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This document does not constitute a prospectus for the purposes of the Public Offers of Securities Regulations 1995 and a copy has not been delivered to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of such Regulations.

**It is emphasised that no application is being made at the present time for the Warrants to be admitted to the Official List or to be admitted to trading on the London Stock Exchange or the Alternative Investment Market of the London Stock Exchange.**

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# **MEGALOMEDIA PLC**

*(Incorporated in England and Wales with registered number 204368)*

## **Issue of up to 5,708,158 Warrants to existing shareholders on a 1 for 3 basis**

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The Warrants have not been and will not be registered under the US Securities Act of 1933, as amended, or under any of the relevant securities laws of any state or district of the US, Canada, Australia, Japan or Republic of Ireland. Accordingly, unless an exemption under such Act or other laws is available, the Warrants may not be offered, sold, transferred or delivered, directly or indirectly, into or from the US, Canada, Australia, Japan or Republic of Ireland or to or for the account or benefit of any US, Canadian, Australian, Japanese or Irish person.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any jurisdiction. The attention of Overseas Shareholders is drawn to paragraph 6 of Part III on page 19 of this document.

Shore Capital and Corporate Limited, which is regulated by The Financial Services Authority Limited, is acting for Megalomeia plc in relation to the issue of Warrants and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Shore Capital and Corporate Limited for advising them on the contents of this document.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and public holidays) free of charge at the Registered Office of the Company at 25 City Road, London EC1Y 1BQ or from Shore Capital and Corporate Limited at Bond Street House, 14 Clifford Street, London W15 4JU.

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## ANTICIPATED TIMETABLE

Announcement of the issue of Warrants	17 May 2002
Record date for entitlement to Warrants	27 May 2002
Annual General Meeting	26 June 2002
Warrant certificates expected to be despatched	28 June 2002

## KEY STATISTICS

Number of Ordinary Shares in issue	17,124,474
Number of Warrants being issued	Up to 5,708,158
Enlarged number of Ordinary Shares in issue (assuming full exercise of Warrants)	Up to 22,832,632
Gross proceeds arising from full exercise of Warrants	Up to £1,712,447
Estimated net proceeds arising from full exercise of Warrants	1,671,322

## DEFINITIONS

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

Act	the Companies Act 1985, as amended
AGM	the annual general meeting of the Company, to be held on 26 June 2002 at 222 Gray s Inn Road, London WC1X 8XF
AIM	the Alternative Investment Market of the London Stock Exchange
AIM Rules	the Rules of the London Stock Exchange governing admission to and operation of AIM
Annual Report	the annual report and statutory accounts of the Company for the year ended 31 March 2002, a copy of which accompanies this document
Australia	The Commonwealth of Australia, its states, territories or possessions
Board or Directors	the board of directors of Megalomeia
Issue	the proposed issue of Warrants to Qualifying Shareholders on the basis described in this document, conditional on the passing of the Resolution
Group	Megalomeia and its subsidiaries
Japan	Japan, its cities, its prefectures, territories and possessions
London Stock Exchange	London Stock Exchange plc
Megalomeia or the Company	Megalomeia plc
Official List	the Official List of the UK Listing Authority
Ordinary Shares	ordinary shares of 1p in the capital of the Company
Overseas Shareholders	Shareholders who have registered addresses outside the UK or who are citizens or residents of countries outside the UK
Qualifying Shareholders	Shareholders on the register of members of the Company at the Record Date (excluding Overseas Shareholders)
Record Date	the close of business on 27 May 2002
Registrars	C.I. Registrars Limited or such other registrar as the Company shall appoint from time to time
Resolution	the special resolution numbered 6 to be proposed at the AGM as set out in the notice of AGM at the end of the Annual Report
Reverse Take-over	an acquisition or acquisition(s) which meet the criteria set out in Part One rule 13 of the AIM Rules
Shareholders	holders of Ordinary Shares
Shore Capital	Shore Capital and Corporate Limited

Securities Act	the US Securities Act of 1933 (as amended)
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
US , USA or United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
Warrants	up to 5,708,158 warrants to subscribe for Ordinary Shares to be issued to Qualifying Shareholders pursuant to the Issue
Warrant Instrument	the instrument pursuant to which the Warrants are to be issued

## DIRECTORS, SECRETARIES AND ADVISERS

<b>Directors</b>	Lord Saatchi ( <i>Chairman</i> ) David Marshall ( <i>Deputy Chairman</i> ) Alastair Barclay Ian Farnsworth
<b>Secretaries and Registered Office</b>	City Group P.L.C. 25 City Road London EC1Y 1BQ Tel: 020 7448 8950
<b>Registered Number</b>	204368
<b>Nominated Adviser</b>	Shore Capital & Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
<b>Stockbroker</b>	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
<b>Auditors</b>	KPMG Audit Plc Chartered Accountants 8 Salisbury Square London EC4Y 8BB
<b>Registrars</b>	C.I. Registrars Limited PO Box 30 Cresta House Alma Street Luton LU1 2PU
<b>Solicitors to the Company and to the Nominated Adviser</b>	S J Berwin 222 Gray s Inn Road London WC1X 8XF

