictions**

The Deferred Shares do:

- (A) not entitle their holders to receive any dividends or other distribution;
- (B) not entitle their holders to receive notice of or to attend and speak or vote at any general meeting of the Company; and
- (C) entitle their holders on a return of assets on a winding up of the Company or otherwise only to the repayment of the amount paid up on the Deferred Shares which they hold and only after repayment of the capital paid up on the Ordinary Shares and the payment of a further £100,000 on each Ordinary Share.

The Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without the sanction or consent of the holders of the Deferred Shares.

The Company has irrevocable authority at any time:

- (A) to procure the transfer of the Deferred Shares to such person as the Directors may determine as the custodians thereof;
- (B) to purchase all of the Deferred Shares in issue for a total consideration not exceeding 1 penny; and
- (C) to redeem all the Deferred Shares on 28 days' prior written notice to the holders.

The Deferred Shares are in the process of being redeemed.

(x) **Directors**

- (A) Unless altered by ordinary resolution of the Company, the number of directors shall not be less than 4 nor more than 12.
- (B) A director shall not be required to hold any shares in the Company.
- (C) The fees paid to the directors for their services as directors shall not exceed in aggregate £240,000 per annum, or such higher amount as may be determined by ordinary resolution of the Company, at such rate as may from time to time be determined by the directors. Any such fee shall be in addition to any remuneration payable to a director who for the time being holds an executive office. Each director shall be paid all travelling and other expenses properly incurred in the performance of his duties.
- (D) At each annual general meeting of the Company, one-third of the directors (or, if their number is not three or a multiple of three, the number nearest to but not more than one-third) shall retire from office by rotation together with any directors appointed by the Board; provided that directors appointed by Walbrook and/or Park House and/or Luna Trading shall not be required to retire. A person shall be capable of being appointed a director after he has attained the age of 70 provided that he shall retire at the first annual general meeting after the date of his seventieth birthday where he shall then be eligible for re-election for the period from the annual general meeting until the end of the next following annual general meeting when again he shall retire. The Board may pay remuneration or provide other benefits to any director who performs services to the Company outside the scope of his ordinary duties as a director.
- (E) Save as provided in the New Articles, a director shall not vote or be counted in a quorum at a meeting in relation to any resolution concerning any contract, arrangement, transaction or proposal in which he is to his knowledge directly or indirectly materially interested (including by virtue of the persons connected with him) other than as a holder of shares in the Company. The prohibition will not apply to any of the following:
 - (aa) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Group or a debt or obligation of the Group for which he has assumed responsibility in whole or in part, under a guarantee or an indemnity or by the giving of security; or
 - (bb) where any member of the Group is offering shares or debentures or other securities in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; or
 - (cc) any contract, arrangement or proposal concerning another Company in which he and any persons connected with him do not to his knowledge hold an interest representing one per cent. or more of any class of equity share capital or the voting rights in such company; or
 - (dd) any contract, arrangement or proposal for the benefit of employees of any member of the Group which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
 - (ee) any contract, arrangement or proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of persons who include directors.
- (F) Walbrook and/or Luna Trading shall collectively have the right to appoint one director to the Board of the Company for so long as they hold or are interested in 7.5 per cent. or more of the Ordinary Shares of the Company.



(G) Park House shall have the right to appoint two directors to the Board of the Company for so long as they hold or are interested in more than 15 per cent. of the Ordinary Shares of the Company; provided that for so long as Park House holds or is interested in between 7.5 per cent. and 15 per cent. of the Ordinary Shares, it shall have the right to appoint one director to the Board of the Company.

(xi) **Borrowing and mortgaging powers**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise it can secure) that the aggregate amount for the time being outstanding of all borrowings by the Group (other than intra-Group borrowing) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the higher of (i) three times the amount paid upon the issued share capital of the Company and the amount standing to the credit of capital and revenue reserves of the Company and its subsidiaries and after making relevant adjustments and (ii) US\$40,000,000.

8 Material Contracts

The Company

The following contracts are or may be material and/or regarded as significant investments in progress:

- (a) The obligation of the Company to issue up to 18,000,000 Ordinary Shares to creditors pursuant to a CVA approved by a special resolution of the Company dated 10 January 2000.
- (b) The M&P Agreement, as described in paragraph 3(h) above.
- (c) Under the Placing Agreement dated 16 July 2001 between Investec, the Company, Walbrook, Park House, the Directors and the Proposed Directors, Investec has agreed subject, *inter alia*, to the conditions referred to below, as agent for the Company to use reasonable endeavours to procure allottees for certain of the Consideration Shares ("the Vendor Placing Shares") and to procure subscribers for the Open Offer Shares, or failing which to underwrite the same to the extent that they are not placed or taken up under the Open Offer. The Placing Agreement is conditional, *inter alia*, on each of the Acquisition Agreement, the PMI Acquisition Agreement and the WSG Acquisition Agreement having become unconditional and also upon Admission occurring by no later than 8.00 a.m. on 15 August 2001 or such later time as the Company and Investec may agree being in any event not later than 3.00 p.m. on 31 August 2001.

The Placing Agreement contains warranties given by the Company, Walbrook, Park House, the Directors and the Proposed Directors in favour of Investec. Except for the warranties given by the Company and for certain warranties relating to this document, the warranties, are only given in relation to Orchard, the PMI Group or the WSG Group depending on the warrantors' previous association with these companies. The Company, the Directors and the Proposed Directors also give an indemnity in favour of Investec. Except for the Company, the liability of those giving the warranties and indemnity is limited to certain amounts. The Placing Agreement also contains a tax covenant given by certain of the proposed executive directors in favour of the Enlarged Group.

The Placing Agreement provides for the payment to Investec of a corporate finance fee of £350,000, a commission of 5 per cent. of the aggregate value at the Issue Price of the Vendor Placing Shares (which commission is payable by the relevant vendors only if Admission occurs), and a commission of 5 per cent. of the aggregate value at the Issue Price of the Open Offer Shares (which commission is payable by the Company only if Admission occurs), in each case together with any applicable VAT. In addition, the Company will bear all expenses of or incidental to the Placing and Open Offer.

Investec may terminate the Placing Agreement prior to Admission in certain circumstances, principally in the event of material breach of the warranties or in the event of a breach by any of the parties of the terms or warranties contained in the Acquisition Agreement, the PMI Acquisition Agreement and the WSG Acquisition Agreement. Investec may also terminate the Placing Agreement if before 5.30 p.m. on the business day following the date of the Placing Agreement there shall in the reasonable opinion of Investec occur a *force majeure* event which in the reasonable opinion of Investec, is likely materially and adversely to affect the financial or trading position or prospects of any or all of the Company, PMI, WSG or the Enlarged Group or to have a materially prejudicial effect on the Placing or Open Offer.

