This document is important. If you are in any doubt about the contents of this document, you are recommended to consult your stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

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

The Directors of ATA Group plc whose names appear on page 5, and the Vendors, accept responsibility for the contents of this document. To the best of the knowledge of such Directors and Vendors (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 makes no omission likely to affect the import of such information.

Application will be made for the whole of the ordinary share capital of the Company in issue immediately following the Placing 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. Further, the London Stock Exchange has not itself approved the contents of this document.

The whole text of this document should be read and in particular your attention is drawn to the section entitled "Risk Factors" on page 17 of this document.

ATA GROUP PLC

(Incorporated in England & Wales under the Companies Act 1985 with Registered No. 2558971)

Placing

of

2,606,620 Ordinary Shares of 1 pence each at a price of 134 pence per share

by

TEATHER & GREENWOOD LIMITED

and

ADMISSION TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET

The following table shows the authorised and issued share capital of the Company immediately following the Placing:

Authorised			*Issued and Fully Paid*	
Number	*Amount*		*Number*	*Amount*
12,000,000	£120,000	Ordinary Shares	6,482,400	£64,824

The New Ordinary Shares will, on Admission rank pari passu in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions hereafter declared, paid or made in respect of the ordinary share capital of the Company.

Teather & Greenwood, which is regulated by The Securities and Futures Authority Limited, has been appointed as the Company's nominated adviser and nominated broker for the purpose of the AIM Admission Rules. Its responsibilities as the Company's nominated adviser under the AIM Admission 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 his decision to acquire Ordinary Shares in reliance on any part of this document. Teather & Greenwood has not authorised the contents of this document for the purposes of Regulation 13(i)(a) of the Regulations or otherwise and no representation or warranty, express or implied, is made by Teather & Greenwood as to any of the contents of this document.

Indebtedness

At the close of business on 20 May 1998 the Group had outstanding a secured term loan of £295,215.

Save as aforesaid, and apart from intra-group liabilities, as at that date the Group did not have outstanding any borrowings, loan capital outstanding or created but unissued or any term loans, or any mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptance (other than normal trade bills) or acceptance credits, hire purchase commitments, finance lease obligations, guarantees or material contingent liabilities.

At the close of business on 20 May 1998 the Group had cash balances of £399,771.

Contents

Definitions

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

"the Act"	the Companies Act 1985, as amended
"Admission"	the admission of the Ordinary Shares (including the Placing Shares) to trading on AIM becoming effective pursuant to the AIM Admission Rules of the London Stock Exchange
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Admission Rules"	the rules of admission to AIM
"Approved Scheme"	The ATA Group plc 1998 Approved Share Option Scheme
"ATA" or "the Company"	ATA Group plc
"CREST"	the electronic share settlements system operated by CRESTCo Limited
"the Directors" or "the Board"	the board of directors of the Company
"English Trust"	English Trust Group PLC and its subsidiary
"Enlarged Share Capital"	the issued ordinary share capital of the Company following the Placing
"the Group"	the Company and its subsidiaries
"London Stock Exchange"	London Stock Exchange Limited
"New Ordinary Shares"	600,000 Ordinary Shares of 1 pence each in the capital of the Company to be issued pursuant to the Placing
"the Official List"	the Official List of the London Stock Exchange
"Ordinary Shares"	ordinary shares of 1 pence each in the capital of the Company
"the Placing"	the conditional placing of the Placing Shares at the Placing Price as described in this document
"the Placing Price"	134 pence per Ordinary Share
"the Placing Shares"	the New Ordinary Shares and the Sale Shares together
"the Regulations"	the Public Offers of Securities Regulations 1995
"the Sale Shares"	2,006,620 Ordinary Shares being sold by the Vendors pursuant to the Placing
"Share Option Schemes"	the Approved Scheme and the Unapproved Scheme
"Teather & Greenwood"	Teather & Greenwood Limited
"Unapproved Scheme"	The ATA Group plc 1998 Unapproved Share Option Scheme
"Vendors"	English Trust and the Trustees of The Oryx Executive Search Limited Retirement Benefit Scheme, P. Eades, C. Eades and Messrs Douie, Chapman and Chivers

Placing Statistics

Placing Price per Ordinary Share		134 pence
Historic earnings per Ordinary Share		10.43 pence
Historic price earnings multiple at the Placing Price		12.85 x
Market capitalisation of the Company at the Placing Price		£8,686,416
Number of Ordinary Shares in issue immediately following the Placing		6,482,400
Number of Ordinary Shares being placed	by the Company	600,000
	by the Vendors	2,006,620
Gross proceeds raised by the Placing	for the Company	£804,000
	for the Vendors	£2,688,870
Percentage of the enlarged issued share capital being placed		40.21%

Expected Timetable of Principal Events

Commencement of trading on AIM	8.30 a.m. on 15 June 1998
CREST accounts enabled	15 June 1998
Share certificates for Placing Shares dispatched	by 19 June 1998

Directors, Secretary and Advisers

Directors	William James Charles Douie, *Chairman* Clive Chapman, *Chief Executive* Graham John Chivers FCA, *Finance Director* John Randolph Hustler FCA, *Non-Executive Director* John Louis Green FCA, *Non-Executive Director* all of: 20 Portland Square Bristol BS2 8SJ
Company Secretary and Registered Office:	Graham John Chivers FCA Portland House 22-24 Portland Square Bristol BS2 8RZ
Nominated Adviser and Nominated Broker:	Teather & Greenwood Limited 12-20 Camomile Street London EC3A 7NN
Auditors:	Pannell Kerr Forster Pannell House 6/7 Litfield Place The Promenade Clifton Bristol BS8 3LX
Reporting Accountants:	Pannell Kerr Forster New Garden House 78 Hatton Garden London EC1N 8JA
Solicitors to the Company:	Lawrence Graham 190 Strand London WC2R 1JN
Solicitors to the Placing:	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL
Principal Bankers:	Barclays Bank PLC 37 Milsom Street Bath BA1 1DW
Registrars:	Exchange Registrars Limited 18 Park Place Cardiff CF1 3PD

Part 1 Key Information

The following information should be read in conjunction with the full text of this document from which it is derived. You should read the whole of this document and not rely solely on the key information set out below.

The Business

ATA provides employment solutions and training services to client companies in England, Scotland and Wales. The four divisions within the Group are:

- Engineering Technology
- Sales
- Advertising Selection
- Training

Client companies are served from 8 locations in Bristol, Slough, Enfield, Birmingham, Leicester, Manchester, Leeds and Newcastle. Training services are supplied at Fairbourne, West Wales.

The Directors believe that the Company offers a greater depth of advice and service than is customary in the recruitment industry through:

- careful consideration of the real needs of client companies; and
- detailed screening of candidates, designed to ensure that client companies can select the best available person for the post.

The engineering technology and sales divisions supply candidates for permanent posts, with fees payable on success. The advertising selection division fulfills identified employment requirements on behalf of clients.

Financial Record

The trading record of the Group is summarised below:

	Year ended 31 December		
	1995	*1996*	*1997*
	£'000	£'000	£'000
Turnover	2,010	3,036	4,721
Gross profit	671	1,140	1,869
Profit before taxation	281	516	883
Earnings per Ordinary Share	4.69p	6.12p	10.43p

Earnings per share has been calculated on profit after tax and on a weighted average number of Ordinary Shares in issue as follows:

1995	5,220,600
1996	5,882,400
1997	5,882,400

Organic growth in turnover and profitability has been demonstrated in all recruitment divisions, through the expansion of branches and number of consultants. The Board adopts a policy of rigorous overhead control and the Group has benefitted from increasing economies of scale. The advertising selection division, which only commenced trading in July 1996, has shown exciting growth potential which the Directors intend to exploit.

The training division was established in April 1998 with the acquisitions of Fairbourne Adventure and The Fairbourne Hotel. These businesses have historically been only marginally profitable. However, the Directors believe there are exciting opportunities for this division to expand organically and by acquisition. Growth will be focused on the corporate markets. Initially, the division will be developed to provide leadership training services through outdoor activities, using the Company's existing management ethos and leadership skills.

Current Trading and Future Prospects

Trading since 31 December 1997 has been satisfactory and is fully in line with management expectations.

The Board's intention is to develop ATA to become a leading human resources support services group focused on recruitment, consultancy and training. The Directors believe that this can be achieved by:

- continuing the proven ability of the Group to grow organically;
- exploiting the synergies that the client databases of the sales and engineering technology divisions offer the advertising selection and training divisions;
- further accelerating the development of the advertising selection division into targeted market areas by acquisition; and
- expanding the training division by organic growth and acquisition of additional physical sites.

The Placing

The Directors believe that the Placing will strengthen the Company's balance sheet, provide a wider shareholder base and enhance the Company's strategy for continuing development and growth by:

- raising the profile and the status of the Group to attract new clients, candidates, consultants and senior executives;
- providing working capital to permit accelerated growth in the advertising selection division;
- enabling a strategy of prudent acquisition to be followed in both the advertising selection and training divisions; and
- allowing the Group to enhance the motivation of its senior and middle management by participating directly in the future of the Company through the Share Option Schemes.

The Placing Shares are being placed by Teather & Greenwood. 600,000 New Ordinary Shares are being placed on behalf of the Company and 2,006,620 Sale Shares are being placed on behalf of the Vendors. The Placing is intended to raise approximately £451,000 (after expenses) for the Company.

The Placing Shares will represent approximately 40.21% of the issued share capital of the Company immediately following the Placing.

Part 2 Information on the Company

Introduction

In January 1992 the Company, funded by Bill Douie, Clive Chapman, Graham Chivers and others with the backing of English Trust and its clients, commenced trading from four branches as a recruitment consultancy. Seventeen consultants were employed in Bristol, Birmingham, Manchester and Reading following the acquisition of the trading style "ATA Selection", goodwill and certain assets from the liquidator of ATA Selection and Management Services Limited.

The Company has subsequently developed in the fields of engineering technology and sales to seven branches and seventy four consultants by the end of 1997. In July 1996 a third division, advertising selection, was formed and by the end of 1997 was employing ten consultants. In April 1998 the training division was formed by the acquisition of Fairbourne Adventure and The Fairbourne Hotel.

In December 1997, ATA qualified for the Virgin Atlantic Fast Track 100™, as one of a hundred unquoted companies with the fastest turnover growth over the years 1993 to 1996.

