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A copy of this document, which comprises a prospectus relating to Bright Things PLC prepared in accordance with the Public Offers of Securities Regulations 1995 (the "POS Regulations"), has been delivered to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of the POS Regulations.

Application has been made for the entire issued ordinary share capital of Bright Things PLC to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

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

The Placing described in this document is not being made directly or indirectly, and this document is not being, and must not be, mailed or otherwise distributed or sent, in or into the United States, Canada, Australia or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly in or into the United States, Canada, Australia or Japan.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.

Bright Things PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5066489)

**Placing of 5,000,000 new Ordinary Shares at a price of 90p per share
Admission to trading on AIM**

Nominated Adviser, Joint Financial Adviser and Broker

Corporate Synergy Plc 

Joint Financial Adviser



The Placing is conditional, *inter alia*, on Admission taking place on or before 30 April 2004 (or such later date as Bright Things PLC, Corporate Synergy Plc and Kelton International Limited may agree). The Placing Shares will rank in full for all dividends or other distributions declared, made or paid after Admission on the Ordinary Shares and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

The Directors accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules of the London Stock Exchange ("AIM Rules"). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information. In connection with this document and/or the information contained in it, no person is authorised to give any information or make any representation other than as contained in this document.

Corporate Synergy Plc, which is regulated by The Financial Services Authority, is acting as the Company's nominated adviser joint financial adviser and broker in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Corporate Synergy Plc as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Corporate Synergy Plc will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

Kelton International Limited, which is regulated by The Financial Services Authority, is acting as the Company's joint financial adviser and will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

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PLACING AND ADMISSION STATISTICS

Placing Price per Placing Share	90p
Number of Placing Shares being issued by the Company pursuant to the Placing	5,000,000
Number of Ordinary Shares in issue at Admission	15,000,000
Percentage of enlarged issued ordinary share capital represented by the Placing Shares	33.3%
Net proceeds of the Placing	£3.94 million
Market capitalisation at the Placing Price at Admission	£13.5 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings in Ordinary Shares commence on AIM	30 April 2004
CREST accounts credited	30 April 2004
Share certificates in respect of Placing Shares to be dispatched by	7 May 2004

DEFINITIONS

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

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Enlarged Share Capital to trading on AIM
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies published by the London Stock Exchange
“Board” or “Directors”	the directors of the Company
“Bright Entertainment”	Bright Entertainment Limited
“Company” or “Bright Things”	Bright Things PLC
“Corporate Synergy”	Corporate Synergy Plc, nominated adviser, joint financial adviser and broker to the Company
“CREST”	the system for trading shares in uncertificated form
“CRESTCo”	CRESTCo Limited, the operator of CREST
“Eidos”	Eidos Public Limited Company
“EMI Plan”	an Enterprise Management Incentive share option plan, operating under Inland Revenue guidelines
“Enlarged Share Capital”	the 15,000,000 Ordinary Shares of the Company in issue at Admission
“Existing Ordinary Shares”	the 10,000,000 existing ordinary shares of 10p each in the capital of the Company
“Genie”	the working title of a “child friendly” remote control device that transforms a DVD player into an interactive educational games device
“Group” or “the Bright Group”	the Company and its subsidiary, Bright Entertainment
“Kelton”	Kelton International Limited, joint financial adviser to the Company
“IP” or “Intellectual Property”	intellectual property
“London Stock Exchange”	the London Stock Exchange Plc
“Official List”	the Official List of the UK Listing Authority
“Officially Listed”	listed on the Official List
“Ordinary Shares”	ordinary shares of 10p each in the share capital of the Company
“Placing”	the conditional placing of the Placing Shares by Corporate Synergy and Kelton pursuant to the Placing Agreement

“Placing Agreement”	the conditional agreement made between the Company, the Directors, Kelton and Corporate Synergy and summarised in paragraph 8.2 of Part VI of this document
“Placing Price”	90p per Placing Share
“Placing Shares”	the 5,000,000 new Ordinary Shares to be issued pursuant to the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Shareholders”	holders of Ordinary Shares
“Share Option Plans”	the share option plans adopted by the Company details of which are set out in paragraph 7 of Part VI of this document, including the EMI Plan
“Takeover Code”	the City Code on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	a division of the Financial Services Authority acting as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“US” or “USA”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Ian Livingstone, <i>non-executive chairman</i> Dominic Marius Dennis Anthony Wheatley, <i>chief executive officer</i> John Gerard Paul Kavanagh, <i>chief technology officer</i> Matthew Edward Tims, <i>publishing director</i> Adrian Paul Moores ACA, <i>finance director</i> Michael Charles Fairbairn ACA, <i>non-executive director</i>
	all of whose business address is at:
	Harbour House Horsington Somerset BA8 0DA
Registered office:	7 Pilgrim Street, London EC4V 6LB
Secretary:	Adrian Paul Moores ACA
Nominated Adviser, Joint Financial Adviser and Broker:	Corporate Synergy Plc 12 Nicholas Lane London EC4N 7BN
Joint Financial Adviser:	Kelton International Limited 10a Hanover Square London W1 1JG
Solicitors to the Company:	Faegre Benson Hobson Audley LLP 7 Pilgrim Street London EC4V 6LB
Auditors and Reporting Accountants:	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
Solicitors to the Placing:	Marriott Harrison 12 Great James Street London WC1N 3DR
Registrars:	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

The Company is a newly formed holding company for the Group which has developed and owns the intellectual property relating to, a prototype interactive educational children's toy, the Genie. The Genie is a new educational games platform aimed at the pre-school market using the functionality of a DVD player.

The Directors believe that the Group has the following key strengths:

- the Intellectual Property to a unique and novel device;
- a proven management team, all of whom have considerable experience in the interactive games industry, several of whom have previously worked together at Eidos; and
- a business model that has already been proven in the video games industry.

The Company is now proposing to raise £4.5 million, before expenses, by way of the Placing. The funds will be used to assist in the further development of the hardware into commercial production, the development of a range of interactive DVD software to work with the hardware and securing licences, on which the software will be based, from established brands in the children's marketplace.

2. THE OPPORTUNITY

The UK toys and games market totalled £1.86 billion in 2002*. This excludes the video and computer games market worth £2.05 billion and sales of childrens' video and DVD. The largest sector of the UK toys and games market, infant and pre-school toys, has registered above average growth between 2000 and 2002*.

Fuelling this market is the effect of the growing amount of money being spent on children at this age. The result is that many toys and games bought for the infant sector are increasingly more sophisticated than was the case a decade ago, leading to more expensive purchases generally*.

The last decade has seen the expansion and development of the video and computer games market. In the opinion of the Directors, this market is predominantly aimed at teenagers and young adults. The Group has developed a platform that is targeted at the pre-school market.

The Directors believe that the pre-school market offers a significant business opportunity for the Group. The Directors believe parents are looking for products that provide both enjoyment and education for their children. The current games platforms are unsuitable as they are generally too complicated to be operated by young children and often have inappropriate content.

The Directors believe that the Group has the opportunity to establish the Genie as a leading platform within the early learning interactive toy sector. Products based on popular characters aimed at pre-school children are an established route into this market. The Group intends to develop interactive educational entertainment DVDs for the Genie platform, harnessing the power of these childrens' brands.

3. THE BUSINESS

Background

Bright Entertainment was formed in June 2002 by Dominic Wheatley and John Kavanagh, the inventor of the technology, to develop and exploit the Genie. Bright Entertainment has been predominantly funded to-date by Dominic Wheatley.

* Source 'Mintel, Toys and Games, Market Intelligence, July 2003'

Since its formation Bright Entertainment has built a management team, developed a demonstration model and produced demonstration software. The Group has applied for patents in the US and Europe and is in discussions with major character licence holders.

The Group will initially have three key aspects to its business:

- the development and manufacture of the Genie platform;
- the licensing of characters that will form the basis of the games; and
- the development of games to be played on the platform.