In the event of termination Investec shall be entitled to an abort fee of £450,000 payable by the Company except in the event of termination because of *force majeure* and certain other events in which case Investec shall be entitled to an abort fee of £187,500, together in either case with costs and expenses.

The Placing Agreement prohibits the Directors, the Proposed Directors, Walbrook and Park House and their connected persons, from selling any shares held in the Company during the first year following Admission and from selling more than half of their holdings in the second year following Admission. The restriction only applies to Richard James Armstrong for as long as he remains a director of the Company. The restriction only applies to Walbrook and John David Nikolas Ciclitira for as long as the Company does not terminate the services of Elysian without cause. The restriction only applies to Seamus Hamilton O'Brien and Anthony Treggerthen Morgan for as long as the Company does not terminate their service agreements without cause, and the restriction shall cease to apply to 50 per cent. of the shares held by Park House in the event that either of the aforementioned directors have their service agreements terminated without cause and shall cease to apply to any of the shares held by Park House if both of the aforementioned directors have their service agreements terminated without cause.

- (d) The Warrant Instrument, as described in paragraph 3(i) above.
- (e) The Existing Share Option Scheme, as described in paragraph 3(g) above.
- (f) The New Share Option Scheme, as described in paragraph 3(j) above.
- (g) An agreement dated 15 December 1999 between Pennine AIM VCT Plc and Others, Bath Limited and the Company for the sale and purchase of 9 per cent. of the CSDS.
- (h) A conditional share option agreement dated 15 December 1999 between Rathbone Nominees Limited, Best Investments Brokers Plc and the Company whereby the Company granted an option over 5 per cent. of its enlarged share capital pursuant to the CVA proposals. These share options have since been exercised.
- (i) The Investec Henderson Crosthwaite engagement letter to the Company dated 5 June 2001 whereby Investec Henderson Crosthwaite agreed to act on behalf of the Company as its nominated adviser for the purposes of the Proposals.
- (j) A business sale agreement dated 15 June 1999 between the Company and Quantum Designs Furniture Limited, Lincoln House (Furnishings) Limited and Medallion Upholstery Limited in respect of the sale of the assets of the Company's subsidiaries to Northern Upholstery Limited for £340,000.
- (k) The Nabarro Wells & Co. engagement letter to the Company dated 19 January 2000 whereby Nabarro Wells & Co. agreed to act on behalf of the Company as its nominated adviser for the purposes of applying for the re-admission of the Company's issued share capital to trading on AIM and for the New ordinary shares issued pursuant to the CVA and the placing by Fiske & Co. Limited to be admitted to trading on AIM. The fees payable by the Company to the nominated adviser are currently £10,000 per annum.
- (l) The Fiske plc (formerly Fiske & Co. Limited) engagement letter dated 19 January whereby Fiske agreed to act as the Company's nominated broker in respect of informing the Company of movements in its share price, co-ordinating all transactions in the Company's shares by its directors, employees and other third parties, relaying results of the



Company's competitors, providing the Company with guidance on market expectations and attending annual general meetings. The fees payable to Fiske plc are currently £10,000 per annum.

- (m) A nominated adviser agreement dated 16 July 2001 between Investec Henderson Crosthwaite and the Company in respect of the Company's application to the London Stock Exchange for the admission to AIM of the Ordinary Shares and the New Ordinary Shares.
- (n) A nominated broker agreement dated 16 July 2001 between Investec Henderson Crosthwaite and the Company in respect of the Company's obligations pursuant to the AIM Rules.
- (o) Deeds of Security to be entered into on completion of the Proposals between each of the Warrantors and the Company, Investec, Newco and Denton Wilde Sapte (as security trustee) in respect of 50 per cent. of the Consideration Shares held by the Warrantors to secure the obligations of the Warrantors under the Acquisition Agreements and related tax deeds in relation to warranty and indemnity claims and arrangements as between Investec and the Company allowing Investec priority in respect of the proceeds of such security up to £4 million.
- (p) The Acquisition Agreement as described in paragraph 8(a) (Newco) below.
- (q) Lock-in deeds dated 16 July 2001 between the Company, Investec and each of Vidacos Nominees Limited, News Cayman Holdings Limited and Luna Trading under which such parties have undertaken not to transfer their holding of shares in the Company for a period of 6 months in the case of Vidacos Nominees Limited, 12 months in the case of News Cayman Holdings Limited and in respect of Luna Trading, two years in respect of 50 per cent. of its holding and one year in respect of 100 per cent. of its holding subject to certain exceptions.

Newco

The following contracts are or may be material and/or regarded as significant investments in progress:

- (a) The Acquisition Agreement, being an agreement dated 16 July 2001 for the sale and purchase of the whole of the issued share capital of Newco entered into between, amongst others, the Vendors, the Company and Newco whereby each Vendor agreed to dispose of the shares held by him in Newco to the Company. The consideration for the disposal is approximately £65.7 million which shall be satisfied by issuing 42,950,892 Consideration Shares of which 5,268,531 of such New Ordinary Shares will be placed on behalf of the Principal Vendors with institutional and other investors at 153p per share and 536,887 of such Consideration Shares will be issued to certain key employees of the WSG Group. Walbrook has provided certain warranties and indemnities to the Company in connection with the PMI Group. Park House has provided certain warranties and indemnities to the Company in connection with the WSG Group. All of the other Vendors have provided more limited warranties to the Company (i.e. as to title to shares in Newco and capacity to enter into the Acquisition Agreement). Walbrook and Park House have provided certain warranties to the Company in relation to Newco. Orchard has repeated the warranties it has given Investec Henderson Crosthwaite in the Placing Agreement in favour of Walbrook and Park House (in so far as such warranties relate to the Company only). Completion of the agreement is conditional upon, *inter alia*, Admission, the Placing Agreement having become unconditional (save as to Admission occurring and the Acquisition Agreement being completed), the WSG Acquisition Agreement and the PMI Acquisition Agreement having become unconditional. Completion of the Acquisition Agreement is also conditional on the Warrantors entering into separate Security Deeds.