The Recruitment Market

The recruitment market can be broken down into four sectors:

- Agency – primarily concerned with temporary, contract and permanent recruitment at clerical and operational levels

- Consultancy – consultants maintain a database of candidates, matching candidates to client's requirements, mainly in permanent positions

- Selection – in this field dedicated client assignments are processed based around specific client paid advertisements

- Search – candidates are normally sought, by direct approach, from their existing roles in the same industry sector and at the same level as that required by the client

ATA operates in the consultancy and selection sectors only.

The Business

The Company provides employment solutions and training services to clients in England, Scotland and Wales through four divisions.

The Directors believe that the Company offers a greater depth of advice and service than is customary in the recruitment industry and strives to assist clients in identifying their corporate objectives and developing or reassessing their overall recruitment policy. Careful consideration is given to establishing and defining the real needs of these clients, not only in the individual vacancy but also in the fields of staff and team development, succession planning and career path planning.

All candidates are carefully screened and interviewed in depth to establish their knowledge, skillsets, experience, motivations and aspirations. This process is designed to ensure that the final selection made by the client company can achieve the best available person for the post.

The engineering technology and sales divisions operate within permanent recruitment and supply candidates for permanent posts with fees payable only upon success. Vacancies are raised by direct approach to existing and new client companies and appropriate candidates are sourced mainly through ATA paid advertising. Some candidates are obtained through repeat business and by third party referral. As at 1 May 1998, these divisions are run through a structure of 4 area managers and 13 branch managers, each responsible for teams of between 4 and 7 recruitment consultants. They cover England, Scotland and Wales from 15 branches at 8 offices located in Bristol, Slough, Enfield, Birmingham, Leicester, Manchester, Leeds and Newcastle.

Engineering Technology division

This division operates nationwide with particular experience in the following sectors: electronics and electrical industries, control systems, communications, computer hardware and software, mechanical and process industries, automotive, plastics, rubber, chemicals, aerospace and defence.

Client company requirements include operational staff and first and second line management, involved in design and production, research and development, specialist application and field service, commissioning, installation and calibration, consultancy, technical support, systems engineers, purchasing and quality control.

The level of candidates' basic salaries falls generally within the range £12,000 to £28,000 per annum.

Engineering technology is the Company's major division and represented 54.7% of Group turnover for the year ended 31 December 1997. From 31 December 1997 to 1 May 1998, consultant numbers had risen from 40 to 51.

Sales division

This division covers a broad range of technical and commercial markets ranging from sales staff to sales management typically in the sectors of industrial consumables, capital equipment, electrical equipment, electronics, electromechanical, construction, medical, service, computing and information technology.

Candidate salaries are in a similar range to those in the engineering technology division.

This division represented 33.9% of Group turnover for the year ended 31 December 1997. From 31 December 1997 to 1 May 1998, consultant numbers had risen from 34 to 41.

Advertising Selection division

This division operates from three regional centres, Manchester, Bristol and, since 31 March 1998, Enfield. Specific assignments fulfil identified employment requirements on behalf of clients. Such assignments are proactively sourced by consultants and are secured at a client meeting to understand and advise on recruitment policy. The advertised vacancy will represent the client company's needs and the consultant can advise on and agree the appropriate recruitment route to attract the best available candidates. Fees are split with a retainer paid upon appointment followed by a further fee payable on success. All advertising costs are borne by the client.

Assignments are identified from within the database of existing engineering technology and sales division clients, and from new clients. The advertising selection service is equally relevant to other mid-range appointments in other markets, for example finance, information technology and marketing. The Directors believe that scope for development and expansion of this division is significant. Although assignments covering multiple vacancies at similar salary levels and job functions to the sales and engineering technology divisions are concluded, single vacancy appointments fall mainly in the basic salary range of £20,000 to £45,000 per annum.

This division represented 11.4% of Group turnover for the year ended 31 December 1997. From 31 December 1997 to 1 May 1998, consultant numbers had risen from 10 to 20.

Training division

The training division was established in April 1998 with the acquisition of Fairbourne Adventure and The Fairbourne Hotel.

Fairbourne Adventure provides leadership and activity training to the corporate and educational markets with the objective of enhancing skills and self awareness in personal development, team dynamics and leadership.

Courses are residential and activities include abseiling, hill walking and mountaineering, kayaking and white water rafting. Weekday courses are generally for groups from schools with corporate courses taking place at weekends.

Fairbourne Adventure, was established in 1981 by its founder, Michael Scott, who will continue as the operations director of Fairbourne Adventure Limited. To date, turnover has been modest and profitability to date has been marginal.

The Fairbourne Hotel provides accommodation for residential courses. Any surplus accommodation is let to normal leisure clients to improve occupancy ratios. In the financial year to 31 March 1998, 57.3% of bed nights were taken up by training accommodation and 42.7% by leisure clients. The occupancy ratio for 1997 was 50%. The Fairbourne Hotel has been consistently and modestly profitable. Expansion of the corporate market at Fairbourne Adventure will increase the proportion in favour of residential course accommodation.

It is intended that the training division will be developed initially to provide a multi location leadership training service and the Directors believe that the Company will achieve significant growth in the training division based on the following:

- utilising the existing client database;
- the transfer of existing sales and management skills; and
- a programme of suitable acquisitions.

Pricing Policy

Within the recruitment divisions it is Company policy to charge a fee which reflects the high levels and quality of service offered.

Fees charged in the sales and engineering technology divisions range from 20% to 25% of basic salary, with a minimum fee of £2,400.

In the advertising selection division fees fall within the same range but with an additional non refundable retainer charged at the outset.

Provided accounts are paid within fourteen days, ATA undertakes to use its best endeavours to replace a candidate who proves unsatisfactory within eight weeks of commencement. In the sales and engineering technology divisions, failure to find a replacement results in a refund of fees paid.

Staff Development

Within the recruitment divisions, it is Company policy to recruit staff of graduate calibre. Intensive and continuous coaching is given, both in the working environment within branches and at special training days at external locations. Great attention has been paid to the establishment of best practice procedures and standards, and comprehensive operating manuals have been prepared. Management and leadership training, succession planning and career development are given special attention. It is not customary to recruit at above trainee consultant level and management at all levels has resulted from internal promotion.

Strengths

The Directors believe that the Group's key strengths are management and leadership:

Management

- The high levels and quality of service offered to clients.

- Detailed management information and budgeting enabling rapid response to variations.

- Standardised management systems and firmly established procedures across each division ensure the consistent application of best practice.

Leadership

- Competitive succession planning ensures a ready supply of potential successors at first and second line management level and an expanding pool of management talent to accommodate corporate expansion and acquisition plans.

- A highly trained, focused, motivated, career orientated, graduate calibre workforce.

- A leadership approach, coupled with a team culture based on high personal standards and integrity, with a problem-solution approach to achieving a detailed understanding of every area of the operation inspires ownership of the corporate goals and vision at every level.

Competition

The Directors believe that the recruitment industry though large, is highly fragmented particularly in the agency sector where a substantial number of small operations exist.

Competition to the engineering technology division is concentrated in smaller local organisations.

In sales recruitment, similar organisations exist in other groups in competition with the sales division, such as, Austin Benn Consultants Limited a subsidiary of Corporate Services Group plc and Sales Recruitment Specialists Limited, a subsidiary of Michael Page Group plc.

There are many existing companies involved in advertising selection, such as Hoggett Bowers (PSD) and Austin Knight (TMP). Few operate within the market level (basic salaries from £20,000 to £45,000 per annum) chosen by ATA.

Competition in the training industry is mostly comprised of local organisations and charities, at the market level at which the training division operates.

Corporate Strategy

The aim of the Group is to establish itself as a leading human resource support services group in the areas of recruitment, consultancy and training. This will be achieved both by organic expansion and by acquisition, drawing upon the internal human resources and skillsets of the Company and a developing pool of trained management.

The training division will provide the Group with the opportunity to achieve significant growth in both the education and corporate sectors. Initial developments will focus on outdoor leadership and team building for corporate clients and adventure education for pupils of state and private schools.

Directors and Senior Employees

The Board comprises:

Bill Douie, aged 59, Chairman

Bill Douie, a banker by training, joined the Midland Bank Limited in 1964 and moved into merchant banking in 1969 with Keyser Ullmann Ltd. He specialised in investment management, corporate finance and instalment credit. In 1981, he moved into industry as chairman of Broadcastle Ltd, a leasing and consumer credit company and an authorised bank, and at the same time joined British Benzol Carbonising Ltd, an ailing solid fuel producer. Following a successful recovery program at Benzol and having successfully navigated through the 1984 mineworkers strike he left British Benzol in 1986 to concentrate on activities at Broadcastle. In 1987 Broadcastle merged with ATA Selection Plc and in 1990 he became chairman of the group, ATA Selection Plc. In January 1992, following the closure of the recruitment interests of that group, he left to set up the Company with Clive Chapman and Graham Chivers.

Clive Chapman, aged 37, Chief Executive

Following graduation Clive Chapman gained entrepreneurial and business experience when he established and ran an automotive body repair business in 1983. His entry to the recruitment business was in 1986 when he joined Austin Benn Consultants Ltd, then a subsidiary of Ibex Holdings Plc, a recruitment services group. During the next five years a period of intensive training and development at all levels followed with spells in consultancy, first and second line management, culminating in responsibility for the southern region of Austin Benn Consultants Limited. He left Austin Benn in 1991 to join colleagues as part of a team recruited to enhance management at ATA Selection and Management Services Ltd. In January 1992 he joined with Bill Douie and Graham Chivers to set up the Company.

Graham Chivers, aged 46, Finance Director and Company Secretary

Graham Chivers trained and qualified as a chartered accountant with Pannell Kerr Forster in Cardiff. In 1977 he moved to a family construction business specialising in contracts for The Department of the Environment and private clients. In 1985, following that company's receivership he returned to private practice in Bath and in January 1992 he joined with Bill Douie and Clive Chapman as a founder shareholder of the Company.

He is responsible for financial control, financial reporting and management information systems as well as office administration and personnel through his team based at the head office in Bristol. He is also company secretary and deals with property, taxation and all compliance matters.

John Hustler, aged 51, Non Executive Director

John Hustler joined KPMG in 1965 and became a partner in 1983. Since leaving KPMG in 1993 to start Hustler Venture Partners Limited, he has advised and been a director of a number of growing companies. He is a director of Northern Venture Trust PLC and a director of Quester Capital Management Limited. He is also a member of the Audit Committee of University College, London, a member of the Council of the Institute of Chartered Accountants and Chairman of that Institute's Corporate Finance Faculty. He has previously been a member of the Council of the British Venture Capital Association and treasurer and a member of the Valuation Committee of the European Venture Capital Association.