So far as possible the Group will outsource the design and manufacture of the hardware and instruct third party games developers to create the games. The principal role of the Group will therefore be the ownership of the Intellectual Property relating to the system and the marketing and distribution of the system.

The Genie

Genie is a “child friendly” remote control device that transforms a DVD player into an interactive games device. The platform consists of a computer with an integrated remote control, that sends commands to the infrared remote control port of any DVD player. It consists of a series of digital and analogue input devices, which are represented as large lighted buttons, rocker switches, a trackball and a keypad.

To date the Group has developed a prototype of the Genie. The next stage is to begin the design and manufacture of the final product. It is intended that the Genie will represent an initial revenue stream for the Group, with a soft launch planned between Christmas 2004 and Easter 2005.

Licensing characters

The Directors anticipate that a substantial proportion of the games developed for the system will be based around existing television or film characters. The Directors believe that well known characters and brands will be a key driver for the distribution and take-up of the Genie. The characters must not only be popular with children and parents but must also be perceived as being acceptable and preferably educational by parents.

The Group has already identified a number of suitable brands and has begun discussions with some of the rights holders to obtain licences in respect of these characters. The Directors anticipate that any such licences would require an upfront payment based on a minimum royalty.

The Directors have had detailed discussions with one rights holder with a view to acquiring a licence over a number of well known characters featured in childrens television programmes. The terms of the proposed licence would allow the Group to develop a number of games for the Genie based around these characters.

It is currently proposed that the Group acquire a licence for an initial term of 5 years for a consideration of both cash and shares. The cash element is expected to be a material proportion of the Group’s licensing budget. In addition it is proposed to grant the licensor an option to subscribe for up to 1.5 million Ordinary Shares exercisable at a substantial premium to the Placing Price. The discussions are on-going and there can be no guarantee of the final terms of any agreement or if such an agreement may be reached. At the same time the Directors will continue to pursue other suitable opportunities to acquire further licences to childrens characters.

The Games

Initially the Directors intend that the Group will engage independent games developers to develop games around characters in respect of which the Group will have acquired licences. In the future the Directors anticipate that games may begin to be developed by third party games publishers via third party publishing arrangements or co-development arrangements with the Group. The Directors have experience in creating games based on licensed properties.

4. THE PLATFORM

The Directors believe that the Group has developed a unique and novel platform. The Group’s intended position regarding Intellectual Property will continue to be re-assessed at regular intervals and in close

consultation with patent attorneys. Patent protection will continue to be an important aspect of the Group's Intellectual Property policy. Patents, which cover key aspects of the technology, have been applied for. It is intended that patent cover will be extended internationally in the next year and it is anticipated that applications for further patents covering other aspects of the base design and associated technology will be made. In addition, it is anticipated that Intellectual Property will continue to be developed in relation to specific applications of the technology.

Bright Entertainment had a US patent application entitled "Portable hand-held device for enabling interactivity of video content" under serial number 10/247,271 published on 18 March 2004 and has filed a European patent application number 03252917.4 in respect of the same technology. Since the patent applications were filed, further research and development work has given rise to additional technologies in respect of which it is intended that further patent applications will be made in due course.

Key Strengths

The Directors believe the Genie platform will have the following key strengths:

- it will provide a low-cost robust input unit, ergonomically designed to a child's needs, rather than a cumbersome PC keyboard, games console controller or, even more awkwardly, a standard DVD remote control.
- DVD's installed base continues to grow with DVD household penetration heading towards the ubiquity of the VCR. In addition, DVDs provide a supervision-friendly environment - connected to the family TV, rather than a relatively expensive PC.
- A focus on strong branding and high-value content will entice parents to capitalise on the time spent by their children, especially pre-school children watching TV, by making the experience interactive and educational. Content for the device is controlled by the Group, so parents will not have to worry that unsuitable content will fall into their children's hands in the playground (as often happens with games consoles).

5. COMPETITION

The Company is entering a competitive marketplace. The Directors believe that the competition could come from any of the major companies operating in the toys and games arena, including Mattel, Hasbro, Bandai, Vtech, Leapfrog, Tomy and Vivid Imaginations.

The Directors are aware that other companies are developing interactive learning products aimed at pre-school children including:

Fisher Price - InteracTV™ - A new interactive learning system aimed at pre-school children, using a main unit and a wireless InteracTV controller and DVDs featuring licensed TV programs. Children answer questions by pressing corresponding icons displayed on the activity card graphics. Each DVD title will offer over 100 interactive questions and activities.

Vtech - V.Smile™ - V.Smile is a child-directed TV gaming console that will use game cartridges. V.Smile is expected to be launched in 2004 with a range of Disney character endorsements.

The Directors believe that other products being developed and targeted at the pre-school audience confirm their belief that a market space capable of commercial exploitation exists for TV-based interactive educational entertainment.

6. FINANCIAL INFORMATION

Financial Record

The principal activity of the Group to date has been the research and development of a patent-pending hardware device for future commercial exploitation. For the period ended 31 December 2002 Bright Entertainment had administration expenses of £42,000 and for the year ended 31 December 2003, £98,000. Administration expenses for those periods, since Bright Entertainment's incorporation, include prototype development expenditure of £48,000 and Directors' fees for management services of £26,000. Other general

and administration expenses include professional fees in relation to the patent applications and other associated costs of the principal activity of the Group.

Prospective investors should read the whole of the Accountants' Reports set out in Parts III and IV of this document and not rely on the summarised information set out above.

Current trading and future prospects

Since 31 December 2003 the Group has continued to incur expenditure in relation to the development of the Genie platform. The Directors are also in discussions, as referred to above, to secure licences to relevant characters. In addition it has incurred additional expenditure in connection with the Placing and Admission. The Directors do not anticipate the Group generating any revenue until the initial launch of the Genie platform which is not expected to be before Christmas 2004.

7. DIRECTORS, MANAGEMENT AND EMPLOYEES

Directors

Ian Livingstone, aged 54, Non-Executive Chairman, has been in the interactive games industry for over 25 years. In 1975, with Steve Jackson, he founded Games Workshop and launched Dungeons & Dragons in Europe. In 1982 he co-authored the first of the multi-million selling Fighting Fantasy Game books. He has published games magazines and has had several of his own games published. An early investor in Domark, he joined the company in 1992. When, in 1995, the company was reversed into Eidos, he was appointed Executive Chairman of the new group until 2002. He has helped Eidos secure many of its major franchises, including Tomb Raider. He is presently Creative Director at Eidos.

Dominic Wheatley, aged 44, Chief Executive Officer, worked in an Advertising Agency before co-founding Domark in 1984, a video games company that he later reversed into Eidos. In 1992 Dominic established Domark's US subsidiary in California. The company changed its name and Dominic served as CEO of Eidos Interactive until 1997. He then became an investor in various companies, some of which he joined as a director and helped float on the London Stock Exchange (Statpro, Kuju and Telecom Plus). He is Chairman of Highway Capital plc, and has commercial interests in France. Dominic will have day to day responsibility for the management of the Group.

John Kavanagh, aged 36, Chief Technical Officer, is the inventor of the device. As an Executive of Eidos Interactive, John served as Vice President of Development of Eidos US Inc. (a wholly owned subsidiary of Eidos) then as group Publishing Director. After three years in this role he then ran Eidos's US Studios including Ion Storm and Crystal Dynamics. John will be responsible for the continued development of the platform and he is currently based in the US where he also runs the US office of the Group.

Matthew Tims, aged 43, Publishing Director, is responsible for all commercial exploitation of the device, negotiating publishing and licensing contracts with high profile license holders. Matthew has 21 years of experience in computer software publishing through previous positions with Palace Software and Domark. Prior to joining the company, Matthew was Chief Executive at Two Way TV, a company specialising in interactive television. Matthew will be responsible for the acquisition of licences for the platform.