If between exchange and completion Walbrook or Park House are in material breach of the warranties contained in respectively the PMI Acquisition Agreement and the WSG Acquisition Agreement or certain completion conditions attributable to Walbrook or Park House have not been satisfied by a certain long stop date and the Company exercises its right to terminate the Agreement, Walbrook or Park House (depending on who is so responsible) have agreed to each reimburse the Company all of the professional fees incurred by the Company in connection with the Acquisition together with any abort fee paid to Investec by the Company. If the Agreement is terminated by Walbrook and/or Park House either for material breach by the Company of the warranties it has given or the Resolutions are not approved by shareholders, Walbrook and Park House have a reciprocal right to be reimbursed by the Company an amount equal to the aggregate professional fees incurred by them subject to such amount not exceeding 1 per cent. of the

Company's market capitalisation. If this Agreement is terminated because certain completion conditions (including the Admission condition) have not been satisfied by a certain date then Walbrook, Park House and the Company have agreed to conduct good faith discussions to determine the cause of such non-satisfaction and, in the absence of any agreement, the Company's auditors shall determine such cause and, if so requested, determine how the professional fees incurred by such parties and the said abort fee will be apportioned (subject to the Company not paying to Walbrook and/or Park House an amount exceeding 1 per cent. of its market capitalisation).

Park House, Walbrook and Luna Trading have agreed in the Acquisition Agreement that if any of them wishes to sell all or any of its Consideration Shares, it will first offer to sell such shares to the others. If terms of sale have been agreed between the proposed seller and a third party, the rights of pre-emption will allow the above other parties the opportunity to match those terms and acquire such shares. The Company is not subject to any obligations in connection with these pre-emption arrangements.

- (b) The PMI Acquisition Agreement, being an agreement dated 16 July 2001 for the sale and purchase of the whole of the issued share capital of PMI entered into between, amongst others, the holders of the PMI Ordinary Shares (the "PMI Vendors") and Newco whereby each PMI Vendor agrees to dispose of the shares held by him in PMI to Newco for a consideration of approximately £32.86 million to be satisfied by issuing to the PMI Vendors 499,998 Newco Ordinary Shares. Walbrook (the "PMI Warrantor") has provided certain warranties and indemnities to Newco. The other PMI Vendors have provided more limited warranties to Newco on a several liability basis (i.e., as to their title to their shares in WSG and capacity to enter into the Agreement). Completion of the Agreement is conditional upon, *inter alia*, Admission, the Placing Agreement having become unconditional (save as to Admission occurring and the Acquisition Agreement being completed), the WSG Acquisition Agreement and the PMI Acquisition Agreement having become unconditional.
- (c) The WSG Acquisition Agreement, being an agreement dated 16 July 2001. for the sale and purchase of the whole of the issued share capital of WSG entered into between the holders of the WSG Ordinary Shares (the "WSG Vendors"), WSG and Newco whereby each WSG Vendor agrees to dispose of the shares held by him in WSG to Newco for a consideration of approximately £32.86 million to be satisfied by issuing to the WSG Vendors 500,000 Newco Ordinary Shares. Park House has provided certain warranties and indemnities to Newco. The other WSG Vendors have provided more limited warranties to Newco on a several liability basis (i.e., as to title to their shares in WSG and capacity to enter into the Agreement). Completion of the Agreement is conditional upon, *inter alia*, Admission, the Placing Agreement having become unconditional (save as to Admission occurring and the Acquisition Agreement being completed) the PMI Acquisition Agreement and WSG Acquisition Agreement having become unconditional.

WSG Group

The following contracts are or may be material and/or regarded as significant investments in progress:

- (a) The WSG Acquisition Agreement, as described in paragraph 8(c), (Newco) above.
- (b)
 - (i) A share for share exchange agreement dated 16 July 2001 made between, *inter alia*, News Cayman Holdings Limited ("NCH") and WSG whereby NCH agreed to sell 20 per cent. of the issued share capital in ASG to WSG in return for the allotment and issue to NCH of a 15 per cent. shareholding in WSG. Completion of this agreement is conditional, *inter alia*, on the conditions precedent in the Acquisition Agreement (other than Admission) being satisfied or waived.
 - (ii) A share for share exchange agreement dated 16 July 2001 made between, *inter alia*, Oakstaff Investments Limited ("OIL") and WSG whereby OIL agreed to sell 10 per cent. of the issued share capital of ASG to WSG in return for the allotment and issue to OIL of a 7.5 per cent. shareholding in WSG. Completion of this Agreement is conditional, *inter alia*, on the conditions precedent in the Acquisition Agreement (other than Admission) being satisfied or waived.
 - (iii) A share for share exchange agreement dated 16 July 2001 made between, *inter alia*, George Taylor and WSG whereby George Taylor agreed to exchange his shares in the capital of WSG Americas Inc ("WSGA") for 33.3



per cent. of the issued shares in the capital of World Sport Group (Americas) Limited ("TSAG") and then exchange such shares in TSAG for 1.875 per cent. of the issued shares in the capital of WSG. Completion of this agreement is conditional, *inter alia*, on the conditions precedent in the Acquisition Agreement (other than Admission) being satisfied or waived.