**Part I**

**CHAIRMAN'S LETTER**

**MEGALOMEDIA PLC**

*(Incorporated in England and Wales with registered number 204368)*

*Registered Office*  
25 City Road  
London  
EC1Y 1BQ

23 May 2002

*To all Shareholders*

Dear Sir or Madam

**Introduction**

The Company announced its preliminary results for the year ended 31 March 2002 on 17 May 2002 and the statutory accounts were posted to shareholders together with this document on 23 May 2002. The Company also announced on 17 May 2002 that it proposes to issue to Qualifying Shareholders Warrants to subscribe for new Ordinary Shares on the basis of one Warrant for every three Ordinary Shares held.

The Warrants will be issued for no consideration to Qualifying Shareholders so that they may have the opportunity to add to their holdings by subscribing for new Ordinary Shares at a price of 30 pence per Ordinary Share.

The Warrants will be exercisable on the date falling 28 days after the despatch of:

- the interim report of Megalomedia in 2002;
- the statutory accounts and interim report of Megalomedia in each of the years 2003 to 2006 inclusive; and
- the statutory accounts of Megalomedia for the year ending 31 March 2007;

provided that no Warrants may be exercised prior to the Company acquiring a new business by way of Reverse Take-over.

So as to simplify the process for the Issue, no application is currently being made for the Warrants to be admitted to the Official List or to be admitted to trading on the London Stock Exchange or AIM at this time. The Board intends to make an application for the Warrants to be admitted to trading on AIM at the same time as the Company makes its next significant business acquisition by way of Reverse Take-over.

To receive the Warrants, Qualifying Shareholders need to take no action.

**Background**

During the past year Megalomedia has successfully completed the process of transforming itself into a cash shell, having sold its operating businesses and returned the bulk of the Group's cash to shareholders. Since then, the resources of the Group have been focussed on identifying suitable, cash generative businesses with good management and strong growth prospects, as possible targets for acquisition by the Company.

The remaining assets of the Group comprise cash balances of £3.7 million and an unsecured loan note receivable of £1.6 million offset by net liabilities of £0.1 million. The unsecured loan note bears interest at 5 per cent. and is repayable on 7 December 2005 by Guidedraw Limited, the company used for the management buy-out of The FrameStore Limited and Computer Film Holdings Limited, former subsidiaries of the Company whose businesses are post-production special effects.

The Group generated a profit after tax for the second half of the year ended 31 March 2002 of £27,000, having reduced operating costs below the level of interest income. As part of the process of minimising expenditure, the Group's head office operation has been closed and the Company no longer has any employees. All administrative tasks have been outsourced to City Group P.L.C. who also act as Megalomeia's Company Secretaries.

The Board intends that Megalomeia continues as a public vehicle and is actively considering opportunities in all areas that meet its investment criteria.

### **Reasons for the Issue**

Because of the recent significant change in the structure of the Company following the tender offer and redistribution of cash to Shareholders, and in the light of the impending change to the nature of the business, the Board has decided to issue to Qualifying Shareholders one Warrant for every three Ordinary Shares held. These Warrants entitle Qualifying Shareholders to subscribe for additional Ordinary Shares in the Company at 30 pence per Ordinary Share (the current net asset value per Ordinary Share). In total, up to 5,708,158 Warrants will be issued to Qualifying Shareholders entitling the holders of Warrants to subscribe for one new Ordinary Share for each Warrant held.

The Board believes that this is an opportune time to issue Shareholders with warrants to subscribe for new Ordinary Shares over the next five years. The Board believes that Shareholders will welcome the opportunity to benefit from holding what is in effect an option to acquire Ordinary Shares in the future at a price that has been fixed now.

### **Procedure for the Issue**

The Warrants will be created pursuant to the Warrant Instrument, which will be entered into as soon as practicable following the passing of the Resolution. The Warrants will then be issued and certificates in respect of the Warrants will be despatched to Qualifying Shareholders. To receive the Warrants, Qualifying Shareholders need take no action. Providing the Resolution is passed, it is anticipated that Warrant certificates will be despatched to Qualifying Shareholders on or around 28 June 2002.

The Warrants will be exercisable on the date falling 28 days after the despatch of:

- the interim report of Megalomeia in 2002;
- the statutory accounts and interim report of Megalomeia in each of the years 2003 to 2006 inclusive; and
- the statutory accounts of Megalomeia for the year ending 31 March 2007;

by notice in writing to Megalomeia, provided that no Warrants may be exercised prior to the Company acquiring a new business by way of Reverse Take-over.