John Green, aged 53, Non Executive Director

After qualifying as a chartered accountant with Price Waterhouse & Co., John Green joined Kleinwort Benson as a trainee analyst. He left to join McAnally Montgomery & Co as an analyst, eventually to become head of Investment Research. In 1979, he joined James Capel as an institutional salesman. He became head of sales and was appointed to the executive committee. During his career he held various positions at James Capel, latterly part of HSBC Investment Bank, including head of UK syndication, head of corporate broking, head of equity capital markets, managing director of HSBC James Capel UK, a director of HSBC Investment

Bank Plc and chief executive of James Capel Investment Management. He retired at the end of February 1998.

It is the Company's intention to appoint a further director in due course as Finance Director to support and strengthen the Group in implementing its corporate strategy. Graham Chivers will continue to act as a director, financial controller and Company secretary.

Senior employees include:

Peter Eades, aged 43, Regional Manager

Mr Eades has been with ATA for six years and is currently the advertising selection regional manager based in Manchester. He is responsible for co-ordinating the managing consultants, advertising consultants and business development executives as well as dealing with his own clients.

Prior to joining ATA, he worked as a manager for the recruitment company Austin Benn Consultants Ltd.

George Fleming, aged 33, Area Manager

Mr Fleming has been with ATA for four years and is currently the engineering technology division area manager for Bristol, Enfield and Slough. He is responsible for all operational matters at these branches.

Prior to joining ATA, he was regional manager for a mortgage and secured loan company.

David Lawrence, aged 37, Area Manager

Mr Lawrence has been with ATA for six years and is currently the sales division area manager for Leeds and Leicester and the engineering technology division area manager for Leeds, Manchester and Newcastle. He is responsible for all operational matters at these branches.

Prior to joining ATA, he was a recruitment consultant with Austin Knight.

Martyn Lax, aged 34, Area Manager

Mr Lax has been with ATA for six years and is currently the sales division area manager for Bristol, Enfield, Manchester, Birmingham and Slough. He is responsible for all operational matters at these branches.

Prior to joining ATA, he was a contracts manager for an engineering company.

Russell Smith, aged 31, Regional Manager

Mr Smith has been with ATA for three years and is currently the advertising selection regional manager for Bristol, Enfield, Birmingham and Leicester. He is responsible for co-ordinating the managing consultants, advertising consultants and business development executives as well as dealing with his own clients.

Prior to joining ATA, he was a lecturer in leisure and tourism at South Bristol College.

Simon Waterfield, aged 32, Area Manager

Mr Waterfield has been with ATA for three years and is currently the engineering technology division area manager for Leicester and Birmingham. He is responsible for all operational matters at these branches.

Prior to joining ATA, he was a senior engineer at Rolls Royce plc.

Financial Performance

The trading record of the Group summarised below has been extracted from and should be read in conjunction with the accountants' report contained in Part 3 of this document.

	Year ended 31st December		
	1995	*1996*	*1997*
	£'000	£'000	£'000
Turnover	2,010	3,036	4,721
Cost of sales	(1,339)	(1,896)	(2,852)
Gross profit	671	1,140	1,869
Administrative expenses	(384)	(641)	(1,029)
Operating profit	287	499	840
Interest receivable	4	18	43
Interest payable	(10)	(1)	—
Profit on ordinary activities before taxation	281	516	883
Earnings per Ordinary Share	4.69p	6.12p	10.43p

Earnings per share has been calculated on profit after tax and on a weighted average number of Ordinary Shares in issue as follows:

1995	5,220,600
1996	5,882,400
1997	5,882,400

Turnover growth from 1995 through 1997 is shown in the following table:

	1995	*1996*	*1997*
	£'000	£'000	£'000
Turnover			
Engineering Technology	1,277	1,786	2,583
Sales	733	1,087	1,601
Advertising Selection	—	163	537
	2,010	3,036	4,721

Consultant numbers rose strongly during 1997 from 56 on 31 December 1996 to 74 in the sales and engineering technology divisions and from 3 to 10 in the advertising selection division at the year end. The performance and operating ratios achieved by consultants have remained substantially consistent throughout the Company's trading history. The Group operates a policy of structured management procedures and this has enabled the Group to develop the number of fee earners at a greater rate than the number of administrative staff.

The growth in turnover and profits of the Group from the year ended 31 December 1995 to the year ended 31 December 1997 have been achieved by an increase in the average fee, increasing the numbers of consultants within the Group and a programme of branch openings.

Current Trading and Future Prospects

Trading since 31 December 1997 has been satisfactory and is fully in line with management expectations.

The current year has started well and consultant numbers are continuing to rise in line with budget. The Company's eighth office was opened in Newcastle upon Tyne in January 1998. The Company expects to open a further office this year and increase its capacity at three existing locations.

The Board's intention is to develop ATA to become a leading human resources support services group focusing on recruitment, consultancy and training. The Directors believe that this can be achieved by:

- continuing the proven ability of the Group to grow organically;
- exploiting the synergies that the client databases of the sales and engineering technology divisions offer the advertising selection and training divisions;
- further accelerating the development of the advertising selection division into targeted market areas by acquisition; and
- expanding the training division by organic growth and acquisition of additional physical sites.

The Directors believe that ATA is strategically placed to continue to achieve organic growth through its existing activities. The Directors look forward to the future with confidence.

Dividend Policy

The Directors will seek to pursue a progressive dividend policy, and will seek to recommend aggregate net dividends twice covered by after tax earnings subject to the need to retain earnings for the future growth of ATA's business. Subject to the availability of sufficient distributable financial reserves, the Directors intend that dividends will be payable in respect of each financial year by an interim dividend in September and a final dividend in May of the following financial year in the proportions of approximately one third and two thirds respectively.

The New Ordinary Shares will on Admission rank *pari passu* with the existing ordinary shares for all dividends or other distributions declared, made or paid in respect of the ordinary share capital of the Company.

Tax Reliefs available for Investors

On the basis of the information provided, the Inland Revenue has given provisional confirmation that the New Ordinary Shares will be eligible shares in a qualifying holding for Venture Capital Trust purposes, and that the shares will be eligible shares for obtaining relief under the Enterprise Investment Scheme set out in Chapter III Part IV of the Income and Corporation Taxes Act 1988.

Prospective investors who may be eligible to obtain capital gains tax relief, or enterprise investment scheme relief, are strongly recommended to consult their own professional advisers for advice in particular on the conditions which must be satisfied to obtain such relief, the nature of the tax advantages which may be obtained, and the circumstances in which relief may be forfeited. Prospective investors should note that the relief may not be available if moneys are borrowed to fund the acquisition of or subscription for New Ordinary Shares in the Company.

Corporate Governance

ATA intends to adhere to the principles of best practice set out in the Code of Best Practice published by the Cadbury Committee and the Study Group on Director's Remuneration chaired by Sir Richard Greenbury insofar as they are appropriate to a company of ATA's size and board structure. The Board will follow the guidance issued by the City Group for Smaller Companies Code and have regard to the recommendations of the Committee on Corporate Governance chaired by Sir Ronald Hampel. The Company will hold monthly board meetings throughout the year. The Board is responsible for instituting financial and operational reviews and approving the Company's budgets, major items of capital expenditure and acquisitions. An audit committee and remuneration committee have been established, with formally delegated duties and responsibilities. The audit committee which only comprises the non executive Directors is chaired by John Hustler and is responsible for ensuring that the financial performance of the Company is properly monitored and reported on. It will receive and review reports from management and the Company's auditors relating to annual and interim accounts and the accounting and internal control systems in use throughout the Company.

The remuneration committee, which comprises the non executive Directors and the Group Chairman will review the performance of the executive Directors and set the scale and structure of their remuneration having due regard to the interests of the shareholders and the performance of the Company. The remuneration committee also recommends the allocation of the share options to Directors and other employees. The remuneration committee will from time to time elect its own chairman.

Share Option Schemes

The Company has adopted two share option schemes, one of which is approved by the Inland Revenue, for the benefit of all employees at the discretion of the Board. No options have been granted under either of the schemes. It is intended to grant options under the Unapproved Scheme to Clive Chapman to subscribe for up to 200,000 Ordinary Shares, exercisable in not less than three years at the closing mid-market price for Ordinary Shares on the first day of dealings on AIM. The exercise of the option will be subject to the achievement of defined earnings per share performance targets. Further details are set out in paragraph 2(c) of Part 5 below. It is intended to grant an option to subscribe for 10,000 shares to Martyn Lax and an option to subscribe for 7,500 shares to Russell Smith under the Approved Scheme at the closing mid-market price for Ordinary Shares on the first day of dealings on AIM.

Reasons for the Placing

The Directors believe that the Placing will strengthen the Company's balance sheet, provide a wider shareholder base and enhance the Company's strategy for continuing development and growth by:

- raising the profile and the status of the Group to attract new clients, candidates, consultants and senior executives;
- providing working capital to permit accelerated growth in the advertising selection division;
- enabling a strategy of prudent acquisition to be followed in both the advertising selection and the training divisions; and
- allowing the Group to enhance the motivation of its senior and middle management by participating directly in the future of the Company through the Share Option Schemes.

Details of the Placing

The Placing Shares are being placed by Teather & Greenwood at the Placing Price. 2,006,620 Sale Shares are being placed by the Vendors and 600,000 New Ordinary Shares are being placed by the Company.

The Placing will raise approximately £3,095,870 (after expenses). The gross proceeds raised by the Placing will be £804,000 for the Company and £2,688,870 for the Vendors. Of the gross proceeds available to the Company £353,000 will be used to cover the costs of the Placing and £451,000 will be used to provide the Group with additional working capital. The Placing Shares will represent 40.21% of the issued share capital of the Company immediately following the Placing. Details of the Placing Agreement are set out in paragraph 7 of Part 5 of this document.

The Directors of the Company and Mrs P Eades have undertaken not to dispose of Ordinary Shares in the Company held by them at the date of Admission until either the publication of the audited consolidated accounts for the Group for the financial year ended on 31 December 1998 or one year from the date of Admission (which ever is later). Messrs Chapman and Douie have each further undertaken to retain two thirds of their interest in the Ordinary Shares until the second anniversary of such date. Following the Placing English Trust will beneficially own 3.86% of the enlarged issued share capital. English Trust has confirmed that any further disposals will be undertaken in consultation with Teather & Greenwood.