- (c) An agreement dated 31 August 1999 between ASG, a WSG Group company, Park House, WSG and PMI whereby PMI lent US\$1,600,000 to ASG with Park House and WSG each guaranteeing certain obligations of ASG under such agreement. Interest at the rate of 8 per cent. per annum (with an additional 2 per cent. per annum on any later payments) is payable by ASG on the last day of each calendar quarter to PMI. The second and final repayment instalment is due on 31 August 2001. The loan is secured through the first three mentioned companies above charging various shareholdings in favour of PMI.
- (d) A letter dated 21 December 2000 from Bank of Sharjah to ASG whereby Bank of Sharjah made available to ASG both an overdraft facility (initially in the amount of US\$6,000,000 but increased to US\$8,500,000 in March 2001) and a short term advance facility of US\$4,500,000, for the purpose of financing sports events in Asia. The interest payable in respect of the overdraft is, up to US\$ F/D Limit- FD rate plus 2.5 per cent. per annum. and above USD F/D limit, 12 per cent. per annum. The interest payable in respect of the short term advances is 12 per cent. per annum. Both facilities are secured by, amongst other things, ASG depositing fixed term deposits of US\$8,500,000 with the bank.
- (e) A letter dated 7 October 2000 from HSBC Bank Plc to AML, a WSG Group company whereby HSBC Bank Plc made available to AML an overdraft facility of US\$2,000,000 for the purpose of financing sports events in Asia. Interest is payable to HSBC Bank Plc at the rate of 1.5 per cent. per annum over the best US\$ lending rate for the first US\$1,500,000 and 4 per cent. per annum over the best US\$ lending rate for any amount above US\$1,500,000. The facility is secured by, amongst other things, a fixed term deposit of US\$1,500,000, a guarantee from ASG for US\$500,000 and an assignment and charge over certain contractual receivables.
- (f) A lease of property in Hong Kong dated 2 February 2000 between Satellite Television Asian Region Limited ("STAR") and ASG in relation to premises at 03-10, 15F, Office Tower 1, The Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong. At present, rent and service charges payable by ASG under this lease amount to approximately HK\$370,000 per month. The term of the lease expires on 14 July 2003 with no earlier break clause.
- (g) A shareholders' agreement dated 2 July 2001 between News Corp, WSG and Global Cricket Corporation Pte Limited, ("GCC") relating to the management of GCC, a 50/50 joint venture (the "JV Agreement"). GCC has been set up to manage a rights contract dated 20 July 2000 made between ICC, WSG and News Corp (the "ICC rights contract") relating to the grant to WSG of media and sponsorship rights for ICC cricketing events. The ICC rights contract was novated by WSG to GCC on 2 July 2001 with effect from 1 January 2001. In respect of GCC's operational funding (other than the payment by GCC of instalments due to ICC under the ICC rights contract (the "Instalments")), WSG and News Corp have agreed to provide one half of the operational funding requirements of GCC as set out in the agreed GCC annual budget for each year of the ICC contract.
- (h) A business development agreement dated 12 July 1999 between the European Ladies' Professional Golf Association ("ELPGA"), WSG Europe Limited, a WSG Group company ("ESL") and ASG, another WSG Group company in relation to Ladies' European Tour Enterprises Limited ("LETE"). The purpose of the joint venture company, LETE, is to advance women's professional golf and the European Ladies' Professional Golf Tour (the "Tour"). LETE is 49 per cent. owned by ESL and its role in the joint venture is to manage tournaments and events sanctioned by the ELPGA including marketing and exploitation of commercial rights.
- (i) Heads of terms dated 11 May 2000 to establish a joint venture entity between WSG and Muller Sports Golf, Inc ("Muller") in relation to Tour de las Americas Limited ("TLA"), a joint venture company. The purpose of the joint venture company is to manage commercial rights and intellectual property rights in relation to the Tour de las Americas, a professional golf tour in Latin America (the "Tour"). WSG is entitled to a 50 per cent. share in TLA in consideration of its preliminary work and overseeing the further development of the Tour and funding the start up capital costs and expenses of TLA and the Tour's professional golfers' association beginning 1 January 2000.

- (j) A shareholders' agreement (undated) between ATL and Hallmark Holdings Pte Limited in relation to a 50/50 joint venture company, Golf Festival Asia Pte Limited. The purpose of the company is to develop a golf expo show in Asia to be known as the PGA Show in Asia. Both parties agreed to finance and underwrite in equal portions for the establishment and start up costs of the company. Further funding is to be sought from third party loans, shareholder loans, or increased equity. Any start up loans are to be repaid before the issue of any dividends.
- (k) A business development agreement dated 18 April 1997 between PGA Tour of Australasia Pty Limited ("PGATA") and Oceania Sport Group Pty Limited ("OSG") setting up PGA Tour Enterprises Pty Limited ("PGATE") as a joint venture to manage all commercial rights of the PGA Tour of Australasia. OSG received 40 per cent. of the shares in PGATE in consideration for funding the start up costs of PGATE and contributing its marketing expertise. PGATA contributes all commercial, including all broadcasting and sponsorship, rights to PGATE in return for its 60 per cent. shareholding.
- (l) A subscription and shareholders agreement between Sports Media Sales (Asia) Ltd, PMI and ASG dated 30 July 1999 pursuant to which the parties agreed to set up a company to market, promote, sell and exploit the commercial rights contributed by PMI and ASG.
- (m) A subscription and shareholders' agreement dated 31 October 1996 between ASG and Masters International Group Limited "MIG"), pursuant to which MIG purchased 25 per cent. of the issued share capital in ATL from ASG for US\$2,500,000 and received certain minority shareholder protections for its 25 per cent. shareholding. Pursuant to an agreement dated 22 December 1999 between Park House and MIG, Park House will acquire this 25 per cent. shareholding from MIG for US\$2,500,000. Park House has agreed on completion to sell these shares to the Enlarged Group for US\$1.

PMI Group

The following contracts are or may be material and/or regarded as significant investments in progress:

- (a) The PMI Acquisition Agreement, as described in paragraph 8(b), (Newco) above.
- (b) Under a shareholders' agreement dated 25 May 2000 between PMI, Parallel Media (SEA) Limited, now renamed Parallel Media (Asia) Limited ("PMSEA"), Luna Trading and Keld Borup Kristiansen, each of Luna Trading and Mr. Kristiansen were granted options to require PMI to acquire all of the shares in PMSEA held by them or their associates in the event of the shareholders or board of directors of PMI (or any parent company of PMI) at any time resolving to seek an IPO (as defined in the shareholders' agreement) for all or any part of the share capital of PMI (or any parent company of PMI). If the option were exercised, Luna Trading and/or Mr. Kristiansen would exchange their shares in PMSEA for an equivalent value of shares in PMI. Mr. Kristiansen currently holds 1,675 ordinary shares in the issued share capital of PMSEA and agreed (see paragraph (c)(i) below) to waive his option in consideration of the issue to him of shares in PMI, so that his shareholding in PMSEA will be exchanged by him for 350 ordinary shares in the issued share capital of PMI. Luna Trading has now disposed of its entire shareholding in PMSEA and cannot therefore exercise its option.
- (c)
 - (i) A share for share exchange agreement dated 16 July 2001 made between Keld Kristiansen, an executive employed in the PMI Group ("KK") where KK agrees to sell his entire shareholding in PMSEA to PMI in return for the allotment and issue to KK of 350 PMI Ordinary Shares representing 2.5 per cent. of the issued share capital of PMI. Completion of this agreement is conditional, *inter alia*, on the conditions precedent to the Acquisition Agreement (other than Admission) being satisfied or waived.
 - (ii) A share for share exchange agreement dated 16 July 2001 made between, *inter alia*, Anthony Hallet, an executive employed in the PMI Group ("TH"), and PMI whereby TH agrees to sell his entire shareholding in Parallel Rugby Media Limited ("PMR") to PMI in return for the allotment and issue to TH of 350 PMI Ordinary Shares representing 2.5 per cent. of the issued share capital of PMI. Completion of this agreement is conditional, *inter alia*, on the conditions precedent to the Acquisition agreement (other than Admission) being satisfied or waived.



