

If you are in any doubt about the contents of this document, you should consult an independent professional adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

Application has been made for the Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange (“AIM”). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and 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 the Ordinary Shares to the Official List or for admission of the Ordinary Shares to trading on the London Stock Exchange’s market for listed securities. Further, neither the UK Listing Authority nor the London Stock Exchange has approved the contents of this document.

It is anticipated that trading in the Ordinary Shares on AIM will commence on 29 September 2000.

COUNTYWeb.com PLC

(Incorporated in England and Wales with registered number 3869545)

Admission to trading on the Alternative Investment Market

Nominated Adviser and Nominated Broker



BREWIN DOLPHIN SECURITIES LTD

The Directors of COUNTYWeb.com PLC, whose names appear on page 5 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the rules set out in Chapter 16 of the Rules of the London Stock Exchange (“AIM Rules”). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and there is no other material information the omission of which is likely to affect the import of such information.

Brewin Dolphin, which is regulated by The Securities and Futures Authority Limited, is acting as nominated adviser and nominated broker to the Company. Its responsibilities as the Company’s nominated adviser and nominated broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of any decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Brewin Dolphin as to the contents of this document. Brewin Dolphin will not be responsible to anyone other than the Company for providing the protections afforded to the clients of Brewin Dolphin.

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Definitions

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

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company
“Brewin Dolphin”	Brewin Dolphin Securities Ltd
“Company” or “COUNTYWeb”	COUNTYWeb.com PLC and/or the business of its subsidiary COUNTYWeb Limited and/or the COUNTYWeb Division, as the context may require
“COUNTYWeb Division”	the business of COUNTYWeb whilst operating as a division of KDM
“CREST”	the electronic share settlement system operated by CRESTCo
“CRESTCo”	CRESTCo Limited, the operator (as defined in the Uncertificated Securities Regulations 1995) of the system for trading shares in uncertificated form known as CREST
“ecast	ecast Ventures Limited, the media arm of GWR
“Group”	the Company and the Subsidiary
“GWR”	GWR Group Plc
“KDM”	KDM International PLC
“London Stock Exchange”	London Stock Exchange plc
“Network”	the 62 web sites currently comprising the COUNTYWeb Network available on the internet
“Offer”	the offer for subscription made by the Company pursuant to a prospectus dated 25 January 2000
“Offer Price”	100p per Ordinary Share, being the price at which the Offer was made
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Share Option Plan”	the COUNTYWeb.com PLC share option plan (1999)
“Shareholders”	holders of Ordinary Shares
“SKY”	British Sky Broadcasting Group Ltd
“Subsidiary”	COUNTYWeb Limited, the wholly owned subsidiary of the Company
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the UK competent authority for the purposes of Part IV of the Financial Services Act 1986

Glossary of terms

“bandwidth”	the capacity of a certain line or connection for transmitting information. It applies to network or telephone wiring. The typical measure of the transfer rate is bps (bits per second)
“banner advertising”	advertisements usually in the form of a mixture of graphical images and text which can link through to the advertiser’s web site and which are placed on web pages
“community”	a group of people who regularly visit a web site in order to take part in some form of activity around a common interest. This may include competitions, discussions, news posting or spectating
“domain name”	a unique address which is controlled by various countries’ registrars to provide easy navigation of the web
“e-commerce”	the use of electronic methods to carry out transactions across the internet
“e-mail”	primarily concerned with the transmission of electronic mail (written and/or multimedia content) between individuals across the internet
“hosting”	the provision of web server services
“HTML”	hypertext mark-up language, an established universal programming language that organises information, graphics, video, audio and software into web pages
“hypertext link”	a means of moving from one part of the web to another using components encoded in web pages
“ISP”	internet service provider
“on-line”	connected to the internet
“off-line”	not connected to the internet
“portal”	a web site offering access to a large number of other web sites
“URL”	uniform resource locator which is the addressing system for the world-wide web
“WAP”	wireless application protocol, a specification that allows users to access the internet via handheld, wireless devices such as mobile telephones
“web” or “world-wide web”	a linked network of information, graphics, video, audio and software, arranged into a very large number of individual web sites, each created using a number of common formats
“web page”	a page of information sent to a user’s computer across the web from a web server
“web server”	a computer connected to the internet used to host web sites
“web site”	locations on the web containing information in the form of text, graphics, sound, video and software, addressed with a URL

Directors, secretary and advisers

Directors	Keith Charles Richmond (<i>Non-executive Chairman</i>) William Alexander Catchpole (<i>Managing Director</i>) Geoffrey Forsyth (<i>Technical Director</i>) Simon Madden (<i>Sales Director</i>) Robert Stuart McWhinnie Gordon (<i>Financial Director</i>) Peter Michael Brown (<i>Non-executive Director</i>)
Company Secretary	Robert Stuart McWhinnie Gordon BA FCMA
Registered Office and Head Office	<i>all of:</i> Melford Court The Havens Ransomes Europark Ipswich Suffolk IP3 9SJ
Nominated Adviser and Nominated Broker	Brewin Dolphin Securities Ltd National House 36 St Ann Street Manchester M60 2EP
Reporting Accountants and Auditors	Grant Thornton Crown House Crown Street Ipswich Suffolk IP1 3HS
Solicitors to the Company	Stringer Saul 17 Hanover Square London W1S 1HU
Solicitors to the Nominated Adviser and Nominated Broker	Halliwell Landau St James's Court Brown Street Manchester M2 2JF
Financial Adviser	Matrix Corporate Finance 9-10 Savile Row London W1X 1AF
Bankers	Barclays Bank PLC 4 Church Street Woodbridge Suffolk IP12 1DJ
Registrars	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA
Admission document available on	www.countyweb.com

Key information

The following information should be read in conjunction with the full text of this document, in particular the section headed “Risk factors”, set out on pages 14 and 15.

The business

COUNTYWeb is an internet UK interactive business directory network providing free listings on the internet of basic contact information to businesses within their local directory and selling enhanced listings on a local, regional or national basis within the directory network.

COUNTYWeb already has a full geographical coverage of the UK with 62 web sites in operation, comprising 56 interlinked web sites with a county focus (e.g. SUFFOLKWeb) and six web sites covering various regions as well as Scotland and Wales.

The Company provides free listings of basic contact information to businesses within their local directory and sells enhanced listings on a local, regional or national basis. The enhanced listing takes the form of a single webpage with a unique URL which is accessible from anywhere on the internet. This differentiates COUNTYWeb from some competitors where entries can only be found by searching from within their site. This feature of the COUNTYWeb service provides a low cost solution to small businesses who cannot afford or do not wish to manage a separate web site. It can currently provide up to 12 hypertext links to enable each business to define the information it seeks to impart to its customers. The Company also provides clients with bespoke web presence services. These services include domain name registration, web site design, hosting, e-mail services, e-commerce and on-line promotion.

The Directors believe that the Group is now one of the leading UK interactive business directory and information networks with a county focus.

Revenue

COUNTYWeb's revenue streams include:

- enhanced listings in the directory;
- e-commerce commissions and transaction fees;
- web site design and hosting;
- banner advertising;
- domain name registration and e-mail services; and
- telephony revenues.

Competitive analysis

The Directors consider that the following differentiate the Company from its competitors:

- in addition to a national directory of business information and content, the Network offers county-focused directories and local content for users with a familiar look and navigation across the Network;
- businesses are able to target their presence on the Network to one single county, a region or nationally;
- the COUNTYWeb directory has a number of different entry points, using the counties' and geographical regions' names in the URLs to give a local geographic feel, for example the domain name 'walesweb.co.uk';
- the enhanced entries which the Company sells within the directory are HTML pages which act as web sites in their own right, while directory listings on many competitors' sites are created from a database and are only accessible from within that site. The HTML page is capable of being found by any search engine on which the page is listed which significantly improves the chances of the customer's entry being found;
- the enhanced entries give additional free services such as a special offers link and a company news release service;

- the COUNTYWeb local web sites provide business rankings of up to the top 1000 businesses by a variety of criteria, for example turnover or number of employees. They also provide a top 1000 national list;
- at present COUNTYWeb is one of only a very small number of business directory providers which have their full directory available in WAP format.

COUNTYWeb provides a service that the Directors believe is particularly helpful to new users of the internet because of its user-friendly interface which enables users to navigate from county to county and encounter a similar "look and feel" on each web site.

Current trading and prospects

The pre-tax loss for the eight month period ended 30 June 2000 amounts to £996,265 and reflects the substantial changes that have taken place. This includes expenditure in respect of the significant investment in technology necessary for executing the business plan, as well as other charges that are 'one off' in nature. Sales revenues amounted to £227,411 on total running costs relating to the business of £819,291.

Trading since the period ended 30 June 2000 has been in line with Directors' expectations and the Directors view the remainder of the current financial year with reasonable confidence.

Reasons for Admission

The Directors believe that Admission will raise the profile of the Group, promoting further awareness of the COUNTYWeb brand and that this increased awareness will strengthen the Group's ability to attract new business and to take advantage of growth opportunities.

The Directors consider that the existence of a market in the Company's shares will add significantly to the attractiveness of share ownership for both current and prospective employees, helping the Group to attract and retain high calibre staff by allowing them to participate in the future prosperity of the Group.

Irrevocable commitments to subscribe for a total of 90,000 Ordinary Shares at 100p per share have been given on behalf of the Managing Director and the Technical Director subject to the Ordinary Shares being admitted to trading on AIM by 24 January 2001.

Application has been made for the Ordinary Shares to be admitted to CREST. It is anticipated that trading in the Ordinary Shares on AIM will commence on 29 September 2000.

Part I – History and activities of the Group

1. Introduction

COUNTYWeb is an internet UK interactive business directory network providing free listings on the internet of basic contact information to businesses within their local directory and selling enhanced listings on a local, regional or national basis within the directory network.

COUNTYWeb already has a full geographical coverage of the UK with 62 web sites in operation, comprising 56 interlinked web sites with a county focus (e.g. SUFFOLKWeb) and six web sites covering various regions as well as Scotland and Wales.

The Directors believe that the Group is now one of the leading UK interactive business directory and information networks with a county focus.

2. The business

The Company provides free listings of basic contact information to businesses within their local directory and sells enhanced listings on a local, regional or national basis. The enhanced listing takes the form of a single webpage with a unique URL which is accessible from anywhere on the internet. This differentiates COUNTYWeb from some competitors where entries can only be found by searching from within their site. This feature of the COUNTYWeb service provides a low cost solution to small businesses who cannot afford or do not wish to manage a separate web site. It can currently provide up to 12 hypertext links to enable each business to define the information it seeks to impart to its customers. The Company also provides clients with bespoke web presence services. These services include domain name registration, web site design, hosting, e-mail services, e-commerce and on-line promotion.

In order to encourage users to the web sites, COUNTYWeb focuses on the key consumer markets of property, jobs, cars, leisure, events and friendships, offering free advertising opportunities to customers. The COUNTYWeb Network also carries a selection of UK content business, sports, news and weather. Companies may advertise on or sponsor relevant content sections of the COUNTYWeb Network.