Risk Factors

The Directors consider the following risk factors to be the most significant to potential investors:

- the value of the Ordinary Shares may go down as well as up and investors may therefore not get back their original investment;
- the investment offered in this document may not be suitable for all recipients of this document. Investors are accordingly advised to consult an investment adviser authorised under the Financial Services Act 1986 who specialises in investments of this kind before making their decision;
- AIM is a market designed primarily for emerging or smaller companies. ATA's shares may be, or become illiquid and it may therefore be difficult to buy or sell shares in the Company. An investment in the Ordinary Shares may therefore be difficult to realise in certain circumstances;
- the Group is dependent upon key personnel for its continued success, particularly the Chief Executive. Keyman insurance is in place covering the Chief Executive's death and/or critical illness;
- the training division is a new acquisition. Although the Directors believe that this division will enhance the growth and success of the Group, its future contribution cannot be guaranteed;
- the Directors intend to manage the Company (so far as they are able) so as to maintain the status of the Company as a qualifying company for the purposes of VCT and EIS relief. This cannot be guaranteed and VCT and EIS relief qualifying status may be lost; and
- in the event of a major downturn in economic activity within the United Kingdom, demand for the Group's services may contract.

Part 3 Accountants' Report

The following is a copy of a report by Pannell Kerr Forster, Chartered Accountants:

PKF worldwide

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

Pannell Kerr Forster
New Garden House
78 Hatton Garden
London
EC1N 8JA

The Directors
ATA Group plc
20 Portland Square
Bristol BS2 8RZ

The Directors
Teather & Greenwood Limited
12-20 Camomile Street
London EC3A 7NN

12 June 1998

Dear Sirs

ATA Group plc

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 12 June 1998 of ATA Group plc.

Basis of Preparation

The financial information set out on pages 18 to 30 is based on the audited financial statements of ATA Group plc for the three years ended 31 December 1997, to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the Directors of ATA Group plc who approved their issue.

The Directors of ATA Group plc are responsible for the contents of the prospectus dated 12 June 1998 in which this report is included.

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

Basis of Opinion

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 12 June 1998 a true and fair view of the state of affairs of ATA Group plc as at the dates stated and of its profits and cash flows for the periods then ended.

Consent

We consent to the inclusion in the Prospectus dated 12 June 1998 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

1. Accounting Policies

Basis of financial information

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

Depreciation

Depreciation is provided on a straight line basis in order to write off each asset over its estimated useful life as follows:

Fixtures and office equipment	–	33.3% per annum
Computers	–	33.3% per annum
Partitioning costs	–	33.3% per annum or the lease term if shorter
Motor vehicles	–	25% per annum

Leases

Where assets are financed by leasing arrangements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright and are capitalised accordingly with the equivalent liability being shown as obligations to the lessor. Assets held under finance leases and hire purchase contracts are depreciated over their useful lives or the contractual term, whichever is shorter. Rentals incurred in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided on the liability method to cover timing differences on taxation depreciation allowances on fixed assets being greater than depreciation provided in the accounts where, in the opinion of the directors, a liability will arise in the foreseeable future.

Consolidated accounts

Acquisition costs of dormant subsidiary companies have been written off to the profit and loss account. Full consolidated accounts have not been prepared as the directors consider that these additions would not have any material effect on the results of the company.

Defined contribution pension scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Profit and Loss Accounts

	Notes	Year ended 31 December 1995 £'000	1996 £'000	1997 £'000
Turnover	(i)	2,010	3,036	4,721
Cost of sales		(1,339)	(1,896)	(2,852)
Gross profit		671	1,140	1,869
Administrative expenses		(384)	(641)	(1,029)
Operating profit	(ii)	287	499	840
Interest receivable		4	18	43
Interest payable	(iv)	(10)	(1)	—
Profit before taxation		281	516	883
Taxation	(v)	(36)	(156)	(270)
Profit after taxation		245	360	613
Dividends	(vi)	—	(206)	(747)
Retained profit/(loss)	(xiii)	245	154	(134)
Earnings per Ordinary Share	(vii)	4.69p	6.12p	10.43p

There are no recognised gains and losses in the periods other than the profit and loss for the periods.

3. Balance Sheets

	Notes	At 31 December 1995 £'000	1996 £'000	1997 £'000
Fixed assets				
Tangible assets	(viii)	76	135	246
Current assets				
Debtors	(ix)	384	309	514
Cash at bank and in hand		73	653	731
		457	962	1,245
Creditors: amounts falling due within one year	(x)	(369)	(829)	(1,357)
Net current assets		88	133	(112)
Total assets less liabilities		164	268	134
Capital and reserves				
Called up share capital	(xii)	109	59	59
Capital redemption reserve	(xiii)	—	50	50
Profit and loss account	(xiii)	55	159	25
		164	268	134

4. Cash Flow Statements

	Notes	1995 £'000	1996 £'000	1997 £'000
		Year ended 31 December		
Cash inflow from operating activities	(xv)(a)	213	887	1,102
Return on investments and servicing of finance				
Interest received		4	18	43
Interest paid		(10)	(1)	—
		(6)	17	43
Taxation		—	(49)	(201)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(85)	(106)	(209)
Sale of tangible fixed assets		3	1	2
		(82)	(105)	(207)
Equity dividend paid		—	(118)	(659)
Cash inflow before use of liquid resources and financing		125	632	78
Management of liquid resources				
Increase in 7 day deposits		—	(625)	(100)
Financing-Repayment of debt				
Repayment of unsecured loan		(100)	—	—
Redemption of preference shares		—	(50)	—
Capital element of finance lease		(3)	(2)	—
Issue of new shares		9	—	—
Increase (decrease) in cash in the year	(xv)(b)	31	(45)	(22)

5. Reconciliation of Movements in Shareholders' Funds

	1995 £'000	1996 £'000	1997 £'000
	Year ended 31 December		
Profits for the financial year	245	360	613
Dividends	—	(206)	(747)
Issue of ordinary shares	9	—	—
Redemption of preference shares	—	(50)	—
Net increase/(decrease) in shareholders' funds	254	104	(134)
Opening shareholders funds	(90)	164	268
	164	268	134
Equity interests	114	268	134
Non-equity interests	50	—	—
	164	268	134

6. Notes to the Financial Information

(i) Turnover

Turnover represents the value of services invoiced during the year net of credits and value added tax. The turnover and operating profit are attributable to the one principal activity of the company. All of the turnover arose in the United Kingdom.

(ii) Operating profit

Operating profit is stated after charging the following:

	Year ended 31 December		
	1995	*1996*	*1997*
	£'000	£'000	£'000
Depreciation of owned assets	13	45	96
Depreciation of assets held under finance leases	2	1	—
Auditors' remuneration – audit services	4	5	10
Auditors' remuneration – other services	—	—	4
Operating lease rentals:			
Leasehold improvements	73	87	87
Motor vehicles	26	47	64

(iii) Employment costs

Employee costs, including directors' remuneration, comprised:

	Year ended 31 December		
	1995	*1996*	*1997*
	£'000	£'000	£'000
Salaries and commissions	993	1,451	2,193
Social security costs	101	147	216
Pension costs	7	7	37
	1,101	1,605	2,446
Average monthly number employed, including executive directors, was:			
Sales	41	54	80
Office and management	8	10	14
	49	64	94

Directors' Emoluments and Benefits

	£'000	£'000	£'000
Directors' emoluments	94	156	250
Contributions to money purchase pension scheme	7	7	7
	101	163	257
Highest paid director:			
Director's emoluments	69	102	148
Contributions to Money Purchase Pension Scheme	7	7	7

No directors were members of the company pension scheme in the period under review.

(iv) Interest payable

	Year ended 31 December		
	1995	1996	1997
	£'000	£'000	£'000
Interest on unsecured loan wholly repayable within five years	8	—	—
Interest on finance leases	1	1	—
Other interest	1	—	—
	10	1	—

(v) Taxation

	Year ended 31 December		
	1995	1996	1997
	£'000	£'000	£'000
Corporation tax at 29.92% (1996: 29.08%, 1995: 25.0%)	36	156	273
Over provision in previous years	—	—	(3)
	36	156	270

(vi) Dividends

	Year ended 31 December		
	1995	1996	1997
	£'000	£'000	£'000
Interim dividends paid during the year	—	118	571
Final dividend	—	88	176
	—	206	747

(vii) Earnings per Ordinary Share

The basic earnings per share has been calculated on profit after tax and on a weighted average number of ordinary shares in issue as follows:

1995	5,220,600
1996	5,882,400
1997	5,882,400

(viii) Tangible fixed assets

	Motor vehicles £'000	*Office equipment* £'000	*Computers* £'000	*Partitioning* £'000	*Total* £'000
Cost					
At 1 January 1995	—	38	—	—	38
Additions	—	41	15	29	85
Disposals	—	(6)	(3)	—	(9)
At 31 December 1995	—	73	12	29	114
Additions	13	63	7	23	106
Disposals	—	(6)	—	—	(6)
At 31 December 1996	13	130	19	52	214
Additions	76	96	17	20	209
Disposals	—	(12)	—	(9)	(21)
At 31 December 1997	89	214	36	63	402
Depreciation					
At 1 January 1995	—	29	—	—	29
Charge for the year	—	7	3	5	15
Disposals	—	(5)	(1)	—	(6)
At 31 December 1995	—	31	2	5	38
Charge for the year	3	26	5	12	46
Disposals	—	(5)	—	—	(5)
At 31 December 1996	3	52	7	17	79
Charge for the year	14	53	8	21	96
Disposals	—	(10)	—	(9)	(19)
At 31 December 1997	17	95	15	29	156
Net book value					
At 31 December 1995	—	42	10	24	76
At 31 December 1996	10	78	12	35	135
At 31 December 1997	72	119	21	34	246

At 31 December 1997 and 31 December 1996 there were no tangible fixed assets held under finance leases. At 31 December 1995, tangible fixed assets included assets held under finance leases at a cost of £5,774 and associated depreciation of £2,412.

(ix) Debtors

	At 31 December		
	1995	1996	1997
	£'000	£'000	£'000
Trade debtors	313	198	362
Other debtors	9	10	39
Prepayments	26	41	42
	348	249	443
Other debtors: repayable in more than one year			
Rent deposits	36	38	27
Advance Corporation Tax	—	22	44
	384	309	514

(x) Creditors: amounts falling due within one year

	At 31 December		
	1995	1996	1997
	£'000	£'000	£'000
Trade creditors	66	120	197
Obligations under finance leases	2	—	—
Other creditors	2	4	6
Other taxes and social security	101	154	254
Corporation tax	36	128	109
Advance Corporation Tax	—	37	147
Accruals	162	298	468
Proposed dividend	—	88	176
	369	829	1,357

(xi) Deferred taxation

No provision has been made against the possible liability to taxation as the potential liability is immaterial.