The Company will use its reasonable endeavours to ensure that the Ordinary Shares issued on exercise of the Warrants are admitted to trading on AIM. Further details of the Warrants are set out in Part II on pages 10 to 13 of this document.

### **Additional Information**

Your attention is drawn to the additional information in Part III of this document.

**Taxation**

Information regarding taxation in the UK in connection with the Issue and the exercise of the Warrants is set out in paragraph 5 of Part III on page 18 of this document. Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their professional adviser as soon as possible.

**Overseas Shareholders**

Information for Shareholders who have registered addresses outside the UK or who are citizens or residents of countries other than the UK appears in paragraph 6 of Part III on page 19 of this document. If you are an Overseas Shareholder, it is important that you read that part of the document, which sets out restrictions applicable to you.

**Recommendation**

The Board, which has been advised by Shore Capital, considers that the Issue is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution in respect of all their Ordinary Shares. The Directors intend to vote in favour of the Resolution in respect of their beneficial holdings (including those of their associates) totalling 58,375 Ordinary Shares, representing approximately 0.34 per cent. of the issued share capital of the Company. London Finance & Investment Group P.L.C. has irrevocably undertaken to vote in favour of the Resolution in respect of its shareholding of 4,300,000 Ordinary Shares, representing 25.11 per cent. of the existing issued share capital of the Company.

The Board makes no recommendation as to whether Shareholders should exercise their Warrants as this decision should be made by each Shareholder after consultation with such professional advisers as the Shareholder deems necessary.

Yours faithfully

**Lord Saatchi**

*Chairman*

## Part II

### PARTICULARS OF THE WARRANTS

Conditional on the Resolution being passed, in aggregate up to 5,708,158 Warrants will be issued to Qualifying Shareholders, entitling the holders of Warrants to subscribe for up to, in aggregate, 5,708,158 Ordinary Shares, which will represent approximately 25 per cent. of the current issued share capital of the Company as enlarged by the issue of such Ordinary Shares.

The Warrants will be issued on the basis of one Warrant for every three Ordinary Shares held.

The number of Warrants issued to each Qualifying Shareholder will, if necessary, be rounded down to the nearest whole number, with any fractions being ignored. The Warrants will not rank for dividends or any other distributions.

The Board intends to make an application for the Warrants to be admitted to trading on AIM at the same time as the Company makes its next significant business acquisition by way of Reverse Take-over.

The Warrants will be issued pursuant to the Warrant Instrument subject to the following conditions:

#### 1. Subscription Rights

(a) A registered holder for the time being of a Warrant has rights ( subscription rights ) on each date falling 28 days after the despatch of:

- (i) the interim report of Megalomeia in 2002;
- (ii) the statutory accounts and interim report of Megalomeia in each of the years 2003 to 2006 inclusive; and
- (iii) the statutory accounts of Megalomeia for the year ending 31 March 2007;

(or, if such a date is not a business day, the next following business day) (each a subscription date ), to subscribe in cash for one Ordinary Share at 30 pence ( the subscription price ), payable in full on subscription provided that a Warrant may not be exercised prior to the Company having completed the acquisition of a new business by way of Reverse Take-over. The number and/or nominal amount of Ordinary Shares to be subscribed pursuant to Warrants and the subscription price payable are subject to adjustment as provided in paragraphs 2(a) or (b) below. To the extent not then exercised, all subscription rights shall lapse on the day following the date falling 28 days after the despatch of the Company s statutory accounts for the financial year ending 31 March 2007 (or, if such date is not a business day, the next following business day) ( the final subscription date ).

(b) In order to exercise the subscription rights in whole or in part, a registered holder of a Warrant or Warrants must lodge the warrant certificate or certificates (or such other evidence as the Directors may reasonably require as proof of the title of the person exercising the subscription rights) at the office of the Registrars on or within 10 days prior to a subscription date, having completed the subscription notice on the reverse thereof (or accompanied by such other written notice as the Directors may approve) and specifying the number of Ordinary Shares in respect of which the subscription rights are to be exercised accompanied by a remittance for the aggregate subscription price of the Ordinary Shares in respect of which the subscription rights are exercised. Once lodged, a subscription notice shall be irrevocable save with the consent of the Directors and shall take effect from the relevant subscription date. Compliance must also be made with any statutory requirements for the time being applicable.

(c) Not earlier than four weeks nor later than three weeks before the subscription dates falling within each of the financial years ending 31 March 2003 to 2007 inclusive, the Company shall give notice to the registered holders of the outstanding Warrants reminding them of their subscription rights.