COUNTYWeb actively promotes its services on-line as well as off-line. The free business listing section of the COUNTYWeb Network provides the sales team with sales leads as businesses update their entries on-line. The sales team is based in Ipswich and uses traditional direct marketing methods to follow up these leads as well as e-mail to encourage clients to update their information and upgrade to enhanced entries on-line using a secure server environment.

The diversity of clients that use COUNTYWeb's services is demonstrated by the following examples:

- Broadland 102 (part of the GWR Group)
- Butterfly Hotel Group
- Ipswich Town FC
- KLM uk
- Nationwide Building Society
- Suffolk Chamber of Commerce, Industry & Shipping
- SGR fm (part of the GWR Group)
- The Wesleyan Insurance Company
- Xest

3. History and development

COUNTYWeb was developed by KDM, a timber trading and forest products company which was incorporated in 1975. KDM identified the considerable potential of the internet during 1995 for sourcing contacts from around the world for its timber business.

By 1996, KDM had developed sufficient expertise to offer internet services to other businesses and decided to develop an on-line business directory/community site for the county of Suffolk under the brand name SUFFOLKWeb. The site was launched in October 1996 and the network quickly expanded to include the three surrounding counties of Norfolk, Essex and Cambridgeshire. By the end of 1999 it covered the whole of mainland UK.

In 1997, COUNTYWeb began to broadcast live independent radio via the internet following an agreement with SGR fm in Suffolk and Broadland 102 in Norfolk. Also during 1997, COUNTYWeb produced its first secure on-line shopping environment for a client which has since its inception taken over one thousand orders over the internet.

In May 1998, COUNTYWeb became one of the first UK internet directory businesses to derive and automatically publish a news feed on-line direct from the Press Association (now Ananova Limited) supplemented by its own news content. In addition, COUNTYWeb began to produce video advertisements for clients as well as information videos in internet format and host them for viewing from anywhere in the world, accessed via the internet.

During 1999, a contract was entered into by KDM for the benefit of COUNTYWeb with a major international credit reference agency to allow COUNTYWeb to sell marketing data on-line. This gives customers access to a database of 1.62 million businesses via the COUNTYWeb Network. COUNTYWeb was also permitted under a separate 12 month licence to create county listings of 100,000 top UK businesses within its directory network.

UnionCAL has provided COUNTYWeb with exchange rate information for business and tourist users which is included in the business section of the COUNTYWeb Network.

On 5 November 1999, the business of COUNTYWeb was demerged from KDM.

In January 2000, the Company issued a prospectus offering its shares to the public. The Offer finally closed on 7 April 2000, having raised £5.6 million before expenses to finance the Company's strategy for growth.

In April 2000 a contract with Real Call Limited for call back telephony services was entered into whereby people using the directory could request that any business located within the directory make contact with them at no cost to the enquirer.

In August 2000, ecast Ventures Limited, the media arm of UK radio operator GWR, subscribed for 1 million Ordinary Shares at 100p per share and was granted a warrant to subscribe for a further 1 million Ordinary Shares at 135p each. At the same time, the Company entered into a media partnership agreement with GWR. As part of the agreement, GWR will promote COUNTYWeb's services to the GWR Group's listeners who are estimated to total over 10 million every week (*Source: Rajar*).

4. Future developments and strategy

Development of database

As outlined above, as part of the Directors' strategy for expanding the business, the Company acquired in March 2000 a database of over 2.1 million business records. The Directors consider that this will make the directory a comprehensive source for finding business contact information for businesses and consumers.

The Company invites businesses to verify that their entry details are correct, with on-line and off-line sales activity. A pilot project involving over 5,000 UK businesses was undertaken in July and August 1999 to test whether businesses could be encouraged to update their directory entries on-line. Over 30 per cent. of those contacted updated their information on-line and approximately 2 per cent. bought other services from COUNTYWeb. The Directors believe that this percentage can be increased with additional promotion.

Encouraging businesses to take an enhanced listing whilst on-line will be a preferred marketing strategy by COUNTYWeb. In addition, the Directors intend to acquire complementary new databases as part of their strategy for expanding the COUNTYWeb Network.

Brand promotion

Since its inception, COUNTYWeb has always been active in the promotion of its services both online and offline. The external sales team is provided with sign-written vehicles and the Company has expended significant sums on promoting its brand by advertising on SKY television, local commercial radio stations, newspapers and magazines. As indicated above, for example, part of the agreement with GWR allows for the COUNTYWeb brand to be promoted on GWR radio stations. The Company also

attends and exhibits at some of the major internet shows and gives presentations to groups of businesses on a regular basis.

Online, COUNTYWeb has promoted the Network using banner advertisement campaigns with the SKY web site and, more recently, using keywords on the Alta Vista search engine to target users searching on county names. It is the intention of the Directors to continue in this strategy of promoting the COUNTYWeb brand, while seeking to take advantage of other promotional opportunities which may arise.

Domain names

Since the start of its business operations, the Company has been active in purchasing domain names which relate to specific geographic areas plus the locator series. These domain names have been mostly the “.co.uk” prefix with some appropriate “.coms”, and are core to the structure of the COUNTYWeb Network. In March 2000, COUNTYWeb purchased a number of domain names relating to its business within various European countries to protect its position and allow for future expansion. In the Directors’ opinion, these represent an asset in the Company’s portfolio and have been capitalised in the balance sheet. The total number of domains currently owned by the Company stands at 266 “.uk” and 274 “.com”. It is the Directors’ intention to exploit the full potential of these domain names, some of which the Directors consider to be intrinsically worthwhile and others to offer useful business possibilities.

Development of WAP services

The Company has recently launched its directory in WAP which allows users to access the Network via WAP-enabled devices such as mobile telephones. The Directors intend to develop this service and improve the functionality of the WAP interface with the COUNTYWeb directory.

5. Market

With the advent of ISPs offering free connections to the internet together with initiatives to make local telephone calls to the internet cheaper, interest in the internet is significant. A further rapid increase in those able to access the internet is predicted (*Source: New Media Age*).

Many people have already experienced how the internet is becoming a part of their lives in the same way that the telephone and television have been incorporated into most homes. Mobile telephones, other devices and digital television are already being adapted to the new technology to access information stored on the internet.

The Directors believe that, as adoption of the internet increases, the COUNTYWeb website will attract more users. In addition, the advent of WAP-enabled mobile devices, the use of which is expected to expand rapidly over the next 2-3 years, should encourage more users to use the Company’s services.

6. Competition

The Directors believe their competitors fall into two categories:

- those operating directory business as the prime focus, namely scoot.com, yell.co.uk, thomweb.co.uk, 192enquiries.com and askalex.co.uk; and
- those offering local content as the prime focus which also includes a directory, namely townpages.co.uk and the thisisbritain network.

The Directors consider that the following differentiate the Company from its competitors:

- in addition to a national directory of business information and content, it offers county-focused directories and local content for users with a familiar look and navigation across the Network;
- businesses are able to target their presence on the Network to one single county, a region or nationally;
- the COUNTYWeb directory has a number of different entry points, using the counties and geographical regions’ names in the URLs to give a local geographic feel, for example the domain name ‘walesweb.co.uk’;
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by any search engine on which the page is listed which significantly improves the chances of the customer's entry being found;

- the enhanced entries give additional free services such as a special offers link and a company news release service;
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COUNTYWeb provides a service that the Directors believe is particularly helpful to new users of the internet because of its user-friendly interface which enables users to navigate from county to county and encounter a similar "look and feel" on each web site.

7. Revenue

COUNTYWeb's revenue streams include:

- enhanced listings in the directory;
- e-commerce commissions and transaction fees;
- web site design and hosting;
- banner advertising;
- domain name registration and e-mail services; and
- telephony revenues.

Enhanced listings in the directory

On-line upgrading to enhanced listings provides an automated revenue stream to the Company at minimal cost. Businesses have enhanced "Business Card" entries created on the county(ies) of their choice, allowing them to have a simple one county presence, a regional presence or a full national presence. The "Business Card" acts as a stand-alone single page web site which can currently provide 12 hypertext links to enable the business to define the information it seeks to impart to its customers. Subscriptions are currently for one or two years. The principle is similar to the traditional printed directories where many businesses choose an enhanced advertisement to give more information about their products or services, but goes beyond this by being interactive. One of the key attributes of COUNTYWeb is that it is a business directory allowing clients to update their free listing on-line and upgrade to an enhanced listing on-line and pay by credit card.

E-commerce commissions and transaction fees

It has been estimated that the amount of e-commerce revenues in the UK will reach £1.7 billion by the year 2002 (*Source: New Media Age*). The contract to sell marketing data on-line is an example of shared e-commerce revenue derived from the COUNTYWeb Network. By providing a network of local destination "portal" sites, the Directors believe that COUNTYWeb is positioned to benefit from the opportunities to share in on-line shopping revenues. The Directors believe that people tend to use directories immediately prior to buying goods or services on the internet.

Web site design and hosting

Businesses may well desire a larger and much more detailed web site covering all their products and services. This produces ongoing revenues in the form of updated/new web pages as well as hosting revenues. Over the last three years, the COUNTYWeb design team have built over 200 web sites, including sites for two police forces, three radio stations and a Premier League football club.

Banner advertising

COUNTYWeb generates revenue from banner advertising placed on selected COUNTYWeb web pages which are visited frequently. COUNTYWeb has already obtained revenue from these sources and expects more as traffic increases.

Domain name registration and e-mail services

COUNTYWeb acts as an agent for the client in the registration process with the relevant registration authority. A profitable fee is charged to cover the registration fee and disbursements made by COUNTYWeb. Companies without a domain name may require COUNTYWeb to register one on their behalf. COUNTYWeb also generates revenue from setting up and maintaining e-mail services for subscribers who have their domain names with COUNTYWeb.

Telephony revenues

Under a contract with Real Call Limited, COUNTYWeb shares in telephony revenues from the businesses that choose to purchase a call back facility. Businesses that subscribe to this service gain the benefit of knowing that the enquiry originated from the COUNTYWeb web site.

8. Current trading and prospects

The pre-tax loss for the eight month period ended 30 June 2000 amounts to £996,265 and reflects the substantial changes that have taken place. This includes expenditure in respect of the significant investment in technology necessary for executing the business plan, as well as other charges that are 'one off' in nature. Sales revenues amounted to £227,411 on total running costs relating to the business of £819,291.

Trading since the period ended 30 June 2000 has been in line with Directors' expectations and the Directors view the remainder of the current financial year with reasonable confidence.

9. Reasons for Admission

The Directors believe that Admission will raise the profile of the Group, promoting further awareness of the COUNTYWeb brand and that this increased awareness will strengthen the Group's ability to attract new business and to take advantage of growth opportunities.

The Directors consider that the existence of a market in the Company's shares will add significantly to the attractiveness of share ownership for both current and prospective employees, helping the Group to attract and retain high calibre staff by allowing them to participate in the future prosperity of the Group.