Adrian Moores ACA, aged 31, Finance Director, qualified with Critchleys, an 18-partner practice in Oxfordshire. He then joined KPMG and specialised in advising software and hardware companies. He was a finance manager for Unipart International, the sales and marketing division of the Unipart Group of companies. He spent three years as European Financial Controller for 3DO, a video games publishing company. Since 2002, he has worked with Crunchwell advising start up and entrepreneurial businesses. Adrian will be responsible for the financial function of the Group.

Charles Fairbairn ACA, aged 42, Non-Executive Director, has many years' experience in the media sector and in growing entrepreneurial companies. At Pearson plc, he worked as Finance Director of Pearson New Entertainment, a start-up division with interests in computer publishing, and as Group Chief Accountant. Pearson New Entertainment Limited was sold in 1998 to Apax Partners for £142 million. Since then he has provided advice to small and growing companies. He is also a non-executive director of Statpro Group plc and Finance Director of Advance Capital Invest plc, both AIM listed companies.

Share Option Plans

The Company has outstanding options to subscribe for 630,050 Ordinary Shares, certain of which options have been granted to persons who held options to subscribe for ordinary shares in Bright Entertainment at the time of the acquisition by the Company of the entire issued share capital of Bright Entertainment. The option holders include directors of the Company and persons and companies who had been engaged by Bright Entertainment in various aspects of the development of the Genie.

Further details of these options are set out in paragraphs 5.2 and 7.4.1 of Part VI of this document.

Following Admission, an additional 750,000 Ordinary Shares will be under option pursuant to the terms of the option agreements summarised in paragraphs 7.4.2 and 7.4.3 of Part VI of the document.

The Company has adopted the Share Option Plans, details of which are summarised in paragraph 7 of Part VI of this document. The Directors intend to make grants of options pursuant to the Share Option Plans in order to recruit, retain and motivate employees. In addition, where appropriate, the Directors intend to make further grants of options to consultants who are engaged in the further development and commercialisation of the Group's technology. The number of Ordinary Shares in respect of which options will be granted will be limited such that the number of Ordinary Shares to be issued on the exercise of all options granted to employees and consultants will be limited to 10 per cent. of the issued share capital of the Company from time to time.

8. THE PLACING AND ADMISSION TO AIM

The Placing

The Company is proposing to raise £4.5 million, before expenses, by way of a placing of 5,000,000 new Ordinary Shares. The Placing Shares have been placed by Corporate Synergy and Kelton at 90p per share with institutional and other investors. The Placing has not been underwritten.

The Placing is subject, *inter alia*, to the satisfaction of the following conditions on or before 30 April 2004 or such later date (being not later than 14 May 2004) as Corporate Synergy, Kelton and the Company may agree:

- the Placing Agreement having become unconditional and not having been terminated in accordance with its terms; and
- Admission.

The Placing Shares will rank *pari passu* with the existing Ordinary Shares and will rank in full for all dividends and other distributions paid or made in respect of the Ordinary Share capital of the Company.

Further details of the Placing Agreement are set out in paragraph 8.2 of Part VI of this document.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares will be eligible for settlement in CREST.

Enterprise Investment Scheme (EIS) Tax Reliefs

The Inland Revenue has given provisional confirmation that the Company is a qualifying company under the Enterprise Investment Scheme legislation. To obtain the tax reliefs described below it is necessary to subscribe in cash for new ordinary shares in the Company and claim the relief. The summary below gives only a brief outline of how the tax reliefs are given assuming the investor is a 40 per cent. tax payer. It does not set out all the rules which must be met for periods of between three and five years by the Company and the investor. There is no assurance given by the Directors that the Company will continue to satisfy these requirements. The tax reliefs will only be available to investors who pay income tax and/or wish to defer a capital gain. The summary is not a substitute for the investor obtaining professional advice before applying for shares.

There are four EIS tax reliefs available:

- 1) Income tax relief;
- 2) Capital gains tax exemption;
- 3) Loss relief; and
- 4) Capital gains tax deferral.

1. Income Tax Relief

Individuals can obtain income tax relief on the amount subscribed for shares (up to £150,000* in the tax year 2003/04) in one or more qualifying companies provided they are not connected with the issuing company. Husbands and wives can each invest up to £150,000*. To calculate the relief, the lower rate of tax (currently 20 per cent.) is multiplied by the amount subscribed. The relief is given against the individual's income tax liability for the tax year in which the shares are issued.

To retain this relief the shares must be held by the Investor for a period that ends three years after the shares issue date or three years after the trade starts, whichever is later. This will be referred to below as the three year period.

An investor who subscribes for shares after 5 April 2004 and before 6 October 2004 may elect to carry back part of the subscription to the previous year so that relief at 20 per cent. can be set against his 2003/2004 income tax liability. The amount of subscription that can be carried back is limited to the smaller of (a) £25,000, (b) half the amount subscribed and (c) the unused balance of his £150,000 relief available for 2003/2004.

2. Capital Gains Tax Exemption

This exempts investors from the liability to capital gains tax when they realise a gain on a disposal of their shares in qualifying companies after the three year period, provided the EIS income tax relief was given on the shares and has not been withdrawn.

3. Loss Relief

Tax relief is available where there is a loss on a disposal at any time of shares on which EIS income tax relief (see 1 above) or CGT deferral relief (see 4 below) has been given. The amount of the loss (after taking account of any income tax relief initially obtained) can be set against the individual's gains or taxable income in the tax year in which disposal occurs.

4. Capital Gains Tax Deferral

Individuals and certain trustees can defer all or part of their capital gains tax liabilities by subscribing for eligible shares in an EIS company. There is no monetary limit on the amount of the EIS subscription and thus the gain that can be deferred in this way. The gains that can be deferred are those that have arisen in the three years before the EIS shares are issued or those that arise up to one year after that date. Such gains may be the result of the disposal of an asset or, a gain previously deferred by the individual, may have become chargeable to tax.

Investors should note that this relief is a deferral only and that the original capital gain will crystallise on the disposal of the EIS shares at any time, resulting in CGT being payable in the normal way. The investor would however, be able to claim further deferral to the extent that a qualifying reinvestment is made within the time allowed. A transfer of shares on the owner's death does not cause the deferred gain to crystallise.

By utilising both the income tax relief and CGT deferral, the aggregate of upfront benefit can be up to 60 per cent. of the amount invested.

Inheritance Tax Relief

Unquoted shares in qualifying companies held for at least two years should qualify for business property relief at 100 per cent. for inheritance tax purposes, regardless of the size of holding or voting entitlement, provided certain conditions are met.

** The Chancellor announced in the 2004 Budget that it is proposed to increase this limit to £200,000, effective for shares issued on or after 6 April 2004. However, this change is subject to consultation and will not be confirmed until the Finance Act is published in the summer of 2004. Accordingly, investors should take their own advice on this matter.*

This is only a condensed summary of the tax reliefs available to Investors and should not be construed as constituting advice which a potential Investor should obtain from his, or her, own investment or taxation adviser before applying for Shares. The figures in this section are examples only. They are not, and should not, and should be construed as, forecasts of the likely performance of the investment described in this Prospectus.

Venture Capital Trust (VCT) Qualifying Investment

Provisional clearance has been received from the Inland Revenue that the Company is also a qualifying investment for VCTs.

Reasons for Admission

The Directors believe that Admission will enable the Company to access a wider shareholder base pursuant to the Placing. The Company's status as a company whose ordinary shares are admitted to trading on AIM should strengthen the Company's negotiating position, both during its research and development phase and, subsequently, when negotiating licensing arrangements with third parties.

Use of Proceeds

The proceeds, net of expenses, to the Company from the issue of the Placing Shares will be approximately £3.94 million.

The Group intends to apply these funds as follows:

Product development - £2.0 million will be used for the development of the product both on hardware and software costs;

Licensing expenditure - £0.5 million will be used to acquire appropriate licences;

Working capital - the balance of the net proceeds, estimated at £1.44 million, will provide working capital for the Group and, pending their use, will be placed on deposit.