- (d) Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after and with effect from the relevant subscription date and certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the persons entitled thereto) not later than 28 days after the relevant subscription date to the persons in whose names the Warrant(s) are registered at the date of such exercise or to such other persons as may be named in a form of nomination contained in the Warrant. Pending the issue of certificates in respect of new Ordinary Shares resulting from the exercise of Warrants, transfers of new Ordinary Shares will be certified by the Registrars. In the event of a holder of Warrant(s) exercising the subscription rights relating to some but not all of the relevant Ordinary Shares, the Company shall at the same time as the issue of the Ordinary Share certificate issue a new Warrant certificate in the name of the registered holder for any balance of the Warrants in respect of which subscription rights remain exercisable.
- (e) Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, made or paid on the Ordinary Shares if the record date for such dividends or other distribution is prior to the relevant subscription date but subject thereto will rank *pari passu* in all respects with the Ordinary Shares of the Company in issue at that date.

## **2. Adjustment of Subscription Rights**

- (a) After any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves (other than by way of Ordinary Shares paid up out of distributable reserves in lieu of a cash dividend) to holders of the Ordinary Shares on the register on a date (or by reference to a record date) on or before the final subscription date or upon any sub-division or consolidation of the Ordinary Shares on or before such a date, the number and/or nominal amount of Ordinary Shares to be subscribed on any subsequent exercise of the subscription rights will be increased or, as the case may be, reduced in due proportion and the subscription price will be adjusted accordingly with effect from the record date for such capitalisation, sub-division or consolidation. On any such capitalisation, sub-division or consolidation, the auditors for the time being of the Company shall certify the appropriate adjustments, and within 28 days thereof (unless the Warrants have lapsed in the meantime), notice will be sent to each holder of a Warrant together with a Warrant certificate in respect of any additional Ordinary Shares for which that holder is entitled to subscribe in consequence of such adjustment, fractional entitlements being ignored.
- (b) If, on a date (or by reference to a record date) on or before the final subscription date, the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer or invitation to which paragraph 3(d) applies) or any offer or invitation (not being an offer or invitation to which paragraph 3(e) applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then registered holders of the Warrants as if their subscription rights had been exercisable and had been exercised on the day immediately preceding the record date of such offer or invitation on the terms (subject to any adjustment pursuant to paragraph 2(a)) on which the same could have been exercised on the last preceding subscription date provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then registered holders of the Warrants but the subscription price shall be adjusted:
  - (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the Market Price at the date of announcement of the terms of the offer, by multiplying the subscription price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount payable for the total number of the new Ordinary Shares comprised in such rights issue would purchase at such Market Price and the denominator is the number of Ordinary Shares in issue at the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription; and
  - (ii) in any other case, in such manner as the auditors for the time being of the Company shall certify to be appropriate.

Provided that no such adjustments shall reduce the subscription price per Ordinary Share to less than the nominal value per Ordinary Share. Any such adjustment shall become effective as at the record date for the offer or invitation.

For these purposes Market Price shall mean the average of the closing middle market price for one Ordinary Share for the five consecutive business days ending on the business day immediately preceding the day on which the Market Price is to be ascertained.

### **3. Other Provisions**

So long as any subscription rights remain exercisable:

- (a) the Company shall not in any way modify the rights attached to the Ordinary Shares as a class (but nothing herein shall restrict the right of the Company to increase or to consolidate or subdivide its share capital), or create or issue any new class of equity share capital (as defined in section 744 of the Act) which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Ordinary Shares;
- (b) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Warrants) reduce its share capital or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by sections 130 to 134 (inclusive) or 170 of the Act) any share premium account or capital redemption reserve;
- (c) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;
- (d) if at any time an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its shares, the Company shall simultaneously give notice thereof to the registered holders of the Warrants and such holder shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise his subscription rights on the terms on which the same could have been exercised on the next following subscription date (subject to any adjustment pursuant to paragraph 2 above) so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation;
- (e) if at any time an offer is made to all holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice to the holders of the Warrants within 14 days of its becoming so aware, and each such holder shall be entitled, at any time whilst such offer is open for acceptance, to exercise his subscription rights on the terms on which the same could have been exercised on the next following subscription date (subject to any adjustment pursuant to paragraph 2 above) so as to take effect as if he had exercised his rights immediately prior to the record date of such offer.