Irrevocable commitments to subscribe for a total of 90,000 Ordinary Shares at 100p per share have been given on behalf of the Managing Director and the Technical Director subject to the Ordinary Shares being admitted to trading on AIM by 24 January 2001.

Application has been made for the Ordinary Shares to be admitted to CREST. It is anticipated that trading in the Ordinary Shares on AIM will commence on 29 September 2000.

10. Directors and employees

The Board comprises 4 executive and 2 non-executive Directors. Details of the Directors are shown below:

Keith Charles Richmond FCMA FInst.D MIWSc, Non-executive Chairman, aged 50

Keith Richmond has over 5 years' internet experience and pioneered the original concept, development, and strategy of COUNTYWeb, as part of KDM, until the end of 1998. At the same time, he originated TIMBERWeb which has won a number of awards and recognition over the last two years. He is the founder shareholder, chairman and chief executive of KDM and has overseen three public offerings by that company. He is chairman of the East Anglian Timber Trade Association and a director of Timber Trade Federation Limited.

William Alexander Catchpole, Managing Director, aged 41

William Catchpole was appointed managing director of the COUNTYWeb Division in January 1999 having been involved in the original development and strategy with Keith Richmond. He has over 4 years' internet experience and has been key in developing the Company's internet business. He was formerly a director of KDM for 16 years where he was predominately involved with sales and led a division of KDM for the latter 6 years. His career with KDM has created a solid foundation in general management, sales, credit control as well as corporate and financial matters. He has also had considerable experience in property management, taking full responsibility for the entire KDM property

portfolio for the 3 years up until his appointment with COUNTYWeb. During his career, he also led a successful acquisition of another business for KDM.

Geoffrey Forsyth BEng CEng MBCS, Technical Director, aged 37

Geoffrey Forsyth joined KDM as the internet services division manager in October 1996. He has extensive knowledge of internet technologies, particularly database programming in an internet context, and web design tools. He has been responsible from the outset for the design, development and technical infrastructure of COUNTYWeb. He was elected a Member of the British Computer Society during 1999. Prior to this, his experience was in control and instrumentation systems within the nuclear power industry. This included developing quality assurance documentation systems for Sizewell B nuclear power station.

Simon Madden, Sales Director, aged 40.

Simon Madden has operated at divisional director level for more than 10 years for various media groups. He was appointed director of business development at Evan Steadman Communications Group and divisional director with Reed Exhibition Companies on their acquisition of Evan Steadman Communications Group. More recently he joined ITE Group PLC in 1994, during which time the company was admitted to the Official List. Whilst at ITE he held the position of general director of ITE Kingshouse Limited, one of the company’s subsidiaries. Since 1998 he has worked for leading publishing, exhibition and conference companies through his own international media consultancy. Simon Madden joined the Company in March 2000 and was appointed to the Board in April 2000.

Robert Stuart McWhinnie Gordon BA FCMA, Financial Director, aged 43.

Stuart Gordon spent his early career in Management Accounting with The British Steel Corporation and Philips TMC Glasgow. After relocating with the Philips group he progressed to Chief Financial Accountant with AT&T and Philips Telecommunications Ltd, and Financial Controller of a subsidiary of Electrolux. In late 1997 he took charge of the Management Accounting function at Grampian County Pork (Suffolk) Ltd and by mid 1999 had taken over the Financial Directorship of Gibbs Palmer (Holdings) Ltd. Stuart Gordon joined the Company and was appointed to the Board in April 2000.

Peter Michael Brown FCA, Non-executive Director, aged 66.

Peter Brown has been a director of Dawson Holdings PLC since 1987. As chairman, he oversaw that company’s admission to AIM in 1995 and its subsequent transfer to the Official List in 1998. He is also chairman of Synergy Holdings Limited and Top Pay Research Group Limited and holds a number of other non-executive directorships. Peter Brown was appointed to the Board in November 1999.

Employees

As at 31 August 2000, COUNTYWeb employed 62 staff, analysed as follows:

Management & administration	11
Technical	19
Sales	32
	<hr/>
	62
	<hr/> <hr/>

COUNTYWeb’s success will depend to a large extent on attracting, motivating and retaining high calibre staff.

11. Share options

The Company operates an unapproved share option plan (the “Plan”) and intends to establish in the near future an employee benefit trust (the “Trust”) to encourage and facilitate the acquisition and holding of Ordinary Shares by employees of the Company and the Subsidiary and to assist in the recruitment, retention and motivation of employees. The Trust will be operated in conjunction with the Plan. Further details are set out in paragraph 6 of Part 3 of this document.

12. Corporate governance

The Group intends, so far as is practicable and appropriate for a public company of its size, to comply with the Combined Code on Corporate Governance forming part of the Listing Rules of the UK Listing Authority. The Board has established an Audit Committee and a Remuneration Committee.

The Audit Committee members are Keith Richmond, Peter Brown, William Catchpole and Stuart Gordon. This committee will normally meet at least once per year and has responsibility for, amongst other things, planning and reviewing the Company's annual report and accounts and interim statement and the involvement of the Group's auditors in that process, focusing particularly on compliance with legal and regulatory requirements, accounting standards and the requirements of the London Stock Exchange, and ensuring that an effective system of internal financial controls is maintained. The ultimate responsibility for reviewing and approving the annual accounts and interim statement remains with the Board.

The Remuneration Committee members are Peter Brown, Keith Richmond and William Catchpole. This committee, which meets twice per year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the executive Directors.

The Board notes the guidance contained in the paper on internal controls issued by the Turnbull Committee, on behalf of the Institute of Chartered Accountants in England and Wales, and will review its arrangements as necessary in the light of that guidance in the forthcoming year.

13. Taxation

Based on information provided to it, the Inland Revenue has confirmed that:

- the Company is a qualifying company under the Enterprise Investment Scheme legislation; and
- the Ordinary Shares are a qualifying holding under the legislation relating to Venture Capital Trusts.

Further information on taxation is set out in Part 3.

14. Dividend policy

The Directors are primarily committed to the growth of the business and intend to commence the payment of dividends only when it becomes commercially prudent to do so, subject to the availability of distributable reserves and the retention of sufficient funds to finance future growth.

15. Working capital

The Company is of the opinion that, taking into account the Group's existing cash and bank facilities, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

16. Risk factors

Investment in the Company could involve significant risks for a number of reasons including the following:

- The COUNTYWeb directory network has not been fully developed and the levels of income generated from the proposed revenue streams are relatively low. There is no certainty that the number of clients who pay for enhanced listings and income from other revenue streams will increase sufficiently to generate profits or that those who do pay for enhanced listings will renew their subscriptions.
- COUNTYWeb has been loss making to date and there is no guarantee that the Company will be profitable in the future.
- The Directors believe that the capital already raised under the Offer will provide sufficient funds to meet COUNTYWeb's foreseeable working capital requirements. However, such funds may prove inadequate. It is possible that COUNTYWeb may require further funding at some stage and

market circumstances may be such as to prevent COUNTYWeb from raising such new funding on favourable terms, or indeed at all.

- COUNTYWeb is dependent on key members of staff and the loss of these key members for any reason could significantly affect the business in the short to medium term. The competition to gain quality staff in key skill areas is currently intense, and this situation is anticipated to worsen.
- The internet is seen as a lucrative market opportunity and the Company faces powerful competition. If these competitors were to commit significant investment to developing internet-based directories, this could impact on the Company's forecast market share.
- COUNTYWeb will, to some extent, rely on alliance partners for content and marketing and the business could be damaged by the failure of alliance partners to fulfil their obligations.
- The legal and regulatory environment with regard to the internet is currently being reviewed by the UK Government and the European Union in areas such as legal jurisdiction, liability for content, domain names, digital signatures, data protection, encryption and e-commerce. This may impose unforeseen restrictions or costs on COUNTYWeb and have a significant impact on the business.
- The internet may not grow as predicted by external observers and may turn out to be very different from what is hoped. For example, bandwidth availability may not keep pace with the demands of users.
- COUNTYWeb is a registered trade mark and the Company owns a considerable number of domain names. The Company cannot be certain however that it will not become involved in legal disputes to protect its position.
- Vulnerability of the Company's infrastructure to normal perils as well as vandalism, computer virus, power outages or hacker attack could quickly damage the quality of service and the COUNTYWeb brand.
- Recent market volatility in internet stocks may continue or worsen, so any prospective acquisition of Ordinary Shares should only be made after seeking appropriate professional advice.
- No application is being made for the admission of the Ordinary Shares to the Official List or to trading on the London Stock Exchange's market for listed securities. Admission to trading on AIM should not be taken as to imply that there is a liquid market in the Ordinary Shares. It may be more difficult for an investor to realise his or her investment in a company whose securities are traded on AIM than in a company listed on the Official List.
- The risks listed above do not necessarily comprise all those associated with an investment in the Company. Further, although the Directors will seek to minimise the impact of the above factors, investments in the Company should only be made by investors able to sustain the loss of their entire investment.

Part 2 – Accountants’ report

Grant Thornton 

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IP1 3HS

The Directors
COUNTYWeb.com plc
Melford Court
The Havens
Ransomes Europark
Ipswich
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IP3 9SJ

and

The Directors
Brewin Dolphin Securities Ltd
PO Box 512
National House
36 St Ann Street
Manchester
M60 2EP

19 September 2000

Dear Sirs

COUNTYWEB.COM PLC

1. Introduction

1.1 We report on the financial information set out in paragraphs 2.1 to 7.35 below. This financial information has been prepared for inclusion in the admission document dated 19 September 2000 (“Admission Document”) of COUNTYWeb.com plc (the “Company”).

Basis of preparation

1.2 The financial information set out in paragraphs 2.1 to 7.35 below is based on the transactions of the Company and COUNTYWeb Limited (the “Group”) from incorporation on 27 October 1999 to 30 June 2000. No adjustments were considered necessary.

Responsibility

1.3 The directors of COUNTYWeb.com plc are responsible for the contents of the Admission Document in which this report is included.

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

Basis of opinion

1.5 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. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

- 1.6 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

- 1.7 In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the results and cash flows of the Group for the period ended 30 June 2000 and the state of affairs of the Group at 30 June 2000.

2. Statutory information

- 2.1 The Company was incorporated on 27 October 1999 and received a certificate to commence business and borrow pursuant to section 117 of the Act on 9 November 1999.
- 2.2 On 5 November 1999, COUNTYWeb.com plc acquired COUNTYWeb Limited as part of the demerger of the COUNTYWeb business from KDM International plc. In consideration for the shares acquired in COUNTYWeb Limited, COUNTYWeb.com plc issued 20,160,670 ordinary shares of 1p each. The results of COUNTYWeb Limited have been consolidated using merger accounting principles.
- 2.3 The Group has incorporated companies registered in England and Wales to protect the COUNTYWeb domain names in the United Kingdom. Each company is dormant and is owned by COUNTYWeb Nominees Limited. The whole of the issued share capital of COUNTYWeb Nominees Limited is held by Mr W A Catchpole on behalf of the Subsidiary.
- 2.4 The Group comprises COUNTYWeb.com plc and its wholly owned subsidiary COUNTYWeb Limited.