Lock-Ins and Orderly Market Arrangements

At Admission, the Directors will own an aggregate of 9,562,213 Ordinary Shares, representing 63.8 per cent. of the issued share capital of the Company. All of the Directors have undertaken not to dispose of any Ordinary Shares for a period of one year following Admission save as permitted by the AIM Rules and, for a further year, not to sell any Ordinary Shares other than through Corporate Synergy as the agent selling broker provided that Corporate Synergy is the Company's broker and the relevant director is still a director of the Company or within the two month period from date he ceases to be a director. Further details of the lock-ins and orderly market arrangements are set out in paragraph 8.2 of Part VI of this document.

Corporate Governance

The Directors intend to comply with the Combined Code on the Principles of Good Governance and Code of Best Practice so far as is practicable for a group of this size. The Directors have established an audit committee and remuneration committee to operate with effect from Admission.

The audit committee, which will initially comprise Charles Fairbairn and Ian Livingstone, will be responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

The remuneration committee, which will initially comprise Ian Livingstone and Adrian Moores, will review the performance of executive Directors and set their remuneration, determine the payment of any bonuses to executive Directors and consider the future allocation of share options to Directors and employees.

9. DIVIDEND POLICY

The Directors intend to commence the payment of dividends when it becomes commercially prudent to do so and subject to the availability of distributable reserves. Any profits generated by the Company in the initial years are likely to be retained and used to finance the development and expansion of the Group's business.

10. FURTHER INFORMATION

Your attention is drawn to Parts II to VI of this document.

PART II

RISK FACTORS

The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. In addition to the usual risks associated with an investment in a business at an early stage of development, the following risks should be considered carefully by investors before acquiring Ordinary Shares. Prospective investors are advised to consult an independent adviser authorised under the Financial Services and Markets Act 2000.

No inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

Lack of operating history

To date, the Group has earned no revenue from sales. The Group is focused on the research and development of its core technology. This research and development programme means that the Group is likely to remain cash flow negative for the foreseeable future. Although the Directors have confidence in the Group's future revenue earning potential, there can be no certainty that the Group will achieve or sustain revenues, profitability or positive cash flow from its operating activities.

Accordingly, the Company has not paid any dividends and it is not anticipated that it will do so in the foreseeable future. Any profits generated by the Company are likely to be retained and used to finance the development and expansion of the Group's business.

Commercial arrangements

As at the date of this document, the Group has not entered into any arrangements for the commercialisation of the Group's technology. There can be no assurance that the Group will achieve commercial production of the Genie or any associated technology.

Market acceptance and future funding

Whilst the Directors believe that there exists a viable market for the Group's technology, there can be no assurance that such technology will prove to be an attractive alternative to conventional products in the areas of use which the Directors have identified for exploitation. In the event that a viable market for the Group's technology cannot be created as envisaged by its business strategy, the Group may need to commit greater resources than are currently available to it in further developing its technology into a commercially viable product. There can be no assurance that the Group would have sufficient financial resources to fund such further development or that such development would be successful.

The Company's ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond the Company's control. There can be no assurance that, when required, sufficient funds will be available to the Company on satisfactory terms. If required funds are not available, the Company may have to reduce or stop expenditure on research and development, production or marketing activities which could have a material adverse effect on the Group's business, financial condition and prospects.

Competition

There can be no assurance that potential competitors of the Group, many of which have substantially greater financial, research and development, sales and marketing and personnel resources than the Group, are not currently developing, or will not in the future develop, technologies and products that are equally or more effective and/or economical as any product developed by the Group or which would otherwise render the Group's technologies obsolete.

A number of companies who are predominantly focusing on the children's toy market have been identified as potential competitors.

Intellectual Property, patent protection and confidentiality

Patent applications have been filed (and a US patent application has been published) relating to key aspects of the platform's technology. However, the patent positions of technology-based enterprises, such as the Group, are subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and priority of a particular patent. There can be no assurance that patent applications that have been made but which are pending, or which the Group will make, will be granted or that patents granted to the Group will not be successfully challenged. Furthermore, there is no assurance that the Group's existing or future patent rights will afford adequate protection to the Group against unauthorised use of its technology by others. The Group may incur substantial costs if required to enforce its patents or defend third party claims of infringement. The Directors recognise that there are certain jurisdictions where the Group has not obtained patent protection and where no patent protection may be available. The Group's ability to market its products or technology in these jurisdictions by way of licensing arrangements may be limited.

The Group may apply for additional patents relating to its current and future technology. There can be no assurance as to the breadth or degree of protection which existing or future patents, if any, may afford the Group, that any patent applications will result in issued patents or that the Group's patents will be upheld, if challenged, or that competitors will not develop similar or superior methods or products outside the protection of any patent issued to the Group.

The Group's methods of and procedures for protecting the concepts, ideas, proprietary know-how and documentation of its proprietary technology may not afford the Group complete protection, and there can be no assurance that others will not obtain access to the Group's know-how or concepts, ideas and documentation. Furthermore, there can be no assurance that confidentiality arrangements with the Group's Directors, employees, consultants, manufacturers, suppliers and prospective licensees will adequately protect the Group's trade secrets.

In an area of developing technology or technology-based enterprises, it is possible that third parties may have conflicting intellectual property rights which may include patent rights. There can be no assurance that third parties do not have rights which could be used to restrict or prevent the Group's use and exploitation of its technology or certain aspects of the Group's technology, in some countries, or at all.

Technology

The core technology of the Group is the Genie platform. This technology has undergone limited performance trials. As with any new technology, there are risks associated with the development, performance and the long term operational life of the product which cannot presently be assured.

Competitors of the Group may have received, or may in the future receive, patents in respect of technologies or products similar to or competitive with those of the Group. If this occurs, the Group may have to obtain appropriate licences under such patents or cease and/or alter certain of its activities or processes, or develop or otherwise obtain alternative technology. The Group's inability to secure such licences on commercially favourable terms, or at all, or to develop or otherwise obtain alternative technology may have a material adverse effect on its business, financial condition and prospects.

Manufacturing

The Genie product is in the early stages of research and development. The Group's proposed products will need to be manufactured in commercial quantities, in compliance with regulatory requirements and at acceptable cost. There can be no assurance that the Group will be able to secure appropriate manufacturing facilities to be able to supply potential future demand for the Group's products or to produce the products economically.

Share price volatility and liquidity

The share price of publicly traded emerging companies, in particular technology based companies, can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect share prices generally. These factors could include the financial performance of the Group, large purchases or sales of the Ordinary Shares, currency

fluctuations, legislative changes and general economic conditions before any product utilising the Group's technology becomes commercially viable. Any such price fluctuations may have a material adverse effect on the Group's business, financial position or prospects.

Planning uncertainty

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance will not differ materially from those described in this document.

Dependence on key executives and personnel

The Directors believe that the future success of the Group will depend greatly upon the expertise and continued service of certain key executives and technical personnel, including the executive Directors. Furthermore, the Group's ability to develop successfully commercial products will also depend on the Group's ability to attract and retain, in the first instance, technical experts, and, later in the Group's development, suitable management, marketing and sales personnel. Competition for these types of employees is intense due to the limited number of qualified professionals. The Group has attempted to reduce this risk by (i) offering incentive schemes to such employees, such as the Share Option Plans, and (ii) entering into contracts which contain limited non-competition provisions with certain of its key employees. However, these measures do not guarantee that such employees will stay employed with the Group.

If the Group fails to attract and retain key personnel, it may be difficult for the Group to manage its business and meet its objectives and as a consequence its business, results of operations or financial condition may be adversely affected.

Interests of the major shareholders

After the Placing, the Directors will own 63.8 per cent. of the Company's issued share capital and will be able to exercise significant influence over the Group's operations, business strategy and all corporate actions that require the approval of its shareholders.