(xii) Share capital

	At 31 December 1995 £'000	1996 £'000	1997 £'000
Authorised			
Ordinary shares of 1 pence each	—	120	120
Ordinary shares of £1 each	60	—	—
Preference shares of £1 each	50	—	—
	110	120	120
Allotted, called up and fully paid			
Ordinary shares of 1 pence each	—	59	59
Ordinary shares of £1 each	59	—	—
Preference shares of £1 each	50	—	—
	109	59	59

All of the 50,000 £1 preference shares were redeemed at par on 10 April 1996 in accordance with the Articles of Association.

At the Annual General Meeting held on 10 April 1996, a composite resolution was passed to increase the authorised share capital to £120,000 by creating 10,000 additional ordinary shares of £1 each and converting the redeemed preference shares of £1 each to ordinary shares of £1 each. All new and converted shares rank pari-passu with the existing shares. Following these transactions, the nominal value of all the ordinary shares both issued and unissued was subdivided to 1p per share.

(xiii) Reserves

	Capital redemption reserve £'000	*Profit and loss account* £'000
At 1 January 1995	—	(190)
Profit for the year	—	245
At 31 December 1995	—	55
Reserve created on the redemption of preference shares	50	(50)
Profit for the year	—	154
At 31 December 1996	50	159
Loss for the year	—	(134)
At 31 December 1997	50	25

(xiv) Financial commitments

The company had annual commitments under non-cancellable operating leases as follows:

	Other assets	*Land and Buildings*
	£'000	£'000
At 31 December 1995		
On leases expiring within one year	—	10
On leases expiring between one and five years	20	57
On leases expiring after five years	—	16
	20	83
At 31 December 1996		
On leases expiring within one year	12	4
On leases expiring between one and five years	44	47
On leases expiring after five years	—	27
	56	78
At 31 December 1997		
On leases expiring within one year	13	—
On leases expiring between one and five years	12	59
On leases expiring after five years	—	45
	25	104

(xv) Notes to the cash flow statement

(a) *Reconciliation of operating profits to cash inflow from operating activities*

	Year ended 31 December		
	1995	*1996*	*1997*
	£'000	£'000	£'000
Operating profit	287	499	840
Depreciation	15	46	96
(Increase)/decrease in debtors	(172)	97	(183)
Increase in creditors	83	245	349
Net cash inflow from operating activities	213	887	1,102

(b) Reconciliation of net cash flow to movements in net funds

	Year ended 31 December		
	1995	1996	1997
	£'000	£'000	£'000
Increase(decrease) in cash in the year	31	(45)	(22)
Cash outflow from reduction in debt and finance leasing	103	52	—
Cash inflow from increase in liquid resources	—	625	100
Movements in net funds in the year	134	632	78
Net funds at beginning of year	(113)	21	653
Net funds at end of year	21	653	731

(c) Analysis of net funds

	Cash at bank and in hand	Seven day treasury deposits	Finance leases	Unsecured loan	Preference shares	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 1995	42	—	(5)	(100)	(50)	(113)
Cash flow	31	—	3	100	—	134
Balance at 31 December 1995	73	—	(2)	—	(50)	21
Cash flow	(45)	625	2	—	50	632
Balance at 31 December 1996	28	625	—	—	—	653
Cash flow	(22)	100	—	—	—	78
Balance at 31 December 1997	6	725	—	—	—	731

(xvi) Subsidiary companies

The company owns all the issued share capital of the following companies which are registered in the United Kingdom.

ATA Selection Limited (dormant)
ATA Selection (Sales) Limited (dormant)
ATA Selection (Engineering) Limited (dormant)
ATA Selection (Services) Limited (dormant)
The Technical Staff Agency Limited (dormant)
Fairbourne Adventure Limited (incorporated 26 March 1998)
The Fairbourne Hotel Limited (incorporated 26 March 1998)

(xvii) Transactions with related parties

During the year ended 31 December 1997, the Company incurred the following expenditure with English Trust Company Limited, a wholly owned subsidiary of English Trust Group plc, a company in which CJ Spence, a director during the year holds a material interest. This expenditure relates to the provision of his services as non-executive director of the company and amounted to £10,000 (1996: £6,667, 1995: £nil) and was incurred on a normal trading basis.

(xviii) Ultimate controlling party

In the opinion of the Directors there is no ultimate controlling party of the Company.

(xix) Post balance sheet event

On 17 March 1998 the Group entered into an agreement to purchase The Fairbourne Hotel, Fairbourne, Gwynedd for a cash consideration of £410,000, £300,000 of which was funded by a term loan secured on the freehold property. The assets acquired consisted of freehold land and buildings (£300,000), goodwill (£60,000) and sundry tangible assets (£50,000).

On 1 April 1998, the Group entered into an agreement to buy the assets, goodwill and business known as Fairbourne Adventure for an initial consideration of £40,000. The assets acquired consisted of sundry tangible assets (£22,000), goodwill (£17,500) and stock (£500). Further consideration will be payable should certain performance targets be met. The maximum amount of the further consideration will be £15,000 in cash and 23,000 ordinary shares in the Company.

(xx) Auditors

The auditors of the financial statements of ATA Group plc were as follows:

Years ended 31 December 1995 and 1996:
Bishop Fleming
19 Portland Square
Bristol, BS2 8SJ

Year ended 31 December 1997:
Pannell Kerr Forster
Pannell House
6/7 Litfield Place
The Promenade
Clifton
Bristol, BS8 3LX

Yours faithfully

Pannell Kerr Forster
Chartered Accountants

Part 4 Pro Forma Statement of Net Assets

Set out below is an unaudited pro forma statement of consolidated net assets of the Group which has been prepared on the basis of the audited accounts of the Company to 31 December 1997 as adjusted for the Placing and the other matters set out in the notes below. The pro forma is for the purposes of illustration only and, because of its nature, cannot give a complete picture of the Group's financial position.

	As at 31 December 1997	*Adjustments*		*Pro Forma*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
	£'000	£'000	£'000	£'000
Fixed assets	246	—	450	696
Current assets	1,245	451	(150)	1,546
Creditors	(1,357)	—	(300)	(1,657)
Net current assets/(liabilities)	(112)	451	(450)	(111)
Net assets	134	451	—	585

Notes:

1. The assets and liabilities of the Company as at 31 December 1997 have been extracted from the accountants' report on the Company and its subsidiaries set out in Part 3 of this document.
2. The proceeds to the Company of the Placing, net of estimated expenses, are £451,000.
3. The acquisition of The Fairbourne Hotel and Fairbourne Adventure, including goodwill which the Group will capitalise in accordance with FRS 10.
4. No account has been taken of trading by the Group since 31 December 1997.

Part 5 Additional Information

1. The Company and its subsidiaries

(a) The Company was incorporated in England on 15 November 1990 under the name of The Technical Staff Agency Limited with registered number 2558971 as a private company with limited liability under the Act. The Company was re-registered as a public company and changed its name to ATA Group plc on 30 April 1996.

(b) The Company is the holding company of the following subsidiary companies, all of which are incorporated in England and Wales, and are wholly owned:

Name	*Principal Activities*	*Issued share capital (fully paid)*
ATA Selection Limited	dormant	£2
ATA Selection (Sales) Limited	dormant	£2
ATA Selection (Engineering) Limited	dormant	£2
ATA Selection (Services) Limited	dormant	£2
The Technical Staff Agency Limited	dormant	£2
Fairbourne Adventure Limited	outdoor activities	£1,000
The Fairbourne Hotel Limited	Hotelier	£1,000

The registered office of each of the above companies is at 22-24 Portland Square, Bristol BS2 8RZ.

It is intended that ATA Selection (Sales) Limited, ATA Selection (Engineering) Limited and ATA Selection (Services) Limited will commence trading following Admission.

(c) The principal activity of the Company is the provision of a recruitment and personnel consultancy to business and corporate operations. There are no exceptional factors which have influenced the Group's activities.

2. Share capital

(a) The following alterations in the authorised and issued share capital of the Company have taken place in the three years preceding the date of this document:

(i) On 10 October 1995, 8,824 ordinary shares of £1 each were issued to C. Chapman for cash at par upon the exercise of an option to subscribe.

(ii) On 10 April 1996 50,000 redeemable preference shares of £1 each were redeemed for cash at par per share.

(iii) On 10 April 1996 a special resolution was passed:

(aa) to re-register the Company as a public company and change its name to ATA Group plc;

(bb) to adopt a new memorandum of association and new articles of association;

(cc) to convert the redeemable preference shares of £1 each into ordinary shares of £1 each;

(dd) to increase the share capital of the Company from £110,000 to £120,000 by the creation of 10,000 new ordinary shares of £1 each;

(ee) to subdivide the ordinary share capital of the Company into 12,000,000 ordinary shares of 1p each.

(iv) On 11 June 1998 resolutions were passed:

(aa) to amend the main objects of the Company set out in the memorandum of association;

(bb) to adopt new articles of association, a summary of which is set out in paragraph 3 below;

(cc) to authorise the Directors generally and unconditionally pursuant to section 80 of the Act to allot and issue relevant securities (as defined in that section) for the purpose of the Placing and otherwise up to an aggregate nominal amount of £27,608 (representing approximately 33 per cent of the issued ordinary share capital following the Placing) such authority (unless previously renewed, varied or revoked) to expire at the earlier of the conclusion of the next annual general meeting of the Company and 30 November 1999;

(dd) to empower the Directors pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority described in sub-paragraph (cc) above as if section 89(1) of the Act did not apply to such allotment, for the purposes of the Placing, and of any other allotment of equity securities by way of rights in proportion (as nearly as may be) to their existing holdings, and in respect of any other issue up to an aggregate nominal amount of £9,241.20, such power being expressed to expire at the earlier of the conclusion of the next annual general meeting of the Company and 30 November 1999.

(b) The authorised and issued share capital of the Company as at the date of this document and following completion of the Placing is set out below:

	Authorised		*Issued and fully paid*	
	£	*Number*	*£*	*Number*
Current				
Ordinary Shares	120,000	12,000,000	58,824	5,882,400
Proposed				
Ordinary Shares	120,000	12,000,000	64,824	6,482,400

(c) As at the date of this document, there are no share options outstanding. It is proposed that C Chapman will be granted an option under the Unapproved Scheme to subscribe for up to 200,000 Ordinary Shares in the period from June 2001 to June 2008. The option will be granted on the day following Admission. The exercise price will be the mid market price for the Ordinary Shares at the close of business of the first day of dealings on AIM. Exercise of the option will be conditional upon the achievement of performance targets: it may be exercised in respect of the first 100,000 Ordinary Shares only if the earnings per share as shown in the audited consolidated accounts of the Company for any of the financial years ending after 31 December 1997 and before 1 January 2008 exceed 20.86p per share. The final 100,000 Ordinary Shares may only be subscribed for if such earnings per share exceed 31.29p per share.