Post Balance Sheet Events

- 2.5 On 16 August 2000 the Company issued 1,000,000 ordinary shares of 1p each at a price of £1 per share and warrants over 1,000,000 ordinary shares of 1p at a price of £1.35 per share. This is discussed in more detail in Paragraph 7.30.

3. Principal Accounting Policies

Basis of Preparation

- 3.1 The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.
- 3.2 The principal accounting policies of the group are set out below.

Basis of Consolidation

- 3.3 The Group financial statements consolidate those of the Company and its subsidiary undertaking drawn up to 30 June 2000. The results of the subsidiary undertaking have been consolidated using merger accounting principles. Profits and losses on intra-group transactions are eliminated in full.
- 3.4 In accordance with FRS 8, intra-group transactions are not disclosed.

Turnover

- 3.5 Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts.

Intangible Fixed Assets

- 3.6 The external costs of licences in respect of databases and subsequent external costs of verification and enhancement are capitalised and amortised on a straight-line basis over three years.
- 3.7 The costs of domain names owned by the Group are capitalised and amortised on a straight-line basis over two years.

Tangible Fixed Assets and Depreciation

3.8 Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

– Motor vehicles	–	20%
– Fixtures and fittings	–	20% to 33%
– Computer equipment	–	50% to 100%

Deferred Taxation

3.9 Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Contribution to Pension Funds

Defined contribution scheme

3.10 The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Leased Assets

3.11 Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

3.12 All other leases are regarded as operating leases and payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Share Options

3.13 Any excess of the market value of shares over the exercise price at the date of grant of options is charged to the profit and loss account.

3.14 Employer's national insurance contributions that would be payable if all options were exercised at the period end are accrued based on the directors' estimate of the market value of the shares at the period end.

4. Consolidated Profit and Loss Account for the eight month period ended 30 June 2000

	<i>Para ref</i>	<i>£</i>
Turnover	7.1	227,411
Cost of sales		(28,568)
		<hr/>
Gross profit		198,843
Administrative expenses		(1,276,723)
		<hr/>
Operating loss		(1,077,880)
Other interest receivable and similar income	7.4	83,854
Interest payable and similar charges	7.5	(2,239)
		<hr/>
Loss on ordinary activities before taxation	7.2	(996,265)
Tax on loss on ordinary activities	7.11	—
		<hr/>
Loss on ordinary activities after taxation deducted from reserves		(996,265)
		<hr/>
Basic loss per share	7.12	<u><u>(4.5)p</u></u>

4.1 There are no recognised gains or losses for the period other than the loss disclosed above.

5. Consolidated Balance Sheet as at 30 June 2000

	<i>Para ref</i>	£
Fixed assets		
Intangible assets	7.13	298,621
Tangible assets	7.14	289,305
		<hr/> 587,926
Current assets		
Debtors	7.15	330,415
Cash at bank and in hand		3,664,002
		<hr/> 3,994,417
Creditors: amounts falling due within one year	7.16	(483,441)
		<hr/> 3,510,976
Net current assets		<hr/> 3,510,976
Total assets less current liabilities		<hr/> <hr/> 4,098,902
Capital and reserves		
Share capital	7.17	257,672
Share premium account	7.22	4,794,099
Other reserves	7.22	25,000
Merger reserve	7.22	18,396
Profit and loss account	7.22	(996,265)
		<hr/> 4,098,902
Shareholders' funds	7.24	<hr/> <hr/> 4,098,902

6. Consolidated Cash Flow Statement for the period ended 30 June 2000

	<i>Para ref</i>	£
Net cash outflow from operating activities	7.25	(598,409)
Returns on investment and servicing of finance		
Interest received		83,854
Interest paid		(2,239)
		<hr/> 81,615
Net cash inflow from returns on investment and servicing of finance		<hr/> 81,615
Capital expenditure and financial investment		
Purchase of fixed assets		(732,886)
Proceeds from sale of tangible fixed assets		9,000
		<hr/> (723,886)
Net cash outflow from capital expenditure and financial investment		<hr/> (723,886)
Acquisitions		
Cash acquired with COUNTYWeb business		54,518
Financing		
Proceeds from issue of new shares		5,606,500
Issue expenses		(756,336)
		<hr/> 4,850,164
Net cash inflow from financing		<hr/> 4,850,164
Increase in cash	7.26	<hr/> <hr/> 3,664,002

7. Notes to the Financial Statements for the period ended 30 June 2000

Turnover and loss on ordinary activities before taxation

7.1 Turnover derives principally from the provision of a UK interactive county-based business directory network, and is attributable to the COUNTYWeb business acquired in the period.

7.2 Loss on ordinary activities is stated after:

	£
Auditors' remuneration	10,500
Depreciation and amortisation:	
Intangible fixed assets	41,108
Tangible fixed assets, owned	233,014
	<hr/> <hr/>

7.3 The auditors' non-audit remuneration for the period was £92,175.

Other interest receivable and similar income

7.4 Other interest receivable and similar income were as follows:

	£
Bank interest receivable	83,854
	<hr/> <hr/>

Interest payable and similar charges

7.5 Interest payable and similar charges were as follows:

	£
Other interest payable and similar charges	2,239
	<hr/> <hr/>

Directors and employees

7.6 Staff costs of the Group during the period were as follows:

	£
Wages and salaries	432,193
Grant of share options	25,000
Social security costs	129,941
Other pension costs	12,550
	<hr/> <hr/>
	599,684
	<hr/> <hr/>

7.7 The average number of employees during the period was 32.

7.8 Remuneration in respect of directors was as follows:

	£
Emoluments	166,085
Grant of share options	25,000
Pension contribution to money purchase pension schemes	11,750
Payments to third parties for directors' services	5,000
	<hr/> <hr/>
	207,835
	<hr/> <hr/>

7.9 During the period four directors participated in money purchase pension schemes.

7.10 The amounts set out above include remuneration in respect of the highest paid director as follows:

	£
Emoluments	64,508
Pension contributions to money purchase pension scheme	4,667
	<u>69,175</u>

Tax on loss on ordinary activities

7.11 There is no tax charge for the period owing to the loss suffered for the period. Unrelieved tax losses of approximately £1 million remain available to offset future taxable trading profits.

Basic loss per share

7.12 The calculation of the basic loss per share is based on the loss of £996,265 attributable to ordinary shareholders, divided by the weighted average number of shares in issue during the period of 21,987,570.

Intangible Fixed Assets

7.13 Intangible fixed assets were as follows:

	<i>Domain names £</i>	<i>Databases £</i>	<i>Total £</i>
<i>Cost:</i>			
Additions	15,030	324,699	339,729
At 30 June 2000	<u>15,030</u>	<u>324,699</u>	<u>339,729</u>
<i>Amortisation:</i>			
Charge for the period	3,758	37,350	41,108
At 30 June 2000	<u>3,758</u>	<u>37,350</u>	<u>41,108</u>
Net book value at 30 June 2000	<u>11,272</u>	<u>287,349</u>	<u>298,621</u>

Tangible Fixed Assets

7.14 Tangible fixed assets were as follows:

	<i>Motor vehicles £</i>	<i>Fixtures and fittings £</i>	<i>Computer equipment £</i>	<i>Total £</i>
<i>Cost:</i>				
Additions	43,117	209,363	280,883	533,363
Disposals		(13,269)		(13,269)
At 30 June 2000	<u>43,117</u>	<u>196,094</u>	<u>280,883</u>	<u>520,094</u>
<i>Depreciation</i>				
Charge for the period	10,364	11,292	211,358	233,014
Eliminated on disposal		(2,225)		(2,225)
At 30 June 2000	<u>10,364</u>	<u>9,067</u>	<u>211,358</u>	<u>230,789</u>
Net book value at 30 June 2000	<u>32,753</u>	<u>187,027</u>	<u>69,525</u>	<u>289,305</u>

Debtors

7.15 Debtors were as follows:

	£
Trade debtors	121,542
Other debtors	179,286
Prepayments and accrued income	29,587
	<hr/>
	330,415
	<hr/> <hr/>

Creditors: Amounts Falling Due Within One Year

7.16 Creditors were as follows:

	£
Trade creditors	224,069
Social security and other taxes	27,868
Other creditors	8,272
Accruals and deferred income	223,232
	<hr/>
	483,441
	<hr/> <hr/>

Share Capital

7.17 Share capital is as follows:

	Number	£
<i>Authorised:</i>		
Ordinary shares of 1p each	100,000,000	1,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of 1p each	25,767,172	257,672
	<hr/>	<hr/>

Allotments in the period

7.18 On 5 November 1999, the Company made an allotment of 20,160,670 ordinary shares of 1p each at par in consideration for 100% of the issued share capital of COUNTYWeb Limited.

7.19 Between 23 February 2000 and 17 April 2000, the Company made allotments of a total of 5,606,500 ordinary shares of 1p each at £1 per share. The difference between the total consideration of £5,606,500 and the total nominal value of £56,065 has been credited to the share premium account.

Contingent rights to the allotment of shares

7.20 The Company has granted the following options during the period in respect of shares of 1p each, which were unexercised at 30 June 2000.

<i>Date of grant</i>	<i>Number of shares</i>	<i>Exercise price</i>	<i>Period exercisable</i>
30 December 1999	1,370,000	50p	From 3 months to 10 years from grant
12 April 2000	50,000	75p	From 3 months to 10 years from grant
20 March 2000	50,000	75p	From 3 months to 10 years from grant
24 January 2000	5% of fully diluted issued ordinary share capital	100p	5 years from grant
24 January 2000	90,000	100p	Within 6 months from grant

7.21 The Directors are of the opinion that the market value of the ordinary shares at the grant of options on 30 December 1999 was approximately 50p per ordinary share, and that the market value of the shares at the date of grant of other options and at the period end was approximately £1 per share. No share options were exercised during the period.

Reserves

7.22 Reserves were as follows:

	<i>Share premium account</i>	<i>Other reserve</i>	<i>Merger reserve</i>	<i>Profit and loss account</i>
	£	£	£	£
Arising on consolidation	—	—	18,396	—
Grant of share options	—	25,000	—	—
Premium on shares issued	5,550,435	—	—	—
Share issue expenses	(756,336)	—	—	—
Loss in the period	—	—	—	(996,265)
At 30 June 2000	<u>4,794,099</u>	<u>25,000</u>	<u>18,396</u>	<u>(996,265)</u>

7.23 The other reserve is in respect of shares to be issued and arises as a result of recognising the cost of the share options granted in the period. The reserve will be utilised when the options are exercised.