Reliance upon alliances and partnerships

The development and commercialisation of the Genie may be reliant upon the performance of third parties. The Directors anticipate that the Group's success in penetrating new markets may depend largely on its ability to identify and establish strategic alliances with companies and individuals that have experience in developing and marketing products to those sectors identified by the Group. If the Group fails to establish such strategic alliances its business, results of operations or financial condition may be adversely affected.

No prior market in the Company's shares

There has been no prior market for the Ordinary Shares and an active trading market for such shares may not develop. Admission to trading on AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares.

Governmental Regulation

There may be a change in government regulations or policies, which could have a material adverse effect on the Group's activities.

The risks listed above do not necessarily comprise all those associated with an investment in the Company.

PART III

ACCOUNTANTS' REPORT ON THE COMPANY



BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

BDO Stoy Hayward
Chartered Accountants

The Directors
Bright Things PLC
7 Pilgrim Street
London EC4V 6LB

26 April 2004

The Directors
Corporate Synergy Plc
12 Nicholas Lane
London EC4N 7BN

Dear Sirs

BRIGHT THINGS PLC (“BRIGHT THINGS” OR THE “COMPANY”)

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 26 April 2004 of Bright Things (“the Document”).

The Company was incorporated as Bright Things PLC on 8 March 2004. Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. No financial statements have been drawn up.

Basis of preparation

The financial information set out below is based on the balance sheet of the Company as at 8 March 2004 (“the Balance Sheet”) to which no adjustments were considered necessary.

Responsibility

The Balance Sheet is the responsibility of the Directors and has been approved by them.

The Directors are responsible for the contents of the Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Balance Sheet, 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. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Balance Sheet underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Document, a true and fair view of the state of affairs of the Company as at 8 March 2004.

Consent

We consent to the inclusion in the Document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Balance sheet as at 8 March 2004

	<i>As at 8 March 2004 £000</i>
Current assets	
Debtors – unpaid share capital	2
Net assets	<u>2</u>
Share capital and reserves	
Called up share capital	2
Shareholders' funds – equity	<u>2</u>

Accounting policies

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

Share capital

The Company was incorporated with authorised share capital of £100,000 divided into 100,000 Ordinary shares of £1 each.

Post Balance Sheet Event

On 15 April 2004 the authorised and issued share capital of the Company was sub-divided into ordinary shares of 10p each and the authorised share capital was increased to 50,000,000 ordinary shares of 10p each.

On 15 April 2004 the Company acquired the entire issued share capital of Bright Entertainment Limited. The consideration for the acquisition was 10,000,000 ordinary shares of 10 pence each in the Company.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART IV

ACCOUNTANTS' REPORT ON BRIGHT ENTERTAINMENT



BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

BDO Stoy Hayward
Chartered Accountants

The Directors
Bright Things PLC
7 Pilgrim Street
London EC4V 6LB

26 April 2004

The Directors
Corporate Synergy PLC
12 Nicholas Lane
London EC4N 7BN

Dear Sirs

BRIGHT ENTERTAINMENT LIMITED (“BRIGHT ENTERTAINMENT” OR THE “COMPANY”)

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 26 April 2004 of Bright Things PLC (“the Document”).

The Company was incorporated as Ludgate 287 Limited on 18 June 2002 and changed its name to Bright Limited on 3 September 2002. It further changed its name to Bright Entertainment Limited on 8 March 2004.

Basis of preparation

The financial information is based on the audited financial statements of Bright Entertainment for the period ended 31 December 2002 and the year ended 31 December 2003 (the “Relevant Period”) to which no adjustments were considered necessary.

BDO Stoy Hayward LLP, Chartered Accountants and Registered Auditors, 8 Baker Street London W1U 3LL, have been auditors to Bright Entertainment throughout the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of Bright Entertainment who approved their issue.

The directors of Bright Entertainment Limited are responsible for the contents of the Document 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 previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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 Document, a true and fair view of the state of affairs of Bright Entertainment as at the dates stated and of its losses for the periods then ended.

Consent

We consent to the inclusion in the Document 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.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of preparation - going concern

The financial information has been prepared on a going concern basis.

The company's parent company, Bright Things PLC has indicated its willingness to provide continued financial support for working capital purposes for the foreseeable future.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of intangible and tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Intellectual property – 10% per annum

Computer equipment – 3 years straight line

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and

- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the group starts to benefit from the expenditure.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Profit and loss accounts

		<i>Period ended</i> <i>31 December</i> <i>2002</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2003</i> <i>£000</i>
	<i>Notes</i>		
Administrative expenses		(42)	(98)
Loss before and after tax	2,3	(42)	(98)
Deficit brought forward		–	(42)
Deficit carried forward		<u>(42)</u>	<u>(140)</u>
		£	£
Loss per share			
Basic and diluted	4	<u>(0.265)</u>	<u>(0.049)</u>

Reconciliation of movements in Shareholders' Funds

		<i>Period ended</i> <i>31 December</i> <i>2002</i> <i>£000</i>	<i>Year ended</i> <i>31 December</i> <i>2003</i> <i>£000</i>
	<i>Notes</i>		
Shareholders' funds brought forward		–	(22)
Loss for the period	2,3	(42)	(98)
New share capital subscribed		20	–
Shareholders' funds - equity		<u>(22)</u>	<u>(120)</u>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

Balance sheets

		<i>As at</i> <i>31 December</i> 2002 £000	<i>As at</i> <i>31 December</i> 2003 £000
	<i>Notes</i>		
Fixed assets			
Intangible assets	5	10	9
Tangible assets	6	–	1
		<u>10</u>	<u>10</u>
Current assets			
Cash at bank and in hand		21	2
Creditors: amounts falling due within one year	7	(53)	(132)
Net current liabilities		<u>(32)</u>	<u>(130)</u>
Net liabilities		<u>(22)</u>	<u>(120)</u>
Capital and reserves			
Called up share capital	8	20	20
Profit and loss account		(42)	(140)
Shareholders' funds		<u>(22)</u>	<u>(120)</u>

Cash flow statements

		<i>Period ended</i> <i>31 December</i> 2002 £000	<i>Year ended</i> <i>31 December</i> 2003 £000
	<i>Notes</i>		
Operating loss		(42)	(98)
Increase in creditors		13	44
Amortisation		–	1
Net cash inflow/(outflow) from operating activities		<u>(29)</u>	<u>(53)</u>
Purchase of tangible fixed assets		–	(1)
<i>Financing</i>			
Issue of ordinary shares		10	–
Receipt of loans from Directors		40	35
Increase/(decrease) in cash	11	<u>21</u>	<u>(19)</u>

Notes to the financial information

1 Directors' remuneration

	<i>Period ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>
Directors' remuneration consists of:		
Fees and emoluments for management services (see note 10)	<u>7</u>	<u>19</u>

2 Operating loss

	<i>Period ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>
This is arrived at after charging:		
Prototype expenditure	22	26
Amortisation	–	1
Auditors' remuneration	2	2
Directors' fees - fees for management services	<u>7</u>	<u>19</u>

3 Taxation

There is no tax charge in respect of the results for the financial periods due to the losses sustained.

	<i>Period ended 31 December 2002 £000</i>	<i>Year ended 31 December 2003 £000</i>
Loss on ordinary activities before tax	<u>42</u>	<u>98</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002: 30%)	13	29
Unutilised losses carried forward	<u>(13)</u>	<u>(29)</u>
Current tax charge for the year	<u>–</u>	<u>–</u>

No deferred tax asset is recognised in respect of the taxable losses on the basis that future economic benefits are uncertain.