It is also intended to grant options under the Approved Scheme to M Lax to subscribe for 10,000 Ordinary Shares and to R Smith to subscribe for 7,500 Ordinary Shares, in each case at the closing mid-market price for Ordinary Shares on the first day of dealings on AIM.

(d) Following the Placing the Directors will have authority to allot Ordinary Shares in the period ending at the conclusion of the Company's Annual General Meeting in 1999 or 30 November 1999 (whichever is the earlier) as follows:

(i) general authority pursuant to section 80 of the Act to allot up to an aggregate nominal amount of £21,608 (2,160,800 Ordinary Shares); and

(ii) specific authority pursuant to section 95 of the Act to make allotments for cash otherwise than pro rata to existing shareholders up to an aggregate nominal amount of £3,241.20 (324,120 Ordinary Shares).

(e) Save for the allotments referred to in paragraph (a) above in the three years preceding the date of this document, no capital of the Company has been allotted for cash or for a consideration other than cash.

(f) Save under the Placing and as disclosed in paragraph 2(c) above and in paragraph 7(a) below, no capital of the Company is proposed to be issued or is under option or is agreed to be put under option.

(g) The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

3. Memorandum and Articles of Association

The principal objects of the Company, which are set out in clause 3.1 of its Memorandum of Association, are to act as a holding company and as a general commercial company.

The Articles of Association of the Company adopted by special resolution on 11 June 1998 contain, *inter alia,* provisions to the following effect:

(a) Voting rights

Subject to paragraph (f) below, and to any special terms as to voting upon which any shares may for the time being be held, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by its duly appointed representative shall have one vote and on a poll every member present in person or by representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

(b) Variation of rights

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

(c) Alteration of capital

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

(d) Transfer of shares

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the Directors and (2) in the case of uncertificated shares, through CREST in accordance with and subject to the Uncertificated Securities

Regulations 1995 ("Regulations") and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee. The Directors may in their absolute discretion refuse to register a transfer of any share which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. Subject to paragraph (f) below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

(e) Dividends

(i) The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified.

(ii) Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph (f) below, all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

(iii) All dividends unclaimed for a period of 12 years after having been declared shall if the Directors so resolve be forfeited and shall revert to the Company.

(iv) There is no fixed date on which an entitlement to dividend arises.

(f) Suspension of rights

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 212 of the Companies Act 1985 and is in default in supplying to the Company within 28 days (or such other period as may be specified in such notice) the information thereby required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent of the issued shares of that class, the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arms length sale. The Directors may refuse to register a transfer of a share in uncertificated form to the extent that this is permitted by the Regulations and the requirements of the relevant system for the purposes of the Regulations.

(g) Return of capital

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of ordinary shares are entitled to share in any surplus assets pro rata to the amount paid up on their ordinary shares. A liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Companies Acts, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

(h) Pre-emption rights

There are no rights of pre-emption under the articles of association of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future (including uncalled capital) and, subject to section 80 of the Companies Act 1985, to issue debenture stock or any other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the Company or any of its subsidiaries from such companies) shall not at any time without the previous sanction of the shareholders in general meeting exceed a sum equivalent to the greater of £1,000,000 and twice the aggregate of the nominal capital of the company for the time being issued and paid up and the amounts standing to the credit of the share premium account, capital redemption reserve and profit and loss account of the Company and each of its subsidiary companies.

4. Share Options

The ATA Group plc 1998 Approved Share Option Scheme

The Approved Scheme summarised below was adopted by the Board on 9 June 1998 subject to Inland Revenue approval:

(a) Options to subscribe for Ordinary Shares of the Company may be granted (at the discretion of the Board or the Remuneration Committee of the Board) to selected employees of the Group (whether full-time or part-time) or to selected full-time Directors (i.e. those Directors required to devote 25 hours or more per week to their employment by the Group, excluding meal breaks). Options may not be granted to anyone who is within two years of his or her normal retirement date or to any person who has (or has had within the preceding twelve months) a material interest in a close company.

(b) Options may normally only be granted within 42 days after announcement of the Group's preliminary or interim results but, initially, options may be granted within the period of 42 days after the Approved Scheme is formally approved by the Inland Revenue. Options may also be granted within 14 days after an individual becomes eligible to participate in the Approved Scheme. Options may also be granted outside these periods if the Board considers that there are exceptional circumstances.

(c) Options must be granted at a subscription price per Ordinary Share which is at least the greater of the nominal value and the market value of an Ordinary Share on the date of grant as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed with the Board of Inland Revenue or the Inland Revenue Shares Valuation Division.

(d) No consideration is payable for the grant of an option. Options are not transferable or assignable.

(e) The number of Ordinary Shares which may be utilised under the Approved Scheme shall not exceed 5 per cent. of the issued ordinary share capital of the Company from time to time.

(f) The number of Ordinary Shares over which options may be granted to any individual option holder must be limited so that the aggregate subscription price payable on the exercise of all outstanding options granted to him or her under the Approved Scheme and any other Inland

Revenue approved share scheme operated by the Company or an associated company (other than a savings related scheme) shall not exceed £30,000.

(g) Surrendered or lapsed options are not included in calculating the overall Approved Scheme limits under paragraph (e) above nor in calculating the limit on each individual's participation under paragraph (f) above.

(h) An option is exerciseable (in whole or in part) normally between the third and the tenth anniversaries of the date of grant (or the fifth and tenth in the case of super options). In certain circumstances an option may be exercised earlier (for example on death or redundancy or where the participant otherwise involuntarily ceases to be employed by the Group, or on a takeover, reconstruction or voluntary winding up of the Company). An option will lapse if the holder voluntarily resigns or is dismissed for cause as an employee of the Group unless otherwise agreed by the Board or the Remuneration Committee.

(i) The exercise of an option may be made subject to the achievement of specific performance conditions to be determined by the Board or the Remuneration Committee.

(j) In the event of a general offer to acquire the whole of the issued share capital of the Company as a result of which the offeror obtains control of the Company, an option holder may, with the consent of the acquiring company, release each subsisting and unexercised option for a new right which is equivalent to his option but relates to shares in a different company (generally, the offeror).

(k) The number of shares and the subscription price of shares subject to an option may be varied by the Board in the event of a reorganisation of capital (such as a capitalisation or rights issue) subject to Inland Revenue approval and an opinion of the auditors of the Company that the variations are fair and reasonable.

(l) The Approved Scheme will be administered by the Board or a Remuneration Committee of the Board. The Board has the power to amend the Approved Scheme subject to, or in order to obtain, the approval of the Inland Revenue, but (a) no amendment may be made which would materially affect the existing rights of an option holder unless it has been approved by a majority of option holders; and (b) no amendment may be made to the matters referred to in this summary which is to the advantage of existing or future option holders (other than minor amendments for general administrative, fiscal or regulatory benefit) except with the consent of the Company in general meeting.

(m) The Board may terminate the Approved Scheme at any time with the effect that no further options may thereafter be granted although in all other respects the Approved Scheme will remain in force.

(n) No options may be granted under the Approved Scheme after the tenth anniversary of its adoption.

The ATA Group plc 1998 Unapproved Executive Share Option Scheme

The Unapproved Scheme was adopted by the Board on 9 June 1998 and has similar provisions to the Approved Scheme, save for provisions relating to Inland Revenue approval, and save as set out below:

(a) Options to subscribe for Ordinary Shares of the Company may be granted (at the discretion of the Board or the Remuneration Committee of the Board) to selected employees of the Group or to selected Directors.

(b) Options must be granted at a subscription price per Ordinary Share which is at least the greater of the nominal value and the average middle market quotation of an Ordinary Share over the five dealings days immediately preceding the date of grant.

(c) The number of Ordinary Shares over which options may be granted to any individual option holder is normally limited so that the aggregate subcription price paid or payable on the exercise of all options granted to him or her under the Unapproved Scheme (when added to the cost of acquiring shares under all other share schemes in the previous 10 years) shall not exceed four times the participant's annual remuneration, or if higher, his remuneration over the previous 12 months. Options with a value of a further four times the participant's annual remuneration may be granted in the form of "super options" which have at least a five year option period and the exercise of which requires achievement of a top quartile performance in respect of a pre-defined peer group.

5. Directors' and other interests

(a) The interests of the Directors (including the interests of their spouses and infant children and the interests of any persons connected with them within the meaning of Section 346 of the Act), all of which are beneficial (except where otherwise stated) in the issued share capital of the Company which have been notified to the Company pursuant to Sections 324 to 328 of the Act, as at the date of publication of this document and as they are expected to be immediately following completion of the Placing are as follows:

	Present		*Following the Placing*	
	Ordinary Shares	%	*Ordinary Shares*	%
W J C Douie	1,485,000	25.24	1,337,940	20.64
C Chapman	1,667,400	28.35	1,520,340	23.45
G J Chivers	600,000*	10.20	500,000	7.71
J R Hustler	—	—	7,500	0.12
J L Green	—	—	74,600	1.15

*In addition, Mr Chivers is the registered holder of 55,000 Ordinary Shares as a bare trustee for CJ & SG Flook.

(b) Save as disclosed in paragraphs 2(c) and 5(a) above, none of the Directors has any interests in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of Section 346 of the Act) have any such interests, whether beneficial or non-beneficial.

(c) In addition to their directorships in the Company, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

(i) W J C Douie: Current: Inca Geometric Limited, Lunken Limited, ATA Selection Limited, ATA Selection (Services) Limited, ATA Selection (Sales) Limited, ATA Selection (Engineering) Limited, The Technical Staff Agency Limited, The Tunbridge Wells & Eridge Railway Preservation Society, Fairbourne Adventure Limited, The Fairbourne Hotel Limited and ATA Selection and Management Services Limited.

Past: Thomas Seager Limited, Johnson & Knight Associates Limited, Kent Engineering Components Limited, Chillington Marine Limited, Golden Arrow Marine Limited, Kenlun Limited and Russell, Newbery & Co Limited.

Mr Douie was a director of Kenlun Limited and ATA Selection and Management Services Limited, which both went into creditors voluntary liquidation in 1992, and a director of Russell, Newbery & Co Limited, which went into creditors voluntary liquidation in 1989.