Reconciliation of movements in shareholders' funds

7.24 The movement in shareholders' funds is reconciled as follows:

Loss for the financial period	£ (996,265)
Issue of shares	5,051,771
Grant of share options	25,000
Merger reserve arising on consolidation	18,396
Shareholders' funds at 30 June 2000	<u><u>4,098,902</u></u>

Net cash outflow from operating activities

7.25 The operating loss for the period reconciles to the net cash outflow from operating activities as follows:

	£
Operating loss	(1,077,880)
Depreciation and amortisation	274,122
Loss on disposal of fixed assets	2,044
Grant of share options	25,000
Increase in debtors	(305,138)
Increase in creditors	483,443
	<hr/>
Net cash outflow from operating activities	(598,409)
	<hr/> <hr/>

Reconciliation of net cash flow to movement in net funds

7.26 The movement in net funds in the period is reconciled as follows:

	£
Increase in cash in the period	3,664,002
	<hr/>
Net funds at 30 June 2000	3,664,002
	<hr/> <hr/>

Analysis of changes in net funds

7.27 The movement in net funds is reconciled as follows:

	<i>Cash flow</i>	<i>At 30 June</i>
	£	2000
	£	£
Cash at bank and in hand	3,664,002	3,664,002
	<hr/> <hr/>	<hr/> <hr/>

Acquisitions

7.28 On 5 November 1999 the subsidiary, COUNTYWeb Limited, acquired the assets and undertaking of the COUNTYWeb business, for consideration of £220,001, satisfied by the issue of 202,001 ordinary shares at £1 each.

7.29 The assets of the COUNTYWeb business acquired were as follows:

	<i>Book value</i>
	£
<i>Fixed assets</i>	
Tangible	140,206
<i>Current assets</i>	
Debtors	25,277
Bank and cash	54,518
	<hr/>
Total assets	220,001
	<hr/> <hr/>
<i>Satisfied by:</i>	
Issue of shares	220,001
	<hr/> <hr/>

Post balance sheet events

7.30 On 16 August 2000 the Company issued an additional 1,000,000 ordinary shares of 1p each to ecast for an aggregate subscription price of £1,000,000. The shares issued rank pari passu with the ordinary shares previously issued.

- 7.31 On the same date, the Company issued warrants to ecast, entitling them to subscribe for up to 1,000,000 ordinary shares of 1p each at an exercise price of £1.35 per share within three years.
- 7.32 On the same date, the Company undertook to purchase £1,000,000 worth of advertising time with GWR Group plc, payable £500,000 immediately and £500,000 on 1 April 2001.
- 7.33 On 11 September 2000, the Company granted options over 117,000 Ordinary Shares to senior management and other employees at an exercise price of 100p exercisable between 11 December 2000 and 11 September 2010.

Capital commitments

- 7.34 The Group had no capital commitments at 30 June 2000.

Contingent liabilities

- 7.35 There were no contingent liabilities at 30 June 2000.

Leasing commitments

- 7.36 Operating lease payments amounting to £69,000 are due within one year. The leases to which these amounts relate expire as follows:

	£
<i>Land and buildings</i>	
In five years or more	69,000
	<u>69,000</u>

Yours faithfully

Grant Thornton

Part 3 – Additional information

1. The Company and its share capital

- (a) The Company was incorporated in England and Wales on 27 October 1999 as a public company with limited liability under the Act with registered number 3869545. On 9 November 1999, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to Section 117 of the Act.
- (b) The principal legislation under which the Company operates is the Act and regulations made thereunder.
- (c) The registered office address and principal place of business of the Group is at Melford Court, The Havens, Ransomes Europark, Ipswich, Suffolk, IP3 9SJ.
- (d) The Company has a wholly owned operating subsidiary, COUNTYWeb Limited which was incorporated as a private company under the Act on 1 October 1997 under the name Bideawhile 269 Limited. It changed its name to COUNTYWeb Limited on 2 December 1997 and remained a dormant company until the transfer to it of the COUNTYWeb business from KDM on 5 November 1999. Further details of the transfer of the COUNTYWeb business appear in paragraph 9(a) below.

- (e) The authorised and issued share capital of the Company at the date of this document is as follows:

	<i>Authorised Number</i>	<i>£</i>	<i>Issued (fully paid) Number</i>	<i>£</i>
Ordinary Shares	100,000,000	1,000,000	26,767,172	267,671.72

- (f) Two Ordinary Shares were issued to the subscribers on the Company's incorporation and a further 20,160,670 were allotted and issued to the shareholders of KDM pursuant to a distribution agreement dated 5 November 1999 and made between KDM and the Company. The subscriber shares were also transferred on 5 November 1999 so as to provide that all the Ordinary Shares held in the Company were held by shareholders in the same proportions as they held shares in KDM on that date. Further details of the distribution agreement appear in paragraph 9(b) below.
- (g) Pursuant to the articles of association of the Company adopted on incorporation, the Directors were authorised for the purposes of sections 80 and 89 of the Act to allot to any person without reference to any statutory pre-emption rights, Ordinary Shares for cash or otherwise up to the maximum of the authorised but unissued share capital which as at 5 November 1999, after the demerger referred to in paragraph 1(f) above, stood at 79,839,328 Ordinary Shares of 1p each, such authority to expire on 5 November 2004.
- (h) Pursuant to resolutions passed at an Extraordinary General Meeting of the Company on 18 May 2000, the Directors were authorised (in substitution for all previous authorities in that regard) to exercise all of the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £250,000 provided that this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling fifteen months from the date of passing of the resolution. For issues of Ordinary Shares for cash, Section 89(1) of the Act was disapplied, such authority being limited to:
 - (i) the allotment of equity securities on a pro rata basis in favour of Shareholders where the equity securities respectively attributable to the interests of all Shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them, but subject to such exclusions and other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlements or otherwise;
 - (ii) the allotment of equity securities in connection with the COUNTYWeb.com PLC share option plan (1999);

- (iii) the allotment of equity securities up to an aggregate nominal amount of £13,800 in connection with the exercise of options granted by the Company to Matrix-Securities Limited and Suffolk Life Annuities Limited provided that such exercise is in accordance with the terms of the relevant option agreement;
- (iv) the allotment (other than pursuant to sub-paragraphs (i) to (iii) above) of equity securities up to an aggregate nominal amount of £25,000;

and such authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company or the date falling fifteen months from the date of the passing of the resolution.

- (i) Pursuant to resolutions passed at the annual general meeting of the Company held on 31 August 2000, the authorities referred to in paragraph 1(h) above were granted upon the same terms, until the earlier of the conclusion of the next annual general meeting of the Company on the date falling fifteen months from the date of the passing of the resolution.
- (j) Pursuant to the Offer, the following Ordinary Shares were issued at a price of 100p per share:

<i>Date of Issue</i>	<i>Issued (fully paid)</i>
23 February 2000	1,286,500
6 March 2000	3,095,000
5 April 2000	936,500
17 April 2000	288,500

- (k) Following Admission the authorised and issued share capital of the Company will be as follows:

	<i>Authorised Number</i>	£	<i>Issued (fully paid) Number</i>	£
Ordinary Shares	100,000,000	1,000,000	26,767,172	267,671.72

- (l) Save as disclosed in paragraphs 2(b), 2(c), 3(b) and 9(c) below, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- (m) Save as disclosed in this document, the Company does not have in issue any securities not representing share capital.
- (n) Save as disclosed in this document, there are no outstanding convertible securities issued by the Company.
- (o) Pursuant to a Share Warrant Instrument dated 16 August 2000, the Company created 1,000,000 warrants (the "Warrants") conferring the right upon the holders thereof to subscribe for 1,000,000 Ordinary Shares at 135p per share. The Warrants are exercisable at any time before the earlier of 16 August 2003 or the occurrence of a sale or transfer to any person or group of persons acting in concert which results in such person or persons together acquiring control of 50 per cent or more of the voting rights attaching to the equity share capital of the Company ("the Subscription Period"). The Warrants are freely transferable and may be exercised individually. The Warrants may be exercised at any time during the Subscription Period in whole or in part. There is provision for the Warrant holders to be included in any offer made to Shareholders and for further Warrants to be issued in the event of other issues of shares or rights to shares. On a voluntary winding-up of the Company, all Warrants shall be deemed to have been exercised immediately prior to such winding-up and the holders of the Warrants shall rank for distribution in the winding-up accordingly less the amount payable upon exercise. No application is being made for the Warrants to be admitted to the Official List or to be traded on AIM or on the London Stock Exchange's market for listed securities.
- (p) Pursuant to a subscription agreement dated 16 August 2000, the Company issued 1,000,000 Ordinary Shares to be cast for an aggregate subscription price of £1,000,000. The Company did not give any warranties in relation to the subscription.

- (r) If all of the outstanding warrants at the date of this document are converted, there would be a further 1,000,000 issued Ordinary Shares.
- (s) If all the outstanding options, which could be exercised or which would be capable of being exercised if certain conditions are fulfilled were exercised as at the date of this document there would be a further 2,965,359 issued Ordinary Shares.

2. Directors

(a) *Interests in the share capital of the Company*

The interests of the Directors and their immediate families and the interests of persons connected with the Directors for the purposes of section 346 of the Act in the issued ordinary share capital of the Company as at 18 September 2000 (being the latest practicable date prior to the publication of this document) (all of which are beneficial unless otherwise noted) (i) which have been notified by each Director to the Company pursuant to sections 324 or 328 of the Act, or (ii) which are required to be entered in the register maintained under section 325 of the Act or (iii) are interests of a connected person of a Director which would, if that connected person were a Director, be required to be disclosed under (i) and (ii) above and the existence of which is known to, or could with reasonable diligence be ascertained by, that Director, are as follows:

	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
K C Richmond ¹	3,334,995	12.46
W A Catchpole ²	818,374	3.06
G Forsyth	35,000	0.13
P M Brown	494,065	1.85
S Madden	—	—
R S M Gordon	—	—

Notes:

- 147,061 of such Ordinary Shares are held by Mr Richmond's self-administered pension scheme and 465,250 Ordinary Shares are held by his wife. Mr Richmond has a non-beneficial interest in 646,885 of such Ordinary Shares as a trustee of a family trust.
- 54,220 of such Ordinary Shares are held by or on behalf of Mr Catchpole's wife and/or son.

- (b) On 30 December 1999, the following Directors were granted options to subscribe for Ordinary Shares at 50p per share conditional on the achievement of certain specified objectives described in paragraph 6(f) below:

<i>Director</i>	<i>Options for Ordinary Shares</i>
W A Catchpole	500,000
G Forsyth	500,000
P M Brown	50,000

All of the above options are exercisable between 30 March 2000 and 30 December 2009 depending on the achievement of certain specified objectives described in paragraph 6(f) below.

The following Directors were granted options to subscribe for Ordinary Shares at 75p per share conditional on the achievement of certain specified objectives described in paragraph 6(f) below:

<i>Director</i>	<i>Date Option Granted</i>	<i>Options for Ordinary Shares</i>
S Madden	20 March 2000	50,000
R S M Gordon	12 April 2000	50,000

The options granted to S Madden are exercisable between 20 June 2000 and 20 March 2010 and the options granted to R S M Gordon are exercisable between 12 July 2000 and 12 April 2010 depending on the achievement of certain specified objectives described in paragraph 6(f) below.