Publication of a scheme of arrangement under the Act providing for the acquisition by any person of the whole or any part of the issued share capital of the Company shall be deemed to be the making of an offer for the purposes of this sub-paragraph (e); and

- (f) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or merger on terms sanctioned by an Extraordinary Resolution of the holders of the Warrants in which case the holders of the Warrants shall be entitled to be granted by the reconstructed, amalgamated or merged company a substituted warrant of the value of the Warrants immediately prior to such reconstruction, amalgamation or merger), each holder of a Warrant shall (if, in such winding up and on the basis that all Warrants then unexercised which have not lapsed had been exercised in full and the subscription moneys for the relevant Ordinary Shares had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Ordinary Shares which, on such basis, would exceed in respect of each Ordinary Share a sum equal to the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercisable and had been exercised in full, on the terms on which the same could have been exercised on the last preceding subscription date (subject to any adjustment pursuant to

paragraph 2 above), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he exercised his subscription rights in full and become the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the subscription price. Subject to the foregoing all subscription rights shall lapse on liquidation of the Company.

#### **4. Modification of Rights**

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an Extraordinary Resolution of the holders of the Warrants passed at a separate general meeting. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall *mutatis mutandis* apply to such separate general meetings as though the Warrants were a class of shares forming part of the capital of the Company but so that (i) the necessary quorum shall be the holders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the Ordinary Shares attributable to such outstanding Warrants, (ii) every holder of a Warrant (present in person or by proxy) at any such meeting shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe, (iii) any holder of a Warrant (present in person or by proxy) may demand or join in demanding a poll, and (iv) at any adjourned meeting those holders of Warrants (present in person or by proxy) shall be a quorum (whatever the number of Warrants held or represented by them).

#### **5. Transfer**

Each Warrant will be registered and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. The Company may refuse to register any transfer of Warrants unless it is duly stamped and lodged at the office of the Registrars (or such other place as the Directors may appoint) accompanied by a certificate for the Warrants to be transferred and such other evidence as the Directors may reasonably require to show the right of the intending transferor to make the transfer.

#### **6. General**

- (a) The Company will concurrently with the issue of the same to the holders of its Ordinary Shares send to each registered holder of a Warrant (or in the case of joint holders to the first named) a copy of each published annual report and accounts or summary financial statement of the Company, together with all documents required by law to be annexed thereto, and copies of all other documents issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of these particulars, Extraordinary Resolution of the holders of the Warrants means a resolution proposed at a meeting of the holders of the Warrants duly convened and held and passed by a majority consisting of not less than three fourths of the votes cast whether on a show of hands or on a poll.

## Part III

### ADDITIONAL INFORMATION

#### 1. The Company

The Company was incorporated in England on 9 March 1925 under the name United Tin Areas of Nigeria Limited as a limited company under the Companies Acts 1908 to 1917 with registered number 204368. On 13 October 1969, the name of the Company was changed to United Tin Areas Limited. On 9 December 1981, the Company was re-registered as a public limited company under the Companies Acts 1948 to 1980 and the name of the Company was changed to United Tin Areas plc. The name of the Company was changed to Graduate Appointments plc on 5 August 1994 and to Megalomeia plc on 30 November 1995.

The registered office of the Company and its head office and principal place of business is at 25 City Road, London, EC1Y 1BQ.

The Company is the holding company of the Group and, at the date of this document, its subsidiaries are:

<i>Wholly owned and registered in England</i>	<i>Principal activities</i>	<i>Classes of shares in issue</i>
(a) Storesurvey Limited	Holding company	Ordinary £1
(b) The Net Channel Limited	Dormant	Ordinary £1
(c) Net.tv Limited	Dormant	Ordinary £1
(d) Net.car Limited	Dormant	Ordinary £1
(e) Net.card Limited	Dormant	Ordinary £1
(f) Net.home Limited	Dormant	Ordinary £1
(g) Net.job Limited	Dormant	Ordinary £1
(h) Net.search Limited	Dormant	Ordinary £1

#### 2. Ordinary Share Capital

The authorised and issued share capital of the Company at the date of this document and as it will be following completion of the Issue of and following the exercise in full of the Warrants is as follows:

<i>Authorised share capital:</i>	<i>Authorised but unissued:</i>	<i>Issued and full paid:</i>	<i>Issued share capital assuming Warrants are exercised in full:</i>
100,000,000	82,875,526	17,124,474	22,832,632
Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares

On 20 June 2001 by or pursuant to resolutions of the Company passed on that date:

- (a) by ordinary resolution the Board was generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £250,813 provided that this authority shall expire on 19 June 2006 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and that the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired but otherwise in substitution for any authorities conferred on the Directors to allot relevant securities; and
- (b) by special resolution the Board was empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the authority conferred by the resolution set out in (a) above as if sub-section (1) of Section 89 of that Act did not apply to any such allotment provided that this power shall be limited:
  - (i) to the allotment of equity securities in connection with a rights issue 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 shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or any stock exchange in any territory; and
  - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £37,459 representing 5 per cent. of the issued share capital, to expire on 19 September 2002 and save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired but otherwise it shall be in substitution for any prior authorities conferred on the Directors to allot equity securities.