4 Loss per share

The basic and diluted loss per share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of shares in issue and the loss were as follows:

	<i>Period ended 31 December 2002</i>	<i>Year ended 31 December 2003</i>
Weighted average number of equity shares (number)	<u>157,576</u>	<u>2,000,000</u>
Loss, being loss before tax (£000)	<u>(42)</u>	<u>(98)</u>
Basic and diluted loss per share (£)	<u>(0.265)</u>	<u>(0.049)</u>

5 Intangible assets

	<i>Intellectual property</i> £000
Cost	
Additions and at 31 December 2002 and 31 December 2003	10
	<hr/>
Amortisation	
Provided for the period to 31 December 2002	–
	<hr/>
As at 1 January 2003	–
Provided for the year	1
	<hr/>
	1
	<hr/>
Net book value	
As at 31 December 2002	10
	<hr/>
As at 31 December 2003	9
	<hr/>

6 Tangible assets

	<i>Computer equipment</i> £000
Cost	
At 1 January 2003	–
Additions and at 31 December 2003	1
	<hr/>
Depreciation	
	–
	<hr/>
Net book value	
As at 31 December 2002	–
	<hr/>
As at 31 December 2003	1
	<hr/>

7 Creditors

Amounts falling due within one year

	<i>As at</i> <i>31 December</i> 2002	<i>As at</i> <i>31 December</i> 2003
Trade creditors	1	6
Amount due to Director - D Wheatley	42	100
Amount due to Director - J Kavanagh	7	21
Amount due to Director - A Moores	1	1
Accruals	2	4
	<hr/>	<hr/>
	53	132
	<hr/>	<hr/>

Subsequent to 31 December 2003, amounts due to directors totalling £121,476 were capitalised by way of the issue of 26,984 ordinary shares of 1p each.

8 Share capital

	<i>As at 31 December 2002</i>	<i>As at 31 December 2003</i>
Authorised		
2,500,000 ordinary shares of 1 pence each	25	25
Allotted, called up and fully paid		
2,000,000 ordinary shares of 1 pence each	20	20

The share capital of the entity was issued at par. £10,000 was received in cash and £10,000 in exchange for the intellectual property rights associated with the patent pending hardware device.

9 Share option scheme

The Company operates a share option scheme. The following options have been granted.

<i>Date of grant</i>	<i>Number of options granted</i>	<i>Exercise dates within which the options may be exercised</i>	<i>Exercise price</i>
1 November 2002	28,000	1 July 2003 to 30 June 2012	7p
1 November 2002	2,000	1 November 2002 - 31 October 2011	70p
31 January 2003	3,000	31 January 2003 - 30 January 2012	70p
12 September 2003	55,000	12 September 2003 - 11 September 2012	70p
3 February 2004	10,000	3 February 2004 - 2 February 2013	70p
9 February 2004	5,000	1 April 2007 and 31 March 2013	70p

10 Related party transactions

During the Relevant Period, the Company entered into the following arrangements in which it had an interest:

Fees for administration services were paid to Blue Tuesday Limited for £1,500 and £3,000 (excluding VAT) in the period ended 31 December 2002 and the year ended 31 December 2003 respectively. A Moores is a director of Blue Tuesday Limited. This amount is included in directors fees in note 1 above.

Fees paid to J Kavanagh in respect of consulting services during the period were £16,489 in the year ended 31 December 2003 (2002: £5,195, of which £2,614 was outstanding at 31 December 2002).

During the relevant periods, the directors incurred out-of-pocket expenses in respect of the Company as follows:

	<i>Period ended 31 December 2002</i>	<i>Year ended 31 December 2003</i>
	£	£
D Wheatley	2,179	22,519
J Kavanagh	4,018	17,027
A Moores	83	649

All amounts were included in the respective directors' loan accounts and remain outstanding at the year ends.

D Wheatley made a loan to the Company of £50,000 in the period ended 31 December 2002, and a further £35,000 in the year ended 31 December 2003. Of these amounts, £40,000 remained outstanding at 31 December 2002 and £75,000 as at 31 December 2003.

11 Reconciliation of net cash flow to movement in net debt

	<i>Period ended 31 December 2002 £</i>	<i>Year ended 31 December 2003 £</i>
Increase/(decrease) in cash in the period/year	21	(19)
Cash inflow from increase in debt financing	(40)	(35)
Change in net debt resulting from cash flows	<u>(19)</u>	<u>(54)</u>
Movement in net debt in the period/year	(19)	(54)
Net debt at the beginning of the period/year	<u>–</u>	<u>(19)</u>
Net debt at the end of the period/year (note 12)	<u>(19)</u>	<u>(73)</u>

12 Analysis of net debt

	<i>At start of the period/year £</i>	<i>Cash flow £</i>	<i>Non-cash changes £</i>	<i>At the end of the period/year £</i>
Period ended 31 December 2002				
Cash in hand, at bank	–	21	–	21
Debt due within one year	–	(40)	–	(40)
Total	<u>–</u>	<u>(19)</u>	<u>–</u>	<u>(19)</u>
Year ended 31 December 2003				
Cash in hand, at bank	21	(19)	–	2
Debt due within one year	(40)	(35)	–	(75)
Total	<u>(19)</u>	<u>(54)</u>	<u>–</u>	<u>(73)</u>

13 Major non-cash transactions

During the period to 31 December 2002 the Company issued 1,000,000 shares of 1p each at par to J Kavanagh in exchange for intellectual property rights associated with the patent pending hardware device.

14 Post balance sheet events

Subsequent to the year end, the whole of the Company's ordinary share capital was acquired by Bright Things PLC. Further significant post balance sheet events are disclosed in note 7 above.

15 Ultimate controlling party

At 31 December 2003, the Company had no controlling party. On 26 April 2004 the Company's ultimate controlling party was Bright Things PLC, a company registered in England.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART V

PRO FORMA STATEMENT OF NET ASSETS OF THE COMPANY

The following unaudited pro forma statement of net assets of the Company following the Placing and Admission has been prepared for illustrative purposes only to provide information about the impact of the Placing and Admission on the Company and because of its nature may not give a true reflection of the financial position of the Company. It has been prepared on the basis that the Placing and Admission was undertaken as at the date of the Company's incorporation, 8 March 2004, and on the basis set out in the notes:

		<i>Adjustments</i>		
	<i>The Company</i>	<i>Bright</i>		<i>Pro forma</i>
	<i>As at</i>	<i>Entertainment</i>		<i>net assets</i>
	<i>8 March 2004</i>	<i>31 December</i>	<i>Net proceeds</i>	<i>of the Group</i>
	<i>(note 1)</i>	<i>2003 (note 2)</i>	<i>(note 3)</i>	<i>£000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed assets				
Intangible assets	–	9	–	9
Tangible assets	–	1	–	1
	<u>–</u>	<u>10</u>	<u>–</u>	<u>10</u>
Current assets				
Debtors – unpaid share capital	2	–	–	2
Cash at bank and in hand	–	2	3,940	3,942
	<u>2</u>	<u>2</u>	<u>3,940</u>	<u>3,944</u>
Creditors: amounts falling due within one year	–	(132)	–	(132)
Net current assets/(liabilities)	<u>2</u>	<u>(130)</u>	<u>3,940</u>	<u>3,812</u>
Net assets/(liabilities)	<u>2</u>	<u>(120)</u>	<u>3,940</u>	<u>3,822</u>

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the Company at 8 March 2004 have been extracted from the Accountants' Report set out in Part III of this document.
2. The adjustment reflects the acquisition of Bright Entertainment by the Company by way of share for share exchange on 15 April 2004. The Company issued 10,000,000 Ordinary Shares in consideration for the entire share capital of Bright Entertainment. The acquisition is part of a group re-organisation and is accounted for under the merger accounting basis. Accordingly, there is no change to the net assets. The net assets of Bright Entertainment at 31 December 2003 have been extracted from the Accountants' Report on Bright Entertainment set out in Part IV of this document.
3. The proceeds of the Placing are based on estimated gross proceeds of £4.5 million less estimated costs of £560,000.
4. Save as disclosed, no account has been taken of any changes in the financial position of the Group, including its trading performance since 31 December 2003.