- (c) On 24 January 2000, the Company entered into two option agreements with Suffolk Life Annuities Limited (re. 700728 and 701009), as trustee of pension schemes for each of W A Catchpole and G Forsyth (the "Trustee"). The Company has granted to the Trustee an option to subscribe for up to 90,000 Ordinary Shares in aggregate (of which 85,000 Ordinary Shares are for the benefit of W A Catchpole's pension scheme and 5,000 Ordinary Shares are for the benefit of G Forsyth's

pension scheme) at 100p per share subject to the Ordinary Shares being admitted to trading on AIM within the period of twelve months from the date of the two Option Agreements (such date having been extended to 24 January 2001 by letter agreements between both respective parties dated 24 July 2000). In addition, the Trustee has given irrevocable undertakings to the Company to exercise such options forthwith upon the condition being satisfied.

(d) *Directorships*

The Directors currently hold the following directorships (other than of the Company) and partnerships and have held the following directorships and partnerships within the five years prior to the publication of this document:

<i>Name of Director</i>	<i>Current Directorships</i>	<i>Former Directorships</i>
K C Richmond	KDM Timber Trade Federation Limited COUNTYWeb Limited TIMBERWeb Limited TIMBERWeb.COM PLC	Felixstowe Timber Terminal Limited (Dissolved pursuant to section 652A of the Act) Suffolk County Tennis Centre Limited
W A Catchpole	COUNTYWeb Limited COUNTYWeb Secretaries Limited COUNTYWeb Nominees Limited	Felixstowe Timber Terminal Limited (Dissolved pursuant to Section 652A of the Act) Ashford Timber Limited KDM
G Forsyth	COUNTYWeb Limited	Forsyth Engineering Consultants Limited (Dissolved pursuant to Section 652A of the Act)
S Madden	COUNTYWeb Limited IMEDIA Limited	
R S M Gordon	COUNTYWeb Limited	Gibbs Palmer (Holdings) Limited Gibbs Palmer Limited Nursery Supplies Limited
P M Brown	Dawson Holdings PLC Synergy Holdings Limited Enterprise Dynamics Limited Top Pay Research Group Limited The Compensation and Expert Witness Partnership Limited CFA Appointments Limited Fundraising Appointments Limited Gabbitas Educational Consultants Limited Davies Laing & Dick Limited COUNTYWeb Limited TIMBERWeb.COM PLC	Wace Group Plc SurrIDGE Dawson Limited Synergy Publishing Limited (Dissolved pursuant to 652A of the Act) Charity Appointments Limited Directory of Training Limited Dawson Overseas Holdings Limited Oasis Information Systems Limited Dawson Book Services Limited Quality Books Limited BF Stevens & Brown Limited Alan Armstrong Limited Bumpus Limited Dawson Europe Limited Dawson Technology Limited Dawson UK Limited Books at Work Limited ABMR Publications Limited Dawson Finance Company Limited P.W.J. SurrIDGE and Sons, Limited Maris On-Line Limited Dawson Publishing Limited SurrIDGE & Dawson (Holdings) Limited SurrIDGE Vickers Limited Dawson Trust Company Limited Independent Investment Management Limited Dawson Advertising Limited

(e) *Receiverships, liquidations, administrations and voluntary arrangements*

K C Richmond was a non-executive director of Pressgood Limited which went into creditors voluntary liquidation in 1976.

Save as disclosed above, no Director has:

- (1) had a bankruptcy order made against him or entered into an individual voluntary arrangement; or
- (2) been a director of a company or a partner in a partnership which was placed into receivership, liquidation or administration or entered into a voluntary arrangement while he was a director of that company or partner in that partnership or within 12 months after he ceased to be a director of that company or a partner in that partnership.

(f) *Criticisms, convictions and names*

No Director has:

- (1) any unspent conviction in relation to any indictable offences; or
- (2) been publicly criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or in the management or conduct of the affairs of any company; or
- (3) has had a name other than his present name.

(g) *Directors' service agreements*

W A Catchpole, G Forsyth, S Madden and R S M Gordon have service contracts with the Company. They are all terminable on one year's notice and each is required to work such hours as are reasonably required by the Board. W A Catchpole receives £70,000 per annum, G Forsyth receives £55,000 per annum, S Madden receives £65,000 and R S M Gordon receives £50,000 for services as executive directors of the Company. Each of the executive Directors receives additional pay of 10 per cent. of their salaries into personal pension plans, £705 per month in lieu of a company car as well as PHI and life assurance cover. In addition, each of the four executive Directors are entitled to be paid a bonus at the discretion of the Company.

K C Richmond and P M Brown have been appointed non-executive Directors of the Company.

P M Brown has been appointed for an initial fixed term of one year from 9 November 1999 and K C Richmond has a 12 months rolling appointment. K C Richmond is entitled to receive £25,000 per annum for services as non-executive Chairman and it has been agreed subsequently to pay him an additional £1,250 per month with retrospective effect from 5 November 1999 while performing certain executive duties outside this role. These duties are expected to continue. P M Brown is entitled to receive £15,000 per annum. The fees payable to non-executive Directors are paid jointly by the Company and the Subsidiary.

The aggregate remuneration of the Directors for the eight month period from 5 November 1999 to 30 June 2000 including benefits in kind was £207,835. It is estimated that the aggregate remuneration of the Directors, including benefits in kind, in the period from 1 July 2000 to 30 June 2001 will be approximately £350,000, not taking into account the annual pay rise set for January 2001 and any bonuses payable.

(h) *Lock-ins*

The following directors and employees of the Company have agreed not to dispose of any interest in their respective holdings in the issued ordinary share capital of the Company for a period of one year from the date of Admission, save in the event of an intervening court order, a takeover offer relating to the issued ordinary share capital of the Company becoming or being declared unconditional or the death of the respective director or employee of the company:

	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
K C Richmond	3,334,995	12.46
W A Catchpole	1,318,374	4.93
P M Brown	544,065	2.03
G Forsyth	535,000	2.00

3. Substantial shareholders and other interests

- (a) In addition to the holdings of certain of the Directors, details of which are set out in paragraph 2(a) above, the Directors are aware of the following holdings of Ordinary Shares which, at 18 September 2000 (being the latest practicable date prior to the publication of this document), represented 3 per cent. or more of the Company's issued share capital:

	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
ecast	1,000,000	3.74

The Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- (b) In addition to the options granted to Directors referred to in paragraph 2(b) above, options have also been granted to senior management and other employees and remain outstanding as follows:

<i>Number of Ordinary Shares subject to options</i>	<i>Date granted</i>	<i>Exercise price per share</i>	<i>Exercisable between</i>
320,000	30 December 1999	50p conditionally on the achievement of certain specified objectives described in paragraph 6(f) below	30 March 2000/30 December 2009 subject to the achievement of objectives as described in paragraph 6(f) below
117,000	11 September 2000	100p conditionally on the achievement of certain specified objectives described in paragraph 6(f) below	11 December 2000/11 September 2010 subject to the achievement of objectives as described in paragraph 6(f) below

4. Memorandum of association

The objects of the Company are set out in clause 4 of the Company's Memorandum of Association and its principal objects are, amongst others, to carry on the business of a holding company and a general commercial company.

5. Articles of association

Set out below is a summary of certain of the provisions of the Articles.

5.1. Dividends

5.1.1 The profits of the Company available for distribution by way of dividend and resolved to be distributed shall be distributed to the holders of Ordinary Shares by way of interim and final dividends and at such times as the Directors may determine.

5.1.2. No dividend shall be payable except out of the profits of the Company (including profits set aside to any reserve fund) or in excess of the amount recommended by the Directors.

5.1.3 The Directors may, if authorised by an ordinary resolution, may provide for the payment of dividends by way of dividends in specie.

5.2. Issue of shares

Subject to the provisions of the Act and any restrictions contained in the Articles and to any direction to the contrary given by the Company in general meeting, all unissued shares shall be at the disposal of the Directors and they may allot, grant options over or otherwise dispose of them

to such persons, at such times and on such terms as they think fit, but no share shall be offered at a discount.

5.3. *Redeemable Shares*

The Company may by special resolution create and sanction the issue of shares which are, or at the option of the Company or the holder are to be liable, to be redeemed.

5.4. *Voting and restrictions on voting*

5.4.1 Subject to any rights or restrictions attached to any shares, and in particular the provisions summarised in sub-paragraph 5.4.2 below, each holder of Ordinary Shares present in person (or, being a corporation, by a duly authorised representative) at a general meeting shall upon a show of hands have one vote and upon a poll each holder of Ordinary Shares shall have one vote in respect of every Ordinary Share held by him;

5.4.2 A member shall not, unless the directors otherwise determine, be entitled in respect of any Ordinary Shares to attend or vote at any general meeting or to exercise any other right conferred by membership in relation to meetings of the Company if he or any other person appearing to be interested in the relevant shares has been given notice under Section 212 of the Act and has failed to give the Company such information as is required by the notice within 14 days, in a case where the shares in question represent at least 0.25 per cent. of their class, or, in any other case, within 28 days from the date of the notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred in certain specified circumstances.

5.5. *Record dates and unclaimed dividends*

The Company or the Directors may fix a date as the record date by reference to which a dividend will be declared or paid, whether or not it is before the date on which the declaration or payment is made. Any dividend which has remained unclaimed for a period of 12 years after having become due for payment will, if the Directors so resolve, be forfeited and cease to remain owing by the Company. No dividend or other money payable in respect of a share will bear interest against the Company unless the rights attached to the share provide otherwise.

5.6. *Variation of rights*

Subject to the provisions of the Act, the rights attached to any class of shares may be varied in such manner as may be provided by those rights or (in the absence of any such provision) with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. Unless otherwise expressly provided by the rights attached to any class of shares, those rights are deemed to be varied by the reduction of capital paid up on those shares and by the creation or issue of further shares ranking in priority to them for payment of a dividend or repayment of capital or which confer on the holders voting rights more favourable than those conferred by the first-mentioned shares, but are deemed not to be varied by the creation or issue of further shares ranking *pari passu* with them or subject to them or by the purchase by the Company of any of its own shares.

5.7. *Transfer of shares*

Shares are in registered form and may be transferred by an instrument in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer if it is (a) of shares which are not fully paid, (b) not stamped and duly presented for registration together with the share certificate (unless one has not been issued) and such other evidence of title as the directors may reasonably require, (c) in respect of more than one class of shares, (d) in favour of more than four transferees, or (e) in respect of shares which are the subject of a notice under Section 212 of the Act and, subject to the conditions specified in the Articles of Association relating to the disclosure of interests, the required information has not been received by the Company within the prescribed period. The restrictions on the transfer of shares which are not fully paid up are not such as to prevent dealings in the shares from taking place on an open and proper basis.