The following resolutions will be proposed at the Annual General Meeting to be held on 26th June 2002:

- (a) an ordinary resolution by which the Board will be generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £828,756 provided that this authority shall expire on 25 June 2007 save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and that the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired but otherwise in substitution for any authorities conferred on the Directors to allot relevant securities; and
- (b) a special resolution by which the Board will be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the authority conferred by the resolution set out in (a) above as if sub-section (1) of Section 89 of that Act did not apply to any such allotment provided that this power shall be limited:
  - (i) to the allotment of equity securities in connection with a rights issue 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 shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or any stock exchange in any territory;
  - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £8,562 representing 5 per cent. of the issued share capital and it shall expire on 19 September 2002 and save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired but otherwise it shall be in substitution for any prior authorities conferred on the Directors to allot equity securities; and
  - (iii) to the allotment of equity securities up to an aggregate nominal amount of £60,000 in connection with an issue of warrants in favour of shareholders where the entitlement of shareholders to warrants is proportionate (as nearly as may be) to the respective number of shares held by them but subject to such exclusions or other arrangements as the Directors consider necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or stock exchange in any territory.

### 3. Memorandum and Articles of Association

#### (a) *Memorandum of Association*

The principal objects of the Company are to carry on business as a holding company and as a general commercial company. The objects of the Company are set out in full in clause 4 of its Memorandum of Association which is amongst the documents referred to in paragraph 10 below as being available for inspection.

#### (b) *Articles of Association*

The Articles of Association of the Company contain provision, *inter alia*, to the following effect:

##### *Voting*

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership and subject to any special terms as to voting attached to any class of shares by or in accordance with the Articles, every member who (being an individual) is present in person or (being a corporation) is present by a representative shall, on a show of hands, have one vote and every member present in person or by proxy shall, on a poll, have one vote for every share held by him.

##### *Variation of Rights and Alteration of Capital*

- (i) All or any of the rights and privileges attached to any class of shares may, subject to the Act, be varied with the consent in writing of the holders of at least three fourths of the nominal amount 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. To every such separate meeting the provisions of the Articles relating to general meetings apply, *mutatis mutandis*, but the necessary quorum shall be at least two persons holding or representing by proxy at least one third in nominal value of the issued shares of that class.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of a larger amount and sub-divide all or any of its shares into shares of a smaller amount.

- (iii) The Company may, subject to the provisions of the Act, by special resolution, reduce its share capital, any capital redemption reserve or any share premium account or other undistributable reserve.
- (iv) The Company may, by ordinary resolution, cancel any shares not taken or agreed to be taken by any person.
- (v) Subject to and in accordance with the provisions of the Act and subject as provided in the Articles, the Company may purchase its own shares (including redeemable shares).

#### *Transfer of Shares*

The instrument of transfer of any share in the Company shall be in the usual form or such other form as shall be approved by the Directors. The Directors may in their absolute discretion refuse to register any transfer of shares which are not fully paid up where they do not approve of the transferee or a transfer of shares in respect of which the Company has a lien, or if the instrument of transfer is in respect of more than one class of share. The Directors may also decline to register an instrument of transfer unless it is lodged at the place where the register of members is situated for the time being or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such evidence as the Directors may reasonably require to show the title of the transferor and the due execution by the transferor of the transfer.

#### *Directors*

Subject to the Articles of Association and applicable statutes, no Director is disqualified by his office from contracting with the Company, nor is any Director so contracting liable to account to the Company for any profit realised thereby but the nature of his interest must be declared by the Director at the first meeting of the Directors after he knows his interest exists.

Save as provided below, a Director shall not vote (nor be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities or otherwise in or through the Company.

Subject to the provisions of the Act, a Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolutions concerning any of the following matters, namely:

- (i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or 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 the giving of security;
- (iii) any proposal concerning any offer of shares or debentures or other securities of or by the Company or of any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (iv) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of, or beneficially interested in, one per cent. or more of any class of equity share capital of such company (or of any third party through which his interest is derived) or of the voting rights available to members of the relevant company; and
- (v) any contract or proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any other company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under sub-paragraph (iv) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Company may by ordinary resolution suspend or relax the provisions summarised above in this section headed "Directors" to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

The ordinary remuneration of each Director (excluding the salary or remuneration of any managing director or executive director determined in accordance with the Articles of Association) shall be not more than £10,000 (or such other sum as may from time to time be determined by an ordinary resolution of the Company). The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors including any expenses

incurred in attending meetings of the board of Directors or of committees of the board of Directors or general meetings and any Director who makes special journeys or otherwise performs any special services may be paid such extra remuneration and expenses as the Directors may determine.