- (iii) A share subscription agreement dated 16 July 2001 made between Robert Bland, an executive employed in the PMI Group ("RB"), and PMI whereby RB or his nominee agrees to subscribe for 140 PMI Ordinary Shares representing 1 per cent. of the issued share capital of PMI in consideration of RB waiving all rights he may have to require PMI to establish a joint venture sales agency company with him and the cash payment of £140. Completion of this agreement is conditional, *inter alia*, on the conditions precedent to the Acquisition Agreement (other than Admission) being satisfied or waived.
 - (iv) Share subscription agreement dated 16 July 2001 made between Claudio Tinari, an executive employed in the PMI Group ("CT"), and PMI whereby CT agrees to subscribe for 18 PMI Ordinary Shares representing 0.13 per cent. of the issued share capital of PMI in consideration for services rendered by CT to the PMI Group. Completion of this agreement is conditional, *inter alia*, on the conditions precedent to the Acquisition Agreement (other than Admission) being satisfied or waived.
 - (v) Share subscription agreement dated 16 July 2001 made between Vivien Langford ("VL") and Gabriela Narozny ("GN"), respectively the PMI Group financial controller and legal counsel, whereby VL and GN agree to subscribe for 9 PMI Ordinary Shares each representing cumulatively 0.13 per cent. of the issued share capital of PMI in consideration for services rendered by each of VL and GN to the PMI Group. Completion of this agreement is conditional, *inter alia*, on the conditions precedent to the Acquisition Agreement (other than Admission) being satisfied or waived.
- (d) Under and pursuant to an agreement ("Termination Deed") dated 31 May 2001 between Parallel Television Limited, CNBC (Europe) Limited, CNBC Sports International Limited (now Parallel Television), PMI, NBC International Limited and National Broadcasting Company Inc. ("NBC") the existing subscription and shareholders' agreement dated 6 November 1998 relating to Parallel Television entered into between the same parties as the Termination Deed (other than NBC) was terminated and the existing shares in Parallel Television held by CNBC Europe were transferred to Parallel Television Limited, making Parallel Television a 100 per indirect cent. subsidiary of PMI. The Termination Deed includes an option for CNBC Europe to acquire up to 49.9 per cent. of the shares of Parallel Television in certain circumstances. This option can only be exercised between 1 January 2004 and 1 January 2005.
 - (e) Walbrook, NSA Investments International Limited ("NSA") and Nomura entered into a shareholders' agreement with PMI in relation to their shareholdings in PMI on 10 December 1998, under which Nomura subscribed (by means of a subscription and the immediate exercise of an option granted to it under the shareholders' agreement) for a total of 2,087 'C' shares in PMI for £5,000,000 and NSA subscribed for 'B' shares (in addition to the shareholding it already owned in PMI) for £1,500,000. Nomura's shareholding was transferred, via Sutrin Nominees Limited and Head Nominees Limited in transfers which took place between December 1998 and May 2000, to Vidacos Nominees Limited, which is a nominee company of Nomura established for the purpose of holding shares in PMI. This agreement shall automatically terminate on Admission.
 - (f) Under a consultancy agreement dated 7 December 1998 (which replaced an earlier letter agreement dated 5 December 1997) between Elysian Group Plc and Parallel Television (formerly CNBC Sports International Limited), Elysian Group Plc provided the consultancy services of Maria Serena Merry to Parallel Television (as a non-executive director thereof). The remuneration payable by Parallel Television was £22,000 plus expenses as at the date of the consultancy agreement, subject to an annual adjustment (upward only) from 31 December 1999. The other principal terms of the consultancy agreement are identical to those of David Ciclitira (see paragraphs 8(d) and (e) (PMI Group)) above and she is to provide consultancy services 10 days in every 3 month period.
 - (g) Pursuant to unwritten consultancy agreements between Elysian Group Plc and each of PMR, PF and PMI, Maria Serena Merry provides consultancy services to each of these companies. The annual sums payable for such services are £30,000 from PMR; £20,000 from PF, and £20,000 from PMI.
 - (h) Parallel Media Limited currently holds a lease dated 5 September 1997 (and made between (1) Parallel Media Group Plc (2) Parallel Sport (WW) Limited (now Parallel Television)) of the whole of 56 Ennismore Gardens, London SW7 for a term of 10 years from 1 January 1997. The lease contains a landlord and tenant's option to determine on 31

December 2001 (subject to giving not less than 13 months' notice). The yearly rent is £150,000 subject to review at the end of the fifth year of the term. The obligations of Parallel Media Limited are guaranteed by Parallel Media Group International Limited. The lease is the subject of an agreement to surrender dated 13 June 2001 in which Parallel Media Limited agreed to surrender the Lease if Investec Bank (UK) Limited makes demand for repayment of its loan secured by legal charge against the freehold of the property, prior to 4 January 2002. Elysian Group plc is 100 per cent. owned by Walbrook International Trust Limited as trustees of the Witco 16 Trust.

- (i) Pursuant to an oral agreement on 10 October 1999 PMI made an interest free loan to the Federazione Italiana Rugby ("FIR") in the sum of £500,000 to assist the FIR in its short term cashflow. This loan arose out of PMI's relationship with the FIR, namely the representation agreement between PMI's subsidiary Parallel Media Rugby ("PMR") and the FIR. The repayment of the loan has been made by way of PMI/PMR collecting the sponsorship revenues under one of the sponsorship agreements entered into on behalf of the FIR. Approximately £200,000 of the loan remains outstanding and repayable. PMI/PMR expect his amount to be repaid by the end of 2001.

9 Statement of any dependence of the Company on any patents or other intellectual property rights, licences or particular contracts

Save as disclosed in this document, the Company is not dependent on any patents or other intellectual property rights, licences or particular contracts.

10 Group and Subsidiaries

The Company has one wholly-owned subsidiary, incorporated in England and Wales, being Briar Abbey Services Limited, which is a non-trading company. All other trading subsidiaries of the Company were placed in liquidation after disposal of their assets in mid-1999. On Admission, Newco will be a wholly-owned subsidiary of the Company.

11 Working Capital

In the opinion of the Directors and the Proposed Directors, having made due and careful enquiry, the working capital available to the Company will from the time of Admission, be sufficient for their present requirements, that is for at least the next twelve months following the publication of this document.