PART VI

ADDITIONAL INFORMATION

1. INCORPORATION

- 1.1 The Company was incorporated in England and Wales on 8 March 2004 under the name Bright Things plc with registered number 5066489 as a public company with limited liability under the Act.
- 1.2 On 16 April 2004, the Registrar of Companies issued a certificate under section 117 of the Act, enabling the Company to commence trading and to borrow.
- 1.3 The registered office of the Company is at 7 Pilgrim Street, London EC4V 6LB.

2. SHARE CAPITAL

- 2.1 The authorised share capital of the Company is £5,000,000 divided into 50,000,000 Ordinary Shares of 10 pence each of which 10,000,000 have been issued fully paid. Following the Placing, the issued share capital of the Company will be £1,500,000 comprising 15,000,000 Ordinary Shares.
- 2.2 By resolutions passed in general meeting on 15 April 2004, *inter alia*, the Directors were:
 - 2.2.1 authorised to allot the Placing Shares and other relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal value equal to £2,288,050 such authority to expire on 14 April 2009, save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and may allot relevant securities pursuant to such an offer or agreement as if such authority had not expired; and
 - 2.2.2 empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash as if Section 89 (1) did not apply to such allotment provided that the power is limited to the allotment of the Placing Shares and to the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive offer in favour of Shareholders where the equity securities attributable to the interests of the Shareholders are proportionate (as nearly as possible) to the numbers of ordinary shares held or deemed to be held by them, and to the allotment (other than as outlined above) of equity securities up to an aggregate nominal amount equal to £938,005 such power to expire at the conclusion of the next Annual General Meeting after the passing of the resolution or, if earlier, not more than 15 months after the passing of the resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if such power had not expired.
- 2.3 Except to the extent disapplied pursuant to Section 95 of the Act, as set out in paragraph 2.2.2, the provisions of Section 89(1) of the Act (which confer on shareholders' rights of pre-emption in respect of the allotment of equity securities (as defined in Section 94(2) of the Act) which are, or are to be, fully paid up in cash) will apply to the authorised but unissued Ordinary Shares of the Company following the Placing.
- 2.4 Save as disclosed in this paragraph 2 or in paragraph 7 below, no share or loan capital of the Company or Bright Entertainment is under option or agreed conditionally or unconditionally to be put under option.
- 2.5 The Existing Ordinary Shares are, and the Placing Shares will be, in registered form. Application will be made for the Existing Ordinary Shares and the Placing Shares to be admitted to AIM. AIM is the only stock exchange where admission to trading is being or will be sought.

3. THE GROUP

The Company is the holding company of the following subsidiary company, which is wholly-owned directly by the Company.

Name and registered number	Registered office	Principal activity
Bright Entertainment Limited (4463402)	7 Pilgrim Street, London EC4V 6LB	Research and development of a patent-pending hardware device for future commercial exploitation

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

4.1 The Memorandum of Association of the Company provides that the Company's principal objects are to carry on business as a general commercial company and to carry on the business of a holding, management and investment company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association.

4.2 The Articles of Association of the Company (the "**Articles**") contain, *inter alia*, provisions to the effect set out below:

(a) Voting Rights

At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him. On a poll votes may be given either personally or by proxy.

(b) Alteration of Capital

(i) The Company may from time to time by ordinary resolution:

- (a) increase its capital as the resolution shall prescribe;
- (b) consolidate and divide all or any of its shares into shares of larger amount;
- (c) sub-divide all or any of its shares into shares of smaller amount and attach varying rights to the shares resulting from such sub-division; and
- (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(ii) The Company may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account subject to the provisions of the Act.

(c) Variation of Rights

All or any of the special rights for the time being attached to any class of shares for the time being issued may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders (but not otherwise). At every such separate general meeting the necessary quorum shall be not less than two persons holding or representing by proxy not less than one third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, one holder who is present in person or by proxy, whatever the amount of his holding, shall be deemed to constitute a meeting.

(d) **Purchase of Own Shares**

Subject to the provisions of the Act and to the sanction by an extraordinary resolution passed at a separate class meeting of the holders of any convertible shares, the Company may purchase any of its own shares of any class (including redeemable shares) at any price.

(e) **Transfer of Shares**

Any member may transfer all or any of his shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid or on which the Company has a lien.

(f) **Dividends and other distributions**

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears that they are justified by the financial position of the Company.

All dividends shall be apportioned and paid *pro rata* 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.

Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer members the right to elect to receive shares credited as fully paid in whole or in part, instead of cash, in respect of the dividend specified by the ordinary resolution.

The Company may cease to send any cheque or dividend warrant through the post if such instruments have been returned undelivered or remain uncashed by a member on at least two consecutive occasions. The Company shall recommence sending cheques or dividend warrants if the member claims the dividend or cashes a dividend warrant or cheque.

In a winding up, the liquidator may, with the sanction of an extraordinary resolution and subject to the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

(g) **Restrictions on Shares**

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under Section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the Board (of the Company) may serve on such member or on any such person a notice (“a direction notice”) in respect of the shares in relation to which the default occurred (“default shares”) directing that a member shall not be entitled to vote at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent of the class of shares concerned the direction notice may in addition direct that any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a *bona fide* unconnected third party, or by the acceptance of a take-over offer or through a sale through a recognised investment exchange as defined in the Financial Services and Markets Act 2000. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent at least 0.25 per cent of the class of shares concerned and 28 days in all other cases.

(h) Directors

- (i) At every annual general meeting of the Company as near as possible (but not exceeding) one third of the Directors for the time being shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.
- (ii) Save as provided in paragraph (iii) below, a Director shall not vote at a meeting of the Board or any committee of the Board on any resolution of the Directors concerning a matter in which he has an interest which together with any interest of any person connected with him is to his knowledge a material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.
- (iii) The prohibition in paragraph (ii) above shall not apply to a Director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company ; (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company by him; (iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent or more of either any class of the equity share capital or the voting rights in such company); (v) any resolution relating to an arrangement for the benefit of employees of the Company and which does not provide in respect of any Director as such any privilege or benefit not accorded to the employees to whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.
- (iv) The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £250,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. The Directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as Directors. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. The Directors may pay pensions and other benefits to, *inter alia*, present and past employees and Directors and may set up and maintain schemes for the purpose.
- (v) The provisions of Section 293 of the Act relating to the mandatory retirement of Directors at age 70 do not apply to the Company.
- (vi) Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two. There is no maximum number of Directors. A Director shall not be required to hold any shares of the Company by way of qualification.

(i) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5. DIRECTORS' AND OTHER INTERESTS

5.1 The interests of the Directors and their immediate families in the share capital of the Company, all of which are beneficial (unless otherwise stated) at the date of this document, and as they are expected to be following the Placing and of connected persons within the meaning of sections 324 or 328 of the Act or as required to be entered into the register of directors' interests maintained under the provisions of section 325 of the Act, and the interests of any person connected with a Director which would, if the connected person were a Director, be required to be disclosed under this paragraph and the existence of which is known to, or could with reasonable diligence be ascertained by, that Director, are (or will be) as set out below, together with the percentages which such interests represent of the Ordinary Shares in issue:

	<i>As at 26 April 2004</i>		<i>On Admission</i>	
	<i>Number</i>	<i>Per cent.</i>	<i>Number</i>	<i>Per cent.</i>
Dominic Wheatley	4,796,012	48.0	4,796,012	32.0
John Kavanagh	4,709,840	47.1	4,709,840	31.4
Matthew Tims	Nil	Nil	Nil	Nil
Adrian Moores	805	0.01	805	0.01
Ian Livingstone	Nil	Nil	55,556	0.4
Charles Fairbairn	Nil	Nil	Nil	Nil

5.2 The following Directors have been granted options to subscribe for Ordinary Shares pursuant to option agreements dated 26 April 2004:

	<i>Number of Ordinary Shares</i>	<i>Exercise Price per share</i>	<i>Expiry Date</i>
Matthew Tims	150,000	£0.14	11 September 2012
Adrian Moores	100,000	£0.14	31 October 2011
Ian Livingstone	50,000	£0.14	2 February 2013
Charles Fairbairn	100,000	£0.14	11 September 2012

5.3 Save as disclosed above, no Director has any interest in the share capital or loan capital of the Company or any of its subsidiaries, nor does any person connected with any of the Directors (within the meaning of section 346 of the Act) have any such interest, whether beneficial or non-beneficial.