The remuneration of any executive Director (including any managing Director) shall, subject as provided in any contract, be determined by a remuneration committee of Directors (or if no such committee exists, as may be determined by the Directors) and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, or may include the provision to him, his widow or other dependants of a pension and the participation in pension and life assurance benefits, or may be upon such other terms as the Directors may determine.

The Directors may give or award pensions, annuities, gratuities and superannuation or other allowances for the benefit of or for any persons who are or who have been directors of or who are or have been employed by any company in the Group and the families and dependants of any such persons.

A Director shall not be required to retire by reason of his having attained the age of 70.

A Director shall not be required to hold any shares of the Company by way of qualification.

#### *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and, subject to the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company and shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that (without the previous sanction of an ordinary resolution of the Company) no money shall be borrowed if the aggregate principal amount at any one time outstanding shall exceed an amount equal to two times the aggregate of the amounts paid up or credited as paid up on the issued share capital of the Company and the amounts standing to the credit of the reserves of the Company and its subsidiaries including share premium account, capital redemption funds and plus or minus (as the case may be) the credit or debit balance on profit and loss account.

#### *Untraced Shareholders*

Subject to various notice requirements, the Company may sell any shares in the Company of a member who is untraceable at the best price reasonably obtainable if, during a period of twelve years, at least three cash dividends in respect of the shares in question have become payable and all cheques or warrants for all amounts payable to the member in respect of his shares have remained uncashed and the Company has not received any communication from such member.

#### *Dividends*

The Company may from time to time in general meeting or the Directors may declare dividends but no dividend shall exceed the amount recommended by the Directors. The Directors may pay interim dividends and fix half yearly dividends. All dividends unclaimed for a period of one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and all dividends unclaimed after a period of 12 years after having been declared shall be forfeited and shall revert to the Company.

#### *Distribution of Assets on a Winding-Up*

On a winding-up of the Company, the liquidator may with the authority of an extraordinary resolution, divide, in whole or in part, the assets of the Company among the members and determine the division as between members or different classes of members.

#### **4. Directors' and other interests**

- (a) The interests of the Directors and their immediate families in issued Ordinary Shares which have been notified to the Company pursuant to sections 324 and 328 of the Act; or which are required to be entered in the Register of Directors' Interests maintained by the Company pursuant to section 325 of the Act, including interests, the existence of which is known or could with reasonable diligence be reasonably ascertained, of persons connected (within than meaning of section 346 of the Act) with the Directors which interests would, if such connected persons were Directors, be required to be disclosed under section 324, and 328 of the Act, as they were at 16 May 2002 (being the latest practicable date prior to publication of this document) and as they will be immediately following the issue of Warrants are as follows:

	<i>Ordinary shares</i>	<i>%</i>	<i>Options</i>	<i>Warrants</i>	<i>%</i>
A R C Barclay	27,875	0.16	Nil	9,291	0.16
I R Farnsworth	30,500	0.18	Nil	10,166	0.18
D C Marshall	Nil	Nil	Nil	Nil	Nil
Lord Saatchi	Nil	Nil	1,000,000	Nil	Nil

In addition, Lord Saatchi is deemed to be interested in 4,798,774 Ordinary Shares and will be deemed to be interested in 1,599,591 Warrants by virtue of his beneficial interests in Landau Enterprises Inc. (see below) Mr D C Marshall is deemed to be interested in 4,300,000 Ordinary Shares and will be deemed to be interested in 1,433,333 Warrants by virtue of his directorship and direct shareholding in London Finance & Investment Group P.L.C. and its subsidiary companies (see below).

Lord Saatchi has been granted options over 1 million Ordinary Shares with an exercise price of 20.0p. The earliest exercise date of these options is 8 April 2001 and the latest exercise date is 8 April 2005.

Save as disclosed above, no Director has any interest beneficial or non beneficial in the share capital of the Company.

- (b) At 16 May 2002 (being the latest practicable date prior to publication this document), the Company was aware of, the following interests (within the meaning of Part VI of the Act), directly or indirectly, representing three per cent. or more of the issued Ordinary Shares:

	<i>Number of Ordinary Shares</i>	<i>% of Issued Share Capital</i>
Landau Enterprises Inc	4,798,774	28.02
The Fleming Mercantile Investment Trust Limited	4,500,000	26.28
London Finance & Investment Group P.L.C.	4,300,000	25.11

- (c) Save as disclosed in paragraph 4 (a) and (b) above, none of the Directors is aware of any interest (within the meaning of Part VI of the Act) which represents three per cent. or more of the issued share capital of the Company nor, so far as the Company is aware, are there any persons who, directly or indirectly jointly or severally, exercise or could exercise control of the Company.