5.8. *Alteration of capital*

The Company may, by ordinary resolution, increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, subdivide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person. The Company may, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

5.9. *Directors*

The Directors shall be paid out of the funds of the Company by way of remuneration for their services such sums as they may determine and the remuneration shall accrue from day to day. The Directors may also be paid all expenses incurred by them in connection with the discharge of their duties as directors of the Company.

A Director who provides the Company with services outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Directors think fit.

The Directors may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any executive Director who has held but no longer holds any executive office or employment with the Company or any body corporate which is or has been a subsidiary of the Company (or a predecessor in business of the Company or any such subsidiary) and for a member of his family or other dependent. The same benefits may be provided to non-executive Directors with the sanction of an ordinary resolution of the Company.

Subject to the provisions of the Act, and provided that he has disclosed to the Directors the nature and extent of any material interests of his, a Director is not by reason of his office (a) disqualified from being a party to or otherwise involved in, any transaction or arrangement with the Company, or in which the Company has an interest, (b) disqualified from being a Director or other officer or employee of any body corporate promoted by the Company or in which the Company has an interest or (c) liable to account to the Company for any benefit thereby derived, and no such transaction or arrangement is liable to be avoided on the grounds of any such interest or benefit. Except as otherwise provided by the Articles, no Director may vote or be counted in a quorum, at a meeting in relation to any resolution concerning a matter in which he has directly a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company). The foregoing prohibition will not apply to:

- (a) the giving of any guarantee, security or indemnity to a Director in respect of money lent to or obligations incurred by him for the benefit of the Company or any of its subsidiaries; or
- (b) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility in whole or in part under a guarantee or indemnity or by giving security; or
- (c) the participation of a Director in the underwriting or sub-underwriting of an offer of shares or debentures or other securities of the Company or any of its subsidiaries for subscription, purchase or exchange; or
- (d) any proposal for a retirement benefits scheme which has been approved or is conditional upon approval by the Board of Inland Revenue for taxation purposes; or
- (e) any arrangement for the benefit of the employees of the Company or any of its subsidiaries (including an employees' share scheme) which does not award to any Director, as such, any privilege or advantage not generally awarded to the employees to whom the arrangement relates; or
- (f) any transaction or arrangement concerning any other company in which the Director is interested, whether directly or indirectly, provided that he is not the holder (other than as bare trustee or custodian or as a unit holder in any authorised unit trust scheme) of, or beneficially interested in, 1 per cent. or more of any class of the equity share capital of such company (or any third company through which his interest is derived) or of the voting rights of members of such company; or
- (g) any proposals to purchase or maintain liability insurance for Directors.

At each annual general meeting one third of the Directors who are subject to retirement by rotation (or, if their number is not three or a multiple of three, the number nearest to, but not exceeding, one third) shall retire from office by rotation.

The Directors may delegate any of their powers to committees consisting of such number of members of their body as they think fit and may revoke a delegation and discharge a committee in whole or in part.

The Directors may arrange that any branch of the business carried on by the Company or any other business in which the Company is interested shall be carried on by or through one or more subsidiaries. They may on behalf of the Company make such arrangements as they think advisable for taking the profits or bearing the losses of any branch or business or for financing, assisting or subsidising any subsidiary or guaranteeing its contracts, obligations or liabilities. They may appoint, remove and reappoint any person (whether a member of their own body or not) to act as a Director, managing Director or manager of a subsidiary or any other company in which the Company is interested, and may determine his remuneration (whether by way of salary, commission on profits or otherwise). A Director may retain any remuneration payable to him in respect of the appointment.

The Directors may by power of attorney appoint any person to be the attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they think fit. The power of attorney may contain such provisions for the protection and convenience of persons dealing with the attorney as the Directors think fit and may authorise the attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.

A Director may appoint any person who is approved by the Board to be an alternate Director and may remove from office an alternate Director appointed by him.

5.10. Borrowing powers

The Directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) outstanding of all moneys borrowed by the Company and its subsidiary undertakings ("the Group") excluding amounts borrowed by any member of the Group from any other member of the Group shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the greater of £5,000,000 or eight times the aggregate of (i) the amount paid up on the share capital of the Company and (ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, and goodwill on acquisitions, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group, but subject to deductions and adjusted as specified in the Articles.

5.11. Reserves

The Directors may, before recommending a dividend, set aside out of the profits of the Company such sums as they think proper as a reserve which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied.

5.12. Accounts

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place, of all sales and purchases of goods by the Company and of the assets and liabilities of the Company.

Once at least in every year the Directors shall lay before the Company in general meeting a profit and loss account giving a true and fair view of the profit and loss account of the Company for the financial year to which it relates and a balance sheet giving a true and fair view of the state of affairs of the Company as at the date at which it is made out and containing a general summary of the capital, the assets and the liabilities of the Company, made up to a date not more than 7 months before the meeting.

5.13. Winding up

On the winding up of the Company, the balance of the assets available for distribution, after deduction of any provision made under Section 719 of the Act and subject to any special rights

attaching to any class of shares, will be applied in repaying to the members of the Company the amount paid up on the shares held by them. Any surplus assets will belong to the holders of any ordinary shares then in issue according to the number of shares held by them.

5.14. *Indemnity*

The Directors, auditors, secretary and other officers of the Company, and their respective executors or administrators, shall to the extent permitted by law, be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, unless incurred through their own wilful neglect or default.

5.15. *CREST*

The Directors may implement such arrangements as they think fit in order for any class of shares to be held in uncertificated form and for title to those shares to be transferred by means of a system such as CREST in accordance with the Uncertificated Securities Regulations 1995 and the Company will not be required to issue a certificate to any person holding such shares in uncertificated form.

6. Share options

6.1 *Unapproved share option plan*

The following is a summary of the main features of the COUNTYWeb unapproved share option plan which was approved by shareholders on 2 December 1999 (the "Plan").

(a) *General*

The Plan is designed for the grant of options to Directors and employees to aid the recruitment, retention and motivation of executive management of the Company.

(b) *Constitution*

The Plan is governed by the Rules of the Plan and is administered by the board of Directors of the Company.

(c) *Grant of options*

Options ("Options") may be granted under the Plan at any time from the commencement date of the Plan (being 2 December 1999) up to and including its tenth anniversary. Options will be granted by deed executed on behalf of the Company and the grantee of the Option (the "Optionholder") will be issued with a certificate containing a number of undertakings by the Optionholder:

- (i) an Optionholder will be entitled to renounce, surrender or cancel an Option.
- (ii) an Option is non-transferable and can only be exercised by the individual to whom it is granted. It cannot be assigned, mortgaged, charged or otherwise disposed of by the Optionholder, and it shall cease to be exercisable if the Optionholder is adjudicated bankrupt or a bankruptcy order is made against the Optionholder or the Optionholder is otherwise deprived of legal and beneficial ownership of the Option.

(d) *Limits on grant*

- (i) The number of Options granted shall not exceed 7.5 per cent. of the Company's issued share capital on the last working day before the date of grant.
- (ii) The grant of an Option does not form part of the Optionholder's entitlement to remuneration or benefits pursuant to his contract of employment

(e) *Eligibility*

The Plan will be available to employees, including Directors and officers and also to non-executive Directors but excluding the Chairman. No person will be entitled as of right to participate in the Plan, and the Directors have absolute discretion in this regard. An Option will not be granted within two years of an employee's retirement date.

(f) *Option price, exercise price and conditions*

The price per Ordinary Share at which an Optionholder may exercise the Option (the "Option Price") shall be at the discretion of the Directors or otherwise shall be the market value of an Ordinary Share at the date of grant but shall not in any event be less than the nominal value of an Ordinary Share. The Directors have resolved that the exercise price of Options granted to certain Directors and employees described in paragraphs 2(b) and 3(b) above respectively shall be conditional on the occurrence of any of the following:

- (i) a change of control of the Company;
- (ii) the Company's shares are quoted on a recognised investment exchange;
- (iii) sales targets are exceeded in three out of four quarters in the first year following grant, in which event, 50 per cent. of options granted will qualify for exercise; or
- (iv) sales targets are exceeded in three out of four quarters in the second year following grant, in which event, 50 per cent. of options granted will qualify for exercise;

Subject to board approval and the occurrence of one of the above, in the first two years following grant, up to one third of qualifying options may be exercised per year and thereafter, up to one third of qualifying options may be exercised in any year. Options may be exercised only if any conditions attaching to the Options have been fulfilled, and only at the discretion of the Directors. Options may not be exercised within three months of the date of grant and must be exercised before the expiry of 10 years from the date of grant.

(g) *Lapse of Options*

(i) *Death of Option holder*

If an Option holder dies in service, his personal representatives will be entitled to exercise his Option within the 18 months following his death, and if the Options are not exercised within that period, they will lapse. If an Option holder dies after ceasing to hold office or employment within the Group, an Option granted to him may be exercised by his personal representatives within 18 months from the date of death in respect of such shares as were vested in respect of which the Option could have been exercised at the time of death.

(ii) *Leaving service in special circumstances*

If an Option holder leaves the service of the Company by reason of injury, disability, redundancy or normal retirement, or because his employing company ceases to be an associated company or member of the Group, or because the office or employment by virtue of which he is eligible to participate in the Plan relates to the business or part of the business which is transferred to a company which is not an associated company nor a member of the Group, then the Option can only be exercised within six months of the Option holder ceasing to hold office, providing always this is within 10 years from the date of grant.

(iii) *For other reasons*

If an Option holder ceases to hold office or employment within the Group for any reason other than those referred to in paragraphs g(i) and (ii) above, then an Option granted to him may only be exercised (if at all) in relation to such proportion of the shares over which the Option subsists, and within such period as the Directors shall determine and notify to the Option holder and shall otherwise lapse and cease to be exercisable.

(h) *Demerger, reconstruction or winding up*

In the event of a demerger or reconstruction, an Optionholder may be given notice entitling him to exercise his Options within a period not exceeding 30 days as the grantor may specify. In the case of a compromise or arrangement under Section 425 of the Act, an Option holder may exercise his Options within six months from the date on which the scheme is approved.

All Options shall immediately lapse and cease to be exercisable on the commencement of the winding up of the Company.

(i) *Take over*

On the occurrence of any of the following:

- (i) a general offer to acquire the whole of the ordinary share capital of the Company; or
- (ii) a general offer to acquire all the shares of the Company of the same class as the Option shares; or
- (iii) an offeror obtains control of the Company

any Option may be exercised within the period of six months of the date when the offeror obtains control of the Company and, if not so exercised, that Option shall lapse. Provided always that at the date of obtaining control, three months has expired from the date of grant.

(j) *Reorganisation of share capital*

In the event of an alteration of the share capital by way of capitalisation or rights issue, or sub-division or reduction of capital of the Company, or any other variation in the share capital, the number, class and option price of Ordinary Shares subject to an Option and the total number of Ordinary Shares available to the Plan will be subject to adjustment in a manner which the auditors of the Company in their opinion confirm in writing to be fair and reasonable.

(k) *Alteration of Plan*

The Plan may be amended by the Directors but certain amendments require the consent of Shareholders in general meeting.