12 Taxation of Dividends

The following is intended only as a general guide to certain aspects of United Kingdom law and Inland Revenue practice to the taxation of dividends at the date of this document. It applies only to persons who are the absolute beneficial owners of their Existing Shares, are resident in the United Kingdom and hold their Existing Shares as investments and not as trading stock. Different rules may apply in other cases. Shareholders who may be subject to tax in jurisdictions other than the United Kingdom or who are in doubt as to their tax position should consult their professional advisers.

(a) **Individuals**

Individuals resident for tax purposes in the United Kingdom are generally entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. Such an individual's liability to United Kingdom income tax is calculated on the sum of the dividend and the tax credit (the "gross dividend") which, with certain other investment income, will be regarded as the top slice of the individual's income and which will be subject to United Kingdom income tax at special rates of tax as described below. The tax credit therefore equals 10 per cent. of the gross dividend. The tax credit will be available to set against an individual's liability (if any) to income tax on the gross dividend.



Individuals liable to income tax at the lower or basic rate will be liable to income tax on dividend income received at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy the income tax liability of a United Kingdom resident individual liable to pay income tax at the lower or basic rate.

The rate of income tax applied to the receipt of United Kingdom company dividends by United Kingdom resident individuals liable to income tax at the higher rate will be 32.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

With limited exceptions (relating to shares held in individual savings accounts or personal equity plans prior to 5 April 2004) individuals who are resident in the United Kingdom cannot claim repayment of the tax credit from the Inland Revenue.

(b) **Trustees**

United Kingdom resident trustees of discretionary trusts are liable to income tax on United Kingdom company dividends at the rate of 25 per cent. of the gross dividend. After taking into account the 10 per cent. tax credit, the trustees will be liable to additional income tax of 15 per cent. of the gross dividend, equal to 16.67 per cent. of the net dividend.

(c) **Companies**

A company resident for tax purposes in the United Kingdom and tax exempt pension funds will not normally be liable to corporation tax on dividends received from other United Kingdom resident companies and cannot reclaim from the Inland Revenue tax credits attaching to such dividends.

(d) **Non-Resident Individuals**

Individuals who are resident for tax purposes in countries other than the United Kingdom but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands or certain other persons may be entitled to a tax credit as if they were resident for tax purposes in the United Kingdom which they may set off against their total United Kingdom income tax liability. Such individuals will generally not however be able to claim repayment of the tax credit from the Inland Revenue.

(e) **Other Non-Resident Individuals**

Any other individual who is not resident in the United Kingdom is not generally entitled to the benefit of any tax credit relating to a dividend from a United Kingdom company. A non-United Kingdom resident individual may be subject to foreign taxation on dividend income in his country of residence.

13 Litigation

(a) **The Company**

During September and October 2000 the Company was in negotiations to acquire, by way of a reversal, a company (the "Target") to which Arthur Andersen ("AA") were auditors and financial advisers. The proposed transaction did not proceed. On 6 November 2000 AA wrote to the Company to say that it had allocated and proposed to bill the Company £598,650 (excluding VAT) for what AA alleged to be the Company's share of AA's costs and expenses in the aborted matter. Included in the £598,650 was a sum of £11,375 plus VAT which the Company acknowledged was due for advice given by AA to the Company in relation to the preparation of the Company's audited accounts. The sum of £11,375 plus VAT has been duly paid to AA, although to date no invoice has been rendered to the Company and no acknowledgement of receipt has been received.

The Company, after seeking advice from its solicitors, Bircham Dyson Bell, has denied that it agreed, except as above, to be responsible for any of AA's costs and expenses and, in particular, denies that it has any further liability to AA in respect of the balance of the sum which they have proposed should be billed by them, namely £585,275. The Company has not received any invoice from AA, nor has AA commenced any legal proceedings against the Company.

Save as disclosed above, there are no legal or arbitration proceedings active, pending or threatened against or being brought by the Company which are, have, may have or have had during the twelve months preceding the date of this document any significant effect on the Company's or its subsidiaries' financial position.

(b) Newco

Save as disclosed in 13(c) and (d) below, there are no legal or arbitration proceedings active, pending or threatened against or being brought by Newco which are, have, may have or have had during the 12 months preceding the date of this document any significant effect on Newco or its subsidiaries' financial position.

(c) WSG Group

- (i) Pursuant to a letter agreement dated 14 June 2001, a claim was made by ART against ASTV in respect of termination of a licence agreement for broadcast rights to certain AFC football events. This matter was settled by ASTV undertaking to pay US\$6.8 million to ART on or before 15 August 2001 and has been provided for in the accounts for WSG for the year ended 31 December 2000.
- (ii) Daimlerchrysler South East Asia Pte Limited ("DC") is in dispute with ATL. DC's claim is that an agreement was reached whereby DC would be appointed the official automobile sponsor to the Singapore Masters golf tournament in 2001 for US\$200,000 with an option to renew the sponsorship in 2002 and 2003 for US\$ 220,000 and US\$240,000 respectively. DC issued a statement of claim on 24 December 2000 (as amended by an amended statement of claim filed on 25 April 2001) and has claimed specific performance of the contract or alternatively damages (albeit that the tournament for 2001 has already taken place). DC's claim for damages is not yet particularised. ATL has served its defence wherein it denies the existence of a contract with DC. The parties have informally agreed to halt proceedings while good faith discussions are being held.
- (iii) Global Cricket Corporation Pte Limited ("GCC") is in dispute with WD India (Pvt) Limited, trading as Buena Vista Television Limited ("BVTI") in relation to the Licensed Broadcaster Agreement dated 21 September 2000 (the "Agreement"). Under the Agreement GCC granted to BVTI, *inter alia*, the exclusive licence to exhibit the feed solely by means of television rights in India for the ICC Knock Out 2000 event (the "Event"). By a letter before action dated 3 May 2001, GCC, *inter alia*, demanded payment from BVTI of a final licence fee payment in the sum of US\$2,436,286 by a certain date (which has now expired). To date, no such payment has been received from BVTI. By a letter dated 14 May 2001, BVTI's legal advisers notified GCC's legal advisers that BVTI are intending to bring proceedings against GCC in the Bombay High Court, India. WSG is awaiting further details of such proceedings.

Save as disclosed above, there are no legal or arbitration proceedings active, pending or threatened against or being brought by the WSG Group which are, have, may have or have had during the twelve months preceding the date of this document any significant effect on WSG or its subsidiaries' financial position.