(ii) C Chapman: Current: ATA Selection (Sales) Limited, ATA Selection (Engineering) Limited, ATA Selection (Services) Limited, ATA Selection Limited, Fairbourne Adventure Limited and The Fairbourne Hotel Limited.

Past: None.

(iii) G J Chivers: Current: Fairbourne Adventure Limited and The Fairbourne Hotel Limited.

Past: None.

Mr Chivers was a director of WE Chivers & Sons Limited, which went into receivership in 1985 and into liquidation in 1986.

(iv) J R Hustler: Current: Hustler Venture Partners Limited, Quester Capital Management Limited, UCL Ventures Limited, Crowe Insurance Group Limited, Crowe Syndicate Management Limited, Northern Venture Trust PLC, The Compass Community Care Society Limited, Birchwood Garages Limited, The Bioscience Innovation Centre plc and Insurance Direct Underwriting Limited.

Past: British Venture Capital Association, DSL Holdings Limited, Defence Systems Limited, Defence Systems International Limited, DSL Group Limited, Farnham Theatre Productions Limited (in liquidation) and WRT Group PLC.

(v) J L Green: Current: Extramini Limited, The Investment Management Company of Europe Limited and JLG Consultancy Limited.

Past: HSBC Corporate Finance Limited, HSBC Investment Bank plc, James Capel (Channel Islands) Limited, James Capel Holdings Limited, Stockwatch Limited and Tuodeknoc JCI Limited.

(d) Save as disclosed above, no Director:

(i) has any unspent convictions in relation to indictable offences; or

(ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or

(iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

(iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or has had a receiver appointed to any partnership asset; or

(v) has been publicly criticised by any statutory or regulatory authority (including any recognised professional body); or

(vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(e) Save as disclosed in paragraph 5(a) above, and as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who is interested in 3 per cent. or more of the issued share capital of the Company:

	Ordinary Shares	%
English Trust	250,000	3.86
Northern Venture Trust plc	223,880	3.45
Chase Nominees Limited	215,000	3.32
Northern Investors Company plc	200,000	3.08

(f) No loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director are outstanding.

(g) No Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries and remains in any respect outstanding or unperformed.

6. Directors' service agreements

(a) W J C Douie has entered into a service agreement with the Company dated 12 June 1998 for an initial period of 12 months and thereafter, subject to termination upon 6 months' notice by either party. The agreement provides for an annual salary of £45,000, a bonus equal to 3 per cent. of the net pre-tax profits of the Company (up to maximum of 60 per cent. of his annual salary), the use of a company car and membership of a private medical scheme.

(b) C Chapman has entered into a service agreement with the Company dated 12 June 1998 for an initial period of 12 months and thereafter, subject to termination upon 12 months' notice by either party. The agreement provides for an annual salary of £80,000, a bonus equal to 5 per cent. of the net pre-tax profits of the Company (up to maximum of 60 per cent. of his annual salary), the use of a company car, membership of a private medical scheme and pension contributions equal to 12.5 per cent. of his salary.

(c) G J Chivers has entered into a service agreement with the Company dated 12 June 1998 for an initial period of 6 months and thereafter, subject to 6 months' notice by either party. The agreement provides for an annual salary of £35,000, a bonus equal to 1 per cent. of the net pre-tax profits of the Company (up to maximum of 60 per cent. of his annual salary), the use of a company car and membership of a private medical scheme.

(d) The services of J R Hustler and J L Green as non-executive Directors are provided under the terms of agreements with the Company dated 12 June 1998, in each case for an initial period of one year, continuing thereafter subject to termination upon at least three months' notice, at an initial fee of £15,000 per annum.

(e) Save as set out in paragraphs (a), (b) and (c) above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

(f) The aggregate remuneration payable and benefits in kind granted to the Directors was £250,095 for the financial year ended 31 December 1997 and (excluding bonuses) is estimated to be £180,100 for the current financial year ending 31 December 1998 under the arrangements in force at the date of this document.

7. Material contracts

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

(a) A business purchase agreement dated 1 April 1998 between M D Scott (1), Fairbourne Adventure Limited ("FAL") (2) and the Company (3), pursuant to which FAL agreed to purchase as a going concern the assets, goodwill and business carried on by Mr Scott for an initial consideration of £40,000 and deferred consideration to be satisfied (i) as to £15,000 in cash upon the approval of the accounts for FAL for the period ending 31 December 1998 (provided that there are pre-tax profits of at least £1 for that period); and (ii) by the issue of up to 23,000 Ordinary Shares in the

Company upon the approval of the accounts for FAL for the period ending 31 December 1999 depending upon the level of pre-tax profits of FAL for that period. In certain circumstances, Mr Scott can elect that the final tranche of deferred consideration may be satisified in cash at the rate of £1.30 per Ordinary Share. If less than £50,000 of FAL's turnover for the period ending 31 December 1999 is provided by the Group, the final tranche of deferred consideration may at the option of Mr Scott be £15,000 in cash. FAL has reserved the right to pay in cash all or part of the consideration attributable to Ordinary Shares at the rate of £1.30 per Ordinary Share.

Mr Scott has entered into a service agreement dated 3 April 1998 with FAL as an operational director of FAL at £17,500 per annum together with an entitlement to 10 per cent. of the annual pre-tax profits of FAL for the years to 31 December 1998 and 1999. The agreement is subject to termination upon 12 months' notice by either party, not to be given (by FAL) before 31 December 1999. FAL provides a company car to Mr Scott and contributes an amount equal to 5 per cent. of his basic salary to Mr Scott's personal pension plan.

(b) An agreement dated 17 March 1998 between the Company (1) and Mrs D Hodson (2), whereby the Company agreed to purchase the freehold property at The Fairbourne Hotel, Fairbourne, Gwynedd, including fixtures, fittings and goodwill, for a cash consideration of £410,000.

(c) A Nominated Adviser Agreement dated 12 June 1998 between the Company (1) the Directors (2) and Teather & Greenwood (3) pursuant to which the Company has appointed Teather & Greenwood to act as nominated adviser to the Company for the purposes of AIM commencing on the date of the Agreement for an initial period of 12 months, and continuing thereafter subject to three months' notice of termination and a Nominated Broker Agreement dated 12 June 1998 between the Company (1) and Teather & Greenwood (2) pursuant to which the Company has appointed Teather & Greenwood to act as nominated broker to the Company for the purposes of AIM commencing on the date of the Agreement for an initial period of 12 months, and continuing thereafter subject to three months' notice of termination. The Company has agreed to pay Teather & Greenwood a combined fee of £20,000 per annum for its services as Nominated Adviser and Nominated Broker under the two Agreements.

(d) A Placing Agreement dated 12 June 1998 between Teather & Greenwood (1), the Directors (2), the Vendors (3) and the Company (4) pursuant to which Teather & Greenwood has agreed to use its reasonable endeavours to arrange for placees to subscribe for and/or purchase 2,606,620 Placing Shares at the Placing Price. The Agreement is conditional, *inter alia*, upon Admission taking place on or before 15 June 1998 or such later date as Teather & Greenwood and the Company may agree but in any event not later than 30 June 1998. The Company will pay to Teather & Greenwood a fee of £120,000 and the Company will pay to Teather & Greenwood a commission of 2½ per cent on the aggregate value of the New Ordinary Shares at the Placing Price. The Vendors will pay to Teather & Greenwood commissions of up to 2½ per cent on the aggregate value of the Sale Shares at the Placing Price. The agreement provides for the Company to pay all reasonable expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The agreement contains, *inter alia*, undertakings and warranties by the Company and the Directors in favour of Teather & Greenwood as to the accuracy of information contained in this document and other matters relating to the Group and its business and an indemnity from the Company and the Directors in favour of Teather & Greenwood.

The Directors of the Company have agreed not to dispose of any interest in their ordinary shares in the Company until either the publication of the audited consolidated accounts of the Group for the financial year ended on 31 December 1998 or one year from the date of Admission (whichever is later), save in the event of an intervening court order, a takeover offer relating to the Company's share capital becoming or being declared to be unconditional, or the death, dismissal or bankruptcy of the Director. Messrs Chapman and Douie have further agreed to retain two thirds of their interests in their Ordinary Shares until the second anniversary of such date.

Teather & Greenwood may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the placing agreement or of any of the warranties contained in it.

(e) A termination agreement dated 12 June 1998 between the Company (1), W J C Douie and others (2) and English Trust (3) whereby a subscription agreement dated 13 January 1992 was agreed to be terminated with effect from Admission.

8. Taxation

The following comments are intended as a general guide to the position under current United Kingdom tax legislation and Inland Revenue practice and may not apply to certain classes of people (such as dealers in securities). Shareholders who are in any doubt about their tax position should consult their professional adviser immediately.

Taxation of Dividends

Under current United Kingdom tax legislation, there is no withholding tax on dividends, but whenever the Company pays a dividend it will be liable to account to the Inland Revenue for advance corporation tax ("ACT") in respect of the dividend. The rate of ACT is equal to one-quarter of the dividend for dividends paid on or after 6th April 1994 and before 6 April 1999. ACT paid by the Company can be set-off against its liability to mainstream corporation tax, subject to certain limits and restrictions. It was announced in the budget on 17 March 1998 that ACT is to be abolished with effect from 6 April 1999 and that a system of shadow ACT will govern the recovery by companies of previous years' surplus ACT.

A shareholder, not being a company, who is resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will be entitled to a tax credit of an amount equal to one-quarter of the net dividend (i.e. 20 per cent. of the aggregate of the net dividend and the associated tax credit). The individual will be taxable on the total of the dividend and the related tax credit, which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the dividend, unless and except to the extent that the dividend and related tax credit fall above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the dividend and related tax credit at a rate equal to the excess of the higher rate (currently 40 per cent.) over the lower rate (currently 20 per cent.). If the tax credit exceeds the individual's liability to income tax on the total of the dividend and the tax credit, he will usually be able to claim payment of the excess from the Inland Revenue.

With effect from 6 April 1999, the tax credit in respect of dividends will be reduced to 10 per cent. Individual shareholders who are subject to United Kingdom income tax at the lower or basic rate only will be liable to income tax of 10 per cent. on their gross dividend income. The tax credit will, therefore, discharge in full the liability for income tax to shareholders in respect of their dividend income. The higher rate of income tax on dividend income will be reduced to 32.5 per cent. Higher rate tax payers will be able to offset the tax credit against their liability to tax on dividends and will have a further liability to income tax at 25 per cent. of the net dividend. The effect of these measures is to leave lower, basic and higher rate taxpayers in the same position as before the change in the rate of tax credit.