(l) *Legal and tax obligations*

The exercise of Options and the allotment or transfer of shares pursuant thereto will be subject to such additional conditions and procedures as the Company may determine are necessary or desirable in order to comply with or take into account any legal or taxation obligations of the Company on such exercise.

6.2 *Employee benefit trust*

The Company intends to establish as soon as is practicable an employee benefit trust (the "Trust") to encourage and facilitate the acquisition and holding of Ordinary Shares by employees of the Company and the Subsidiary and to assist in the recruitment, retention and motivation of employees. The Trust will be operated in conjunction with the Plan described in paragraph 6.1 above and is intended to provide a mechanism for additional Ordinary Shares to be made available to employees of the Company and the Subsidiary from the Company's then existing issued Ordinary Shares.

7. Working capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group will, from Admission, be sufficient for its present requirements, that is for at least twelve months following the date of this document.

8. Litigation

There are no legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Company is aware, which may have, or have had during the twelve months prior to the publication of this document, a significant effect on the Group's financial position.

9. Material contracts

Other than the agreements referred to in paragraph 2(c) above and this paragraph 9, there are no contracts outside the ordinary course of business which have been entered into by any member of the Group within the period of two years immediately preceding the date of this document which are, or may be, material:

- (a) under an asset transfer agreement dated 5 November 1999 and made between KDM and COUNTYWeb Limited, KDM transferred to COUNTYWeb Limited all of the undertaking and

assets of COUNTYWeb trading as part of a division of KDM for a consideration equal to the book value of the assets transferred together with £1 and satisfied by the allotment of 202,001 ordinary shares of £1 each in the capital of COUNTYWeb Limited;

- (b) under a distribution agreement dated 5 November 1999 and made between KDM and the Company, the parties agreed to the transfer of all the issued shares of £1 each in COUNTYWeb Limited to the Company by way of distribution in specie in consideration of the allotment by the Company of 20,160,670 ordinary shares of 1 pence each in the capital of the Company to the shareholders of KDM in the same proportion as their existing holdings in KDM as at 5 November 1999;
- (c) under a letter agreement dated 20 December 1999 and made between the Company and Matrix-Securities Limited (“MSL”), the Company appointed MSL as its financial adviser for the purposes of the Offer and for a minimum period of two years thereafter. The Company agreed to pay MSL for its corporate finance services fees equivalent to 5 per cent. (plus VAT) of the funds raised on the first £1 million introduced and thereafter 3 per cent. on the excess. In addition, the Company has granted Matrix Corporate Finance Limited, a subsidiary of MSL, an option to subscribe for a period of five years at the Offer Price for up to 1,288,359 Ordinary Shares. The Company has also agreed to pay MSL a retainer fee for general financial advice of £8,000 (plus VAT) per annum;
- (d) under the terms of a letter agreement dated 20 December 1999 and made between Grant Thornton London and the Company, Grant Thornton London agreed to act as financial adviser to the Company subject to termination by seven days written notice on either side. The Company agreed to pay Grant Thornton London a fee of £20,000 upon commencement of its engagement together with an additional fee of £30,000 on completion of the Offer. The Company has given Grant Thornton London an indemnity in relation to any liability arising by reason of their engagement other than as a result of their wilful default or negligence. The Company gave notice to terminate under the agreement, acknowledgement of which was received from Grant Thornton London on 19 July 2000.
- (e) under the terms of the warranty agreement dated 24 January 2000 (the “Warranty Agreement”), made between the Company, the Directors and MSL, the Company and certain Directors gave MSL certain warranties as to, inter alia, the accuracy of the information contained in the prospectus relating to the Offer. The Company agreed to indemnify MSL in relation to any liability under the Offer other than arising by reason of its negligence or wilful default. The Company also agreed to pay all other costs, charges and expenses of, or incidental to, the Offer;
- (f) under the terms of a letter agreement dated 5 July 2000 and made between Brewin Dolphin and the Company, the Company has appointed Brewin Dolphin as its nominated adviser, financial adviser, corporate stockbroker and nominated broker for the purposes of the application for Admission. The Company has agreed to pay a documentation fee of £30,000 and a corporate finance fee of £60,000. The Company has also agreed to pay all reasonable costs, charges and expenses (including Brewin Dolphin’s legal fees) of, or incidental to, or incurred by, its engagement. The Company has given Brewin Dolphin an indemnity in relation to any liability arising by reason of its engagement other than as a result of its wilful default or negligence. The Company has also given certain specific warranties to Brewin Dolphin, material breach of which entitles Brewin Dolphin to resign as nominated adviser, financial adviser, corporate stockbroker and/or nominated broker provided that such breach has not been remedied to the satisfaction of Brewin Dolphin within seven days of notice of such breach given to the Company;
- (g) pursuant to a subscription agreement dated 16 August 2000, the Company issued 1,000,000 Ordinary Shares to ecast for an aggregate subscription price of £1,000,000. The Company did not give any warranties in relation to the subscription;
- (h) on 16 August 2000, the Company issued 1,000,000 warrants to ecast pursuant to a Share Warrant Instrument entitling the Warrantholder to subscribe for one Ordinary Share for each warrant issued at an exercise price of 135p per Ordinary Share. Further information on these warrants is set out in paragraph 1(p) above;
- (i) on 16 August 2000, the Company entered into a data licence agreement with ecast and GWR whereby in consideration of £100,000, payable on 1 April 2001, the Company granted to GWR for use by ecast a licence to rights to data comprising business names, addresses, telephone and fax numbers, COUNTYWeb classification codes and where possible email addresses. The Company warranted, inter alia, that it had the right to grant ecast the licence to the rights in the data granted

under the data licence agreement. The liability of the Company pursuant to any breach of the data licence agreement is limited to £100,000; and

- (j) on 16 August 2000, the Company entered into an airtime purchase agreement with GWR and ecast pursuant to which the Company purchased from GWR commercial airtime on GWR's radio channels. The total consideration payable by the Company to GWR pursuant to the terms of the airtime purchase agreement is £1,000,000, half of which was paid at completion and the balance of which is due on 1 April 2001.

10. Subsidiaries

Other than the Subsidiary, the Group has incorporated companies registered in England and Wales to protect the COUNTYWeb domain names in the United Kingdom. Each company is dormant and is owned by COUNTYWeb Nominees Limited. The whole of the issued share capital of COUNTYWeb Nominees Limited is held by W A Catchpole on behalf of the Subsidiary.

11. Premises and security

The Group currently operates from one office at Melford Court in Ipswich. The Company's computer servers are kept on site in an air conditioned and secure environment.

12. Taxation

The following summary is based on the law and practice currently in force in the United Kingdom. The comments are of a general nature only, are not a full description of all relevant tax considerations and may not be applicable to persons who do not hold their Ordinary Shares as investments. Any person who is in any doubt as to his tax position should consult a professional adviser concerning his tax position in respect of or relating to the acquisition, holding or disposal of Ordinary Shares.

Under the current UK taxation legislation, no tax will be withheld from dividend payments by the Company.

An individual resident in the UK for tax purposes who receives (or is treated as receiving) a dividend from the Company will generally receive a credit against his or her UK tax liability in respect of such dividend equal to one-ninth of the cash dividend. For example, on a cash payment of £90, such an individual holder will receive a credit of £10 against his or her tax liability. Shareholders who are UK resident individuals and who are not liable to income tax in respect of the gross dividend will not, save in the case of persons holding the relevant Ordinary Shares through a Personal Equity Plan or Individual Savings Account (for which special rules apply), be entitled to repayment of the tax credit. In the case of UK resident individual Shareholders who are liable to income tax at only the lower or basic rate, the tax credit will satisfy in full such holders' liability to income tax on the dividend. UK resident individual Shareholders who are liable to income tax at the higher rate will be subject to income tax at the rate of 32.5 per cent. of the gross dividend, but will be able to set the tax credit off against part of this liability.

A UK resident corporate Shareholder will generally not be liable to UK corporation tax on any dividend received. Such Shareholders will not be able to claim repayment of the tax credits attaching to dividends.

A UK resident pension fund will not be entitled to reclaim the tax credit on dividends paid by the Company.

Individual Shareholders who are resident for tax purposes outside the United Kingdom, but who are Commonwealth citizens, European Economic Area nationals, residents of the Isle of Man or the Channel Islands or certain other persons will normally 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 Shareholders will generally not be able to claim repayment of the tax credit from the Inland Revenue.

Other Shareholders who are resident for tax purposes in countries other than the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received. They should note that, following the reduction in the rate of the United Kingdom tax credit to one-ninth

of the dividend received with effect from 6 April 1999, they are unlikely to be entitled to any payment from the Inland Revenue under any double tax treaty agreement.

13. General

- (a) The estimated total costs and expenses payable by the Company in connection with this document and Admission (including professional fees and printing and dispatching costs) are estimated to amount to £290,000 excluding VAT.
- (b) Save for:
 - (i) the trademark COUNTYWeb which was registered in the UK on 18 September 1998; and
 - (ii) various registered domain names for counties within the COUNTYWeb Network,there are currently no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the business of the Group.
- (c) There are no significant investments in progress.
- (d) Save as disclosed in this document, no exceptional factors have influenced the Company's activities.
- (e) The financial information covering the Company does not constitute full statutory accounts, as referred to in section 240 of the Act. Audited accounts of the Company for the period from 27 October 1999 to 30 June 2000 have been delivered to the Registrar of Companies. The auditors of the Company are Grant Thornton, Chartered Accountants and Registered Auditors of Crown House, Crown Street, Ipswich, Suffolk IP1 3HS. Grant Thornton gave an unqualified audit report (within the meaning of section 235 of the Act) on the statutory accounts for the period to 30 June 2000. This report did not contain a statement under section 237(2) or (3) of the Act.
- (f) Grant Thornton have given and not withdrawn their written consent to the issue of this document and the inclusion herein of their report and name and the references thereto in the form and context in which they appear.
- (g) There are no persons (excluding professional advisers and trade suppliers) who have received directly or indirectly from the Company in the 12 months preceding the date of this document or who have entered into contractual arrangements to receive on or after Admission, fees totalling £10,000 or more or Ordinary Shares with a value of £10,000 or more or any other benefit with a value of £10,000 or more.
- (h) Brewin Dolphin, which is regulated by The Securities and Futures Authority Limited and is registered in England with its registered office at 5 Giltspur Street, London EC1A 9BD, has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- (i) No securities of the Company are being offered or issued to the public in connection with the application for Admission.
- (j) Other than the application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for any such admission been made and there is not intended to be any other arrangements for dealings in the Ordinary Shares on any such exchange.

14. Availability of Admission Document

Copies of this document are available free of charge to the public at the offices of Brewin Dolphin, 5 Giltspur Street, London EC1A 9BD and at the registered office of the Company, Melford Court, The Havens, Ransomes Europark Ipswich, Suffolk, IP3 9SJ for 14 days following the date of Admission. Copies of this document can also be viewed at and printed and downloaded from the Company's web site, www.countyweb.com.

Dated: 19 September 2000.