## 5. United Kingdom Taxation

The comments set out below summarise certain aspects of the UK taxation treatment of the issue, transfer and exercise of the Warrants. They are based on existing law and on what is understood to be current Inland Revenue practice. They are intended as a general guide and apply to Shareholders resident or ordinarily resident for tax purposes in the UK (save where express reference is made to persons resident outside the UK) who hold Shares or Warrants as an investment and who are the absolute beneficial owners thereof. The comments below may not apply to certain classes of persons such as dealers, persons holding Shares in a Personal Equity Plan or an Individual Savings Account, or trustees of certain trusts. Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately.

### *Taxation of chargeable gains*

Shareholders will be treated as disposing of part of their Ordinary Shares on receipt of the Warrants. The disposal proceeds will be equal to the market value of the Warrants on their date of issue for the purposes of UK taxation on chargeable gains. Such a disposal may, depending on the individual circumstances of the shareholder, give rise to a liability to UK taxation on chargeable gains. It is expected that the value of each Warrant will be small but this has not been confirmed with the Inland Revenue. Only part of the acquisition cost of the Ordinary Shares will be deductible in computing the gain accruing on receipt of the Warrant.

Any subsequent sale or transfer of a Warrant by a Shareholder who is resident or ordinarily resident in the UK will be a disposal which may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains.

On exercise of a Warrant, the Shareholder will be treated as acquiring new Ordinary Shares having an acquisition cost equal to the price paid for the new Ordinary Shares on subscription plus the market value of the Warrant on the date the Warrant is issued.

If the new Ordinary Shares are issued at a discount to their market value on the date of issue, it is understood that the Inland Revenue accept that the Company will not be treated as having made a distribution out of its assets for income tax purposes.

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

The issue of the Warrants by the Company will not give rise to a charge to stamp duty or stamp duty reserve tax.

The transfer or sale of Warrants will be subject to stamp duty or stamp duty reserve tax at the rate of 50p per every £100 (or part thereof) of the consideration paid.

No stamp duty or stamp duty reserve tax will be payable in respect of the issue of Ordinary Shares in the Company on the exercise of the Warrants.

## **6. Overseas Shareholders**

The issue of Warrants in, or to persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom or custodians, nominees or trustees for citizens, nationals or residents of jurisdictions outside the United Kingdom may be prohibited or affected by the laws of the relevant overseas jurisdiction. Shareholders who are Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Overseas Shareholder wishing to participate in the Issue to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes or other requisite payments due in such jurisdiction. No steps have been taken to qualify the Issue or to authorise the extending of the Issue or the distribution of this document in any territory outside the United Kingdom.

In particular, the Warrants are not being issued, directly or indirectly, in or into, or by use of the mails, or by means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) or interstate or foreign commerce or of any facility of a national securities exchange of, the United States, Canada, Australia, Japan or the Republic of Ireland.

Accordingly, copies of this document and the Warrant certificates are not being and must not be mailed or otherwise distributed or sent in or into the United States, Canada, Australia, Japan or Republic of Ireland, including to Shareholders with registered addresses in the United States, Canada or Australia or to any person whom the Company knows to be custodians, nominees or trustees holding shares for persons in the United States, Canada, Australia, Japan or the Republic of Ireland.

The provisions of this paragraph 6 and any other terms of the Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion but only if the Company is satisfied that such waiver, variance or modification will not constitute or give rise to a breach of applicable securities or other law.

The provisions of this paragraph 6 supersede any terms of the Issue inconsistent herewith.

**Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant jurisdiction.**

## **7. Significant Changes**

There has been no significant change in the financial or trading position of the Group since 31 March 2002 being the date to which the latest audited accounts of the Company were prepared.

## **8. Consent**

Shore Capital has given and not withdrawn its written consent to the inclusion in this document of its name in the form and context in which such references appear.

## **9. Other information**

- (a) The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 the Act. Statutory accounts have been delivered to the Registrar of Companies for the year ended 31 March 2001 and statutory accounts for year ended 31 March 2002 will be delivered to the Registrar of Companies. An auditor's report in respect of those statutory accounts has been made under section 235 of the Act and such reports were unqualified reports and did not contain any statement under section 237 (2) or (3) of the Act.
- (b) The expenses of the Issue are estimated to be £35,000 (excluding VAT). These expenses are payable by the Company.

## **10. Documents Available for Inspection**

Copies of the following documents may be inspected at the Registered Office of the Company and at the offices of Shore Capital & Corporate Limited at Bond Street House, 14 Clifford Street, London W1S 4JU during all business hours on any weekday (except Saturdays and public holidays) for a period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the consolidated audited accounts of the Company and its subsidiaries for the year ended 31 March 2002;
- (c) the consent referred to in paragraph 8 above;

- (d) a copy of this document; and
- (e) a copy of the Warrant Instrument.

23 May 2002