5.4 Save as disclosed in paragraph 5.1 above the Company and the Directors are not aware of any person, who, at the date of this document, directly or indirectly, jointly or severally, exercises or could exercise control over the Company or who is interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company.

5.5 Save as disclosed in this document, 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 Group and remains in any respect outstanding or unperformed.

5.6 No loans made or guarantees granted or provided by the Group to or for the benefit of any Director are outstanding.

5.7 The names of all companies and partnerships of which each Director is currently or has been a director or partner at any time in five years preceding the date of this document are set out below:

Dominic Wheatley	Statpro Group plc Telecom Plus plc Highway Capital plc Kuju plc SCI Moulin de Couture SCI Commhaines & Co Ideal Partners Bright Entertainment Limited	3DO Europe Limited Domark Software Inc.
John Kavanagh	Bright Entertainment Limited	–
Matthew Tims	Creative Partners	Two Way TV Limited Two Way Entertainment Limited
Adrian Moores	Blue Tuesday Limited Bright Entertainment Limited	–
Ian Livingstone	Eidos plc Eidos Interactive Limited Domark Software Limited Dennis Wheatley Limited Brook Richleau Limited	–
Charles Fairbairn	Advance Capital Invest plc Crunchwell Limited Crunchwell Services Limited Directcast Network plc The Mobile Channel Limited Statpro Group plc	Eagle Eye Telematics plc Acre 526 plc

5.8 5.8.1 Two Way TV Limited, of which Mr Tims was a director until August 2003, was placed into administration on 22 October 2003. Upon the conclusion of the administration, the estimated deficit of the company as regards creditors was estimated at £2,000,000.

5.8.2 Europe On-Line (London) Limited, of which Mr Fairbairn was a director until 25 February 1996, on which date the company was sold by Pearson New Entertainment Limited, a member of the Pearson plc group, was placed in creditors' voluntary liquidation on 31 July 1996. At the time that Europe On-Line (London) Limited was placed in liquidation, the estimated deficiency as regards creditors was estimated at £2,648,358. Mr Fairbairn is not aware of any outstanding issue arising from his directorship of Europe On-Line (London) Limited.

5.9 Save as disclosed in paragraph 5.8 above, none of the Directors:

5.9.1 is currently a director of a company or a partner in a partnership or has been a director of a company or a partner in a partnership within the five years immediately preceding the date of this document;

5.9.2 has any unspent convictions for any indictable offences or has been declared bankrupt or has made any voluntary arrangement with his creditors;

- 5.9.3 has been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration or voluntary arrangement of that company or any composition or arrangement with its creditors generally or any class of its creditors;
- 5.9.4 has been a partner in a partnership at the time of or within the twelve months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership;
- 5.9.5 has had any asset which has been subject to a receivership or has been a partner in a partnership at the time of or within the twelve months preceding an asset of the partnership being subject to a receivership; or
- 5.9.6 has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a Court from acting as a director of, or in the management or conduct of the affairs of, any company.

6. DIRECTORS' SERVICE AGREEMENTS, LETTERS OF APPOINTMENT AND EMOLUMENTS

- 6.1 Dominic Wheatley has a service agreement with the Company dated 26 April 2004 pursuant to which he is engaged as Chief Executive Officer. The service agreement may be terminated on 12 months' notice by either party. Mr Wheatley's current salary is £120,000 per annum. The service agreement contains provisions which restrict Mr Wheatley from working for a competitor of the Group and soliciting or dealing with the Group's customers, suppliers and employees for a period of 12 months following the termination of his employment with the Company.
- 6.2 John Kavanagh has a service agreement with the Company dated 26 April 2004 pursuant to which he is engaged as Chief Technology Officer. The service agreement may be terminated on 12 months' notice by either party. Mr Kavanagh's current salary is £120,000 per annum. The service agreement contains provisions which restrict Mr Kavanagh from working for a competitor of the Group and soliciting or dealing with the Group's customers, suppliers and employees for a period of 12 months following the termination of his employment with the Company.
- 6.3 Adrian Moores has a service agreement with the Company dated 26 April 2004 pursuant to which he is engaged as Finance Director. The service agreement may be terminated on 12 months' notice by either party. Mr Moores's current salary is £80,000 per annum. The service agreement contains provisions which restrict Mr Moores from working for a competitor of the Group and soliciting or dealing with the Group's customers, suppliers and employees for a period of 12 months following the termination of his employment with the Company.
- 6.4 Matthew Tims holds office as publishing director of the Company pursuant to the terms of a letter of appointment dated 26 April 2004. The appointment may be terminated on 3 months' notice by either party. Mr Tims is paid a fee of £12,000 per annum. Pursuant to the terms of a consultancy agreement between the Company and Creative Partners dated 26 April 2004 Creative Partners has agreed to provide the services of Mr Tims to the Company as a publishing consultant at the rate of £500 per diem. The agreement is terminable on 3 months' notice by either party. The agreement contains provisions which restrict Mr Tims from working for a competitor of the Group and soliciting or dealing with the Group's customers, suppliers and employees for a period of 12 months following the termination of the consultancy agreement.
- 6.5 Ian Livingstone holds office as non-executive Chairman of the Company pursuant to the terms of a letter of appointment dated 26 April 2004. Subject to the provisions of the articles of association of the Company relating to retirement by rotation and vacation of office, the appointment is for a term of three years. Mr Livingstone is paid a fee of £12,000 per annum.
- 6.6 Charles Fairbairn holds office as a non-executive Director pursuant to the terms of a letter of appointment dated 26 April 2004. Subject to the provisions of the articles of association of the Company relating to retirement by rotation and vacation of office, the appointment is for a term of three years. Mr Fairbairn is paid a fee of £12,000 per annum and an additional fee of £3,000 per annum whilst Mr Fairbairn serves as a member of the audit committee.

- 6.7 No remuneration or benefits in kind was paid to the Directors by the Company in respect of the period ended 31 March 2004. It is estimated that under arrangements currently in force the aggregate remuneration and benefits in kind to be paid to the Directors for the year ending 31 March 2005 will be approximately £430,000. None of the Directors has agreed to waive his entitlement to future emoluments.

7. SHARE OPTION PLANS

7.1 Approved Share Option Plan

On 15 April 2004, the Company adopted the Bright Things plc Approved Share Option Plan (the "Approved Plan"). Application has been made to the Inland Revenue for the approval of the Approved Plan under the provisions of the Income Tax (Earnings and Pensions) Act 2003. Set out below is a summary of the principal terms of the Plan:

- 7.1.1 Any employee (including executive directors) of the Company and any of its subsidiaries is eligible to participate in the Approved Scheme. An option may not be granted to an employee less than two years before he is bound to retire under the terms of his contract of employment.
- 7.1.2 Options may be granted by the Company to eligible employees selected by the Remuneration Committee. Options may normally be granted only during the period of 42 days following Admission or the announcement of the Company's interim or final results for any period. Options may not be granted under the Approved Scheme after 31 March 2014 nor during a period when the grant of options would not be in accordance with the Model Code for transactions in securities by directors, certain employees and persons connected with them. No payment is required for the grant of an option.
- 7.1.3 An option will entitle the holder to subscribe for Ordinary Shares in the Company at a price determined by the Remuneration Committee, which may not be less than the higher of:
- 7.1.3.1 the middle-market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the dealing day immediately preceding the date of grant of an option (if the Company is then admitted to the Official List);
 - 7.1.3.2 the market value of an Ordinary Share determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed with the Inland Revenue Shares Valuation in advance, not being more than 30 days prior to the date of grant;
 - 7.1.3.3 the middle-market quotation of an Ordinary Share as derived from the