In respect of dividends paid prior to 6 April 1999, to the extent that a United Kingdom individual shareholder's total tax credits in respect of dividends exceed his overall United Kingdom tax liabilities, the shareholder may, generally, claim to have any excess repaid to him by the Inland Revenue. In respect of dividends paid on or after 6 April 1999 such a shareholder will not be able to claim any repayment of the tax credit. Pension funds and most United Kingdom corporate shareholders cannot claim the repayment of the tax credit attaching to any dividend paid on or after 2 July 1997.

Subject to certain exceptions (for example, some insurance companies with overseas business and corporate members of Lloyd's), a shareholder that is a company resident (for tax purposes) in the United Kingdom and receives a dividend paid by the Company will be entitled to a tax credit in respect of the dividend. The Company will not be taxable on the dividend, and the dividend and related tax credit will be treated as franked investment income. The value of the tax credit is currently an amount equal to one-quarter of the dividend.

Subject to certain exceptions, whether shareholders who are resident (for tax purposes) in countries other than the United Kingdom are entitled to any tax credit in respect of a dividend received from the Company and to claim payment from the Inland Revenue of any portion of that tax credit depends in general on the provisions of any double tax convention or agreement which exists between such countries and the United Kingdom. The decrease to 10 per cent. in the rate of tax credit will generally reduce or eliminate the amount payable from 6 April 1999. Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and what relief or credit may be claimed in the jurisdiction in which they are resident for any such tax credit.

Tax relief

It was formerly the case that investors may have been able to defer current capital gains tax liabilities utilising either Reinvestment Relief or the Enterprise Investment Scheme. Other tax reliefs were also conferred by the Enterprise Investment Scheme. The Finance (No. 2) Bill 1998 contains draft legislation, in accordance with announcements of the Chancellor in the Budget on 17 March 1998, which rationalise the existing schemes of Reinvestment Relief and the Enterprise Investment Scheme to create a new unified single system with effect from 6 April 1998 (the "new EIS scheme"). The Finance (No. 2) Bill has not yet been enacted and prospective investors must note that this summary is based on draft legislation currently passing through Parliament the details of which may change when the legislation is finally enacted. Individuals are strongly advised to consult their own professional tax advisor if they are considering taking advantage of the new EIS scheme.

The Directors have been advised by Pannell Kerr Forster that, provided investors and the Company comply with the legislation both higher and basic rate United Kingdom tax payers should qualify under the new EIS scheme in respect of their investment in New Ordinary Shares in the Company. An investment in the Sale Shares will not qualify under the new EIS scheme as relief (unlike the old reinvestment relief) is not available in respect of existing (as opposed to new) shares. Participation in the new EIS scheme is limited to companies with gross assets of less than £10 million before an investment and no more than £11 million after it.

There are four tax reliefs available under the new EIS scheme.

Income tax relief

This allows an investor to reduce the amount of his or her liability to income tax in the year of investment. The relief is the lesser of his or her liability to income tax at the lower rate, currently 20 per cent., on the amount invested in the shares of qualifying companies subject to an overall limit of £150,000 invested by an individual (in any number of qualifying companies) in any tax year and an amount which reduces the investor's income tax liability to nil.

A qualifying company must be an unquoted trading company or an unquoted holding company with one or more trading subsidiaries. Companies admitted to AIM are treated as unquoted. It is also a requirement that a qualifying company does not carry on certain non-qualifying activities.

Individuals who are connected with the Company within the seven year period beginning two years before and ending five years after the issue of the New Ordinary Shares will not be eligible for income tax relief under the new EIS scheme.

Deferral of current capital gains tax liabilities

An investor's capital gains tax liabilities may be deferred where an investment is made by an individual in a subscription for New Ordinary Shares qualifying under the new EIS scheme. Under the new EIS scheme there will be unlimited deferral relief from capital gains tax for individuals (whether or not they qualify for income tax relief) and trustees where chargeable gains which were realised within the last 3 years or are realised within the following 12 months are re-invested in eligible shares.

Capital gains tax exemption

Any capital gains accruing to an investor eligible for income tax relief under the new EIS scheme when he first disposes of his New Ordinary Shares is exempt from tax provided that the disposal takes place at least five years after the issue of the New Ordinary Shares and also provided that tax relief under the new EIS scheme has not been previously withdrawn.

Loss relief

Should an investor suffer a loss from the disposal of shares in a qualifying company after the issue of the shares, the net loss after income tax relief may in certain circumstances be deducted from the investor's capital gains or taxable income for the same year as that in which the loss arises or the preceding year.

Investors should be aware that in the event of any breach of the numerous conditions within five years of them acquiring their New Ordinary Shares, tax relief granted under the new EIS scheme will be withdrawn. The Company cannot undertake to conduct its activities in a way designed to preserve any tax relief claimed by investors. However, it may be noted that should the Company lose its unquoted status, this would not give rise to a withdrawal of relief for that reason alone.

9. Premises

The Group's principal establishments are as follows:

Property	*Tenure*	*Lease expiry date*	*Annual rent*	*Approx. square footage*
The Fairbourne Hotel Fairbourne, Gwynedd	freehold	—	—	—
46/48 High Street Slough	leasehold	23 June 2005	£12,500	1,265
20 Portland Square Bristol BS2 8SJ	leasehold	24 March 2003	£9,250	1,300
Portland House 22-24 Portland Square Bristol BS2 8RZ	leasehold	2 March 2003	£14,905	2,839
5th Floor St. James House 17 Horsefair Birmingham	leasehold	30 September 2004	£16,065	2,100
Paragon House Old Trafford Manchester	leasehold	1 January 2002	£16,265	2,195
1st Floor Fairfax House Merrion Street Leeds	leasehold	1 January 2008	£19,750	1,580

Property	*Tenure*	*Lease expiry date*	*Annual rent*	*Approx. square footage*
2nd Floor Bankfield House 132 New Walk Leicester	leasehold	22 June 2006	£10,500	1,500
Suite A4 3 Cecil Court London Road Enfield	leasehold	25 September 2000	£12,587	1,300
Merchant House 30 Cloth Market Newcastle upon Tyne	leasehold	17 December 2007	£7,120	890

The premises are used as offices, except for the Fairbourne Hotel which provides residential accommodation for training courses.

The Company also has a 500 sq. ft. office at Gor-Ray House, 758 Great Cambridge Road, Enfield under a licence agreement at a fee of £850 per month, subject to termination on one month's notice.

10. Working capital

In the opinion of the Company, having made due and careful enquiry, the working capital available to the Company and the Group will, from the date of Admission, be sufficient for their present requirements.

11. Litigation

(a) The Company is currently engaged in a number of proceedings for the collection of debts due to the Company, in a total amount of approximately £25,000. The largest individual amount where proceedings are being taken is less than £6,000.

(b) Save as disclosed above, no legal or arbitration proceedings are active, pending or threatened against, or being brought by, any member of the Group which are having or may have a significant effect on the Company's or the Group's financial position.

12. General

(a) Fairbourne Adventure has an Adventure Activities Licence which is fundamental to its business. The Fairbourne Hotel Limited also has a licence for the sale of alcohol. Save as aforesaid, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

(b) The expenses of the Placing (including commissions of 2½ per cent.) are estimated to be £397,000, including VAT and are payable by the Company save for commissions of up to 2½ per cent. (being £44,000) are payable by the Vendors.

(c) The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in Schedule 1 of the POS Regulations is £nil.

(d) Except for fees payable to the professional advisers whose names are set out on page 3 above, payments to trade suppliers, and except as set out below, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission:

(i) Fees of £10,000 have been paid to English Trust in consideration for the provision to the Company of the services of Christopher Spence as a non-executive director of the Company for the year ended 31 December 1997. Mr Spence is a director and holds a material interest in English Trust, which is a significant shareholder in the Company. English Trust is placing 1,250,000 Ordinary Shares pursuant to the Placing.

(ii) Fees of approximately £13,000 have been paid to Ringrose Wharton for their professional services.

(e) Save as disclosed in this document, there has been no material change in the financial or trading position of the Company since 31 December 1997, the date to which its most recent audited accounts have been drawn up.

(f) The Company's auditors during the two years ended 31 December 1996 were Bishop Fleming, Accountants and Registered Auditors, 19 Portland Square, Bristol BS2 8SJ. The Company's auditors for the year ended 31 December 1997 were Pannell Kerr Forster, Accountants and Registered Auditors, Pannell House, 6-7 Litfield Place, The Promenade, Clifton, Brisol BS8 3LX.

(g) The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts have been delivered to the registrar of companies for the three periods ended 31 December 1997. Auditors' reports in respect of each statutory accounts have been made under section 235 of the Act and each such report was an unqualified report and did not contain any statement under section 237(2) or (3) of the Act.

(h) Pannell Kerr Forster accept responsibility for the accountants' report set out in Part 3 of this document for the purposes of paragraph 45(1)(b) of the Regulations and have given and have not withdrawn their written consent to the issue of this document with the inclusion of their report and the references to such report and to their name in the form and context in which they appear.

(i) English Trust of 12a Charterhouse Square, London, EC1M 6AX, P Baron & P Moran as Trustees of The Oryx Executive Search Limited Retirement Benefits Scheme of The Old Dispensary, 128 St. Georges Road, Bristol BS1 5UJ, Mr & Mrs P Eades of 13 Balmain Road, Urmston, Manchester M41 5TR, and the executive Directors are responsible for the contents of this document as vendors.

(j) Teather & Greenwood has given and not withdrawn its written consent to the issue of this document with the references to them in the form and context in which such references are included.

(k) The Placing is being made by Teather & Greenwood, which is a member of the London Stock Exchange and is regulated by the Securities and Futures Authority Limited.

(l) The arrangements for paying for the Placing Shares are set out in the specimen placing letter annexed to the Placing Agreement. All monies received from applicants will be held by Teather & Greenwood prior to delivery of the shares. If any application is unsuccessful or scaled down, any monies returned will be sent by cheque crossed "A/C Payee" in favour of the first named applicant. Any monies returned will be sent by first class post at the risk of the addressee within three days of the completion of the Placing. Share certificates will be sent to successful applicants by first class post at the risk of the applicant within seven days of the completion of the Placing. The offer constituted by the Placing will open on 12 June 1998 and may be closed at any time thereafter.

13. Availability of documents

Copies of this document will be available free of charge to the public at the offices of Teather & Greenwood, 12-20 Camomile Street, London EC3A 7NN during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of Admission.

Dated: 12 June 1998

<u>END OF DOCUMENT</u>