(d) PMI Group

- (i) Parallel Television (formerly CNBC Sports International Limited) and Lira Media Sdn Bhd have brought a claim against Guinness Anchor Berhad and Star Publications (Malaysia) Berhad in relation to allegations that Guinness associated itself (using the brand name "Heineken") with the World Cup of Golf event. Parallel Television is claiming Guinness has unlawfully interfered with its contract with Carlsberg-Tetley (the official sponsor of the tournament). A hearing date is awaited. Parallel Television is seeking quantified damages totalling US\$814,000 for its lost benefits under its sponsorship agreements plus aggravated and exemplary damages, interest and costs. The dispute is governed by Malaysian law.

Save as disclosed above, there are no legal or arbitration proceedings active, pending or threatened against or being brought by the PMI Group which are, have, may have or have had during the twelve months preceding the date of this document any significant effect on PMI or its subsidiaries' financial position.



14 Market Quotations

The following table shows the closing middle market quotations for Existing Shares as derived from the Daily Official List of the London Stock Exchange on the first day of dealing of each of the last six months and on 21 June 2001 (being the last dealing day before the suspension of trading in the Existing Shares by the London Stock Exchange):

Date	Price
2 January 2001	0.91
1 February 2001	0.965
1 March 2001	0.785
2 April 2001	0.675
1 May 2001	0.79
1 June 2001	0.775
21 June 2001	0.83

15 General

- (a) Save as disclosed in this document, there has been no material change in the financial or trading position of the Company since 31 December 2000 being the date to which the latest interim accounts of the Company were prepared.
- (b) Save as disclosed in this document, there has been no material change in the financial or trading position of Newco since its incorporation.
- (c) Save as disclosed in this document, there has been no material change in the financial or trading position of the WSG Group since 31 December 2000 being the date to which the latest audited accounts of the WSG Group were prepared.
- (d) Save as disclosed in this document, there has been no material change in the financial or trading position of the PMI Group since 31 December 2000 being the date to which the latest audited accounts of the PMI Group were prepared.
- (e) In the opinion of the Directors, the prospects of the Company for the current financial year ending 30 June 2001 are satisfactory.
- (f) In view of the fact that the Company's audited accounts for the year ended 30 June 2000 were recently made available to Shareholders and that the Shareholders will have received the interim results for the six months ended 31 December 2000 with this document, the Directors and the Proposed Directors have omitted from this document the information specified in paragraph 45 of Schedule 1 of the POS Regulations, as the Company is entitled to do pursuant to Rule 24 of the AIM Rules.
- (g) The auditors of the Company are BDO Stoy Hayward of 8 Baker Street, London, W1U 3LL.
- (h) Investec Henderson Crosthwaite, the Company's Nominated Adviser and Broker, 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 it appears.
- (i) BDO Stoy Hayward, the Company's Accountant and Auditor, has given and not withdrawn its consent to the inclusion in this document of references to its name in the form and context in which it appears.
- (j) No person (excluding professional advisers disclosed in this document) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Proposals Price, or any other benefit with a value of £10,000 or more at the date of Admission.

Additional Information

- (k) No financial information contained in this document constitutes statutory accounts within the meaning of Section 240 of the Act or is intended to represent a forecast of profits by the Company.
- (l) The accounting reference date of the Company is 30 June.
- (m) For the purposes of paragraph 21(b) of Schedule 1 to the POS Regulations, there are no amounts to be provided otherwise than from the proceeds of the Proposals in respect of the matters specified in paragraph 21(a)(i) to (iv) of Schedule 1 to the POS Regulations.
- (n) The total costs and expenses payable by the Company in connection with the Proposals (including professional fees, commissions, printing costs and fees payable to the Registrars and Investec Henderson Crosthwaite) are estimated to amount to approximately £1.9 million.
- (o) Share certificates representing the New Ordinary Shares to be issued pursuant to the Proposals are expected to be despatched to applicants who do not wish to receive shares in uncertificated form by post at their risk on or before 22 August 2001.
- (p) Copies of the following documents will be on display (and this document will be available) to the public free of charge at the offices of Denton Wilde Sapte at 1 Fleet Place, London EC4M 7WS and at the registered office of the Company during normal office hours, Saturdays, Sundays and Bank Holidays excepted, from the date of this document until the date being 1 month following Admission:
 - (i) this document;
 - (ii) the Memorandum;
 - (iii) the New Articles;
 - (iv) the audited accounts of the Company and the PMI Group for the last three financial years and the consolidated management accounts of the WSG Group for the last three financial years;
 - (v) the letters of appointment of the Directors and the new service agreements and letters of appointment for the Proposed Directors referred to in paragraph 4 of Part 12 of this document;
 - (vi) the Accountants' Reports prepared by BDO Stoy Hayward on WSG, PMI, Newco and the Comparative Table on the Company referred to in Parts 7, 8, 9 and 10 of this document together with their consent letters;
 - (vii) the Investec Henderson Crosthwaite consent letter referred to in paragraph 15(h) of Part 12 of this document;
 - (viii) the material contracts referred to in paragraph 8 of Part 12 of this document;
 - (ix) the Directors' irrevocable undertakings referred to in paragraph 3 of Part 12 of this document; and
 - (x) the Concert Parties' irrevocable undertakings referred to in paragraph 6 of Part 12 of this document.
- (q) In the opinion of the Directors, the minimum amount to be raised under the Placing and Open Offer to fund the payments to be made to the Principal Vendors pursuant to the Acquisition, expenses payable pursuant to the Placing and Open Offer and the Acquisition, and to provide working capital is £13,537,091. Further working capital will be provided out of the existing cash resources of the Enlarged Group.
- (r) The Open Offer will be open for acceptance from the date of this document until 3.00 p.m. on 8 August 2001 and the Placing will be open for acceptance on the date of this document.

16 July 2001

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Orchard Furniture plc (the "Company")

Notice is given that an Extraordinary General Meeting of the Company will be held at the offices of Investec Henderson Crosthwaite, 2 Gresham Street London EC2V 7QP on 10 August 2001 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 4, 5, 6 and 7 will be proposed as special resolutions and resolution 2 will be voted on a poll regardless of whether or not any request is received from shareholders for such a poll to be held.

ORDINARY RESOLUTIONS

1. THAT the acquisition by the Company of the issued share capital of World Sport Group (Jersey) Limited ("**Newco**") upon the terms and conditions of an acquisition agreement dated 16 July 2001 and made between *inter alia*, Walbrook International Trust Company Limited, Park House Holdings Limited, Vidacos Nominees Limited, Nomura, NSA Investments International Limited, Keld Kristiansen, Anthony Hallett, Pinnacle Trustees Limited, News Cayman Holdings Limited, Oakstaff Investments Limited and George Taylor (together the "**Vendors**") (1) and the Company (2) (the "**Acquisition Agreement**"), as more particularly described in the prospectus of the Company dated 16 July 2001 of which this Notice forms a part (the "**Prospectus**") be and is hereby approved.
2. THAT the agreement of the Panel on Takeovers and Mergers to waive any requirement that would otherwise have arisen for a general offer to be made to the shareholders of the Company under Rule 9 of the City Code on Takeovers and Mergers as a result of:
 - 2.1 the acquisition by members of the WSG Concert Party (as defined in the Prospectus) of ordinary shares of 20p each in the Company ("**Ordinary Shares**") either:
 - (i) pursuant to the Acquisition Agreement; or
 - (ii) upon exercise of options over ordinary shares granted pursuant to the New Share Option Scheme (as defined in the Prospectus),which could result in the WSG Concert Party holding up to a maximum of 30.98 per cent. of the ordinary shares of the Company then in issue or capable of issue; or
 - 2.2 the acquisition by members of the Pre-emption Concert Party (as defined in the Prospectus) of Ordinary Shares either:
 - (i) pursuant to the Acquisition Agreement; or
 - (ii) upon exercise of options over ordinary shares granted pursuant to the New Share Option Scheme;which could result in the Pre-emption Concert Party holding up to a maximum of 48.57 per cent. of the ordinary shares of the Company then in issue or capable of issue;be and is hereby approved.
3. THAT conditionally on the London Stock Exchange plc agreeing to admit all of the New Ordinary Shares (as defined in the Prospectus) to trading on the Alternative Investment Market and such admission becoming effective on or before 15 August 2001, and subject to the passing of Resolutions 1 and 2 above:
 - 3.1 every 200 existing ordinary shares of 0.1p each in the capital of the Company ("**Existing Shares**") both issued and unissued, be consolidated into and redesignated as 1 new ordinary share of 20p ("**Ordinary Shares**") having the rights and being subject to conditions set out in the new Articles of Association of the Company to be adopted pursuant to Resolution 5 below and where, as a result of the consolidation, any members would become entitled to fractions of a share, the directors are hereby authorised to sell the shares representing the fractions for the best price reasonably obtainable and to retain the proceeds for the benefit of the Company;

Notice of an Extraordinary General Meeting

- 3.2 the authorised share capital of the Company be increased from £11,287,533.20 to £21,033,855 by the creation of an additional 48,731,609 new ordinary shares of 20p each;
- 3.3 in accordance with section 80 of the Companies Act 1985 (the "Act"), the directors are generally and unconditionally authorised to allot new ordinary shares and any other relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £13,123,883.60, such authority, unless previously revoked or varied by the Company in general meeting, to expire on the day following 15 months from the passing of this Resolution 3 (or, if earlier) at the conclusion of the annual general meeting of the Company to be held in 2002, except that the directors may allot relevant securities pursuant to an offer or agreement made before the expiry of such authority.

SPECIAL RESOLUTIONS

4. THAT, subject to the passing of Resolution 3 above and such resolution becoming effective, the name of the Company be changed to World Sport Group Plc.
5. THAT, subject to the passing of Resolution 4 above and such resolution becoming effective:
- 5.1 the new Articles of Association of the Company, as produced to this meeting and initialled for the purposes of identification by the Chairman of the meeting, be and are hereby approved by the Company as the Articles of Association of the Company to the exclusion of, and in substitution for, the existing Articles of Association of the Company; and
- 5.2 the Memorandum of Association of the Company be and is hereby amended by the substitution of the text produced at this meeting and initialled for the purposes of identification by the Chairman of the meeting, for the existing Clause 4 of the Memorandum of Association of the Company.
6. THAT subject to the passing of Resolution 3 above and such a resolution becoming effective, under section 95(1) of the Act, the directors be generally empowered to allot equity securities, as defined in section 94(2) of the Act, for cash pursuant to the authority conferred by Resolution 3 above as if section 89(1) of the Act did not apply to such allotment, except that the directors may allot relevant securities following an offer or agreement made before the expiry of the authority and provided that this authority is limited to:
- 6.1 the allotment of new equity securities pursuant to the Acquisition and the Placing and Open Offer described in the Prospectus; and
- 6.2 the allotment of equity securities, otherwise than in accordance with the proceeding paragraphs of this Resolution 6, up to an aggregate nominal amount of £572,678.40 (representing approximately 5 per cent. of the Company's enlarged issued ordinary share capital);
- and this power shall expire on the day following 15 months from the passing of this Resolution 6 or (if earlier) the conclusion of the annual general meeting of the Company to be held in 2002.
7. THAT the New Share Option Scheme of the Company, a copy of the rules of which are laid before the meeting and have been initialled by the Chairman for the purposes of identification, be and is hereby approved and adopted and the directors of the Company be authorised to do all acts and things which they may consider necessary or expedient for implementing the New Share Option Scheme (including amendments of the rules).

Registered office:
10-11 Grays Inn Square,
London WC1R 5JD

James Butterfield
Secretary

Date: 16 July 2001



Notes

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

The instrument appointing a proxy and, in the case of an instrument signed by an agent of the member who is not a corporation, the authority under which such an instrument is signed or an office copy or duly certified copy of it must be deposited at the offices of Capita IRG Plc not less than 48 hours before the time appointed for the above meeting or any adjournment of it. A pre-paid form of proxy for use in respect of the EGM is enclosed.

Completion of a form of proxy will not prevent a member from attending and voting in person.

Pursuant to regulation 34 of The Uncertificated Securities Regulations 1995, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment of such meeting.

For the purposes of section 95(5) of the Companies Act 1985, the price at which ordinary shares are to be issued pursuant to the Placing and Open Offer referred to in resolution 6 set out above is 153p pence per share which, in the opinion of the Directors, is a fair price having regard to the current market value of the existing ordinary shares and the prospects for the Company following the Acquisition. The Directors' and Proposed Directors' reasons for recommending the passing of the resolutions are set out in the Prospectus.

Voting on Resolution 2 will be conducted on a poll in order to comply with the requirements of the Panel on Takeovers and Mergers for a dispensation on Rule 9 of the City Code on Takeovers and Mergers as set out in the Prospectus of which this notice forms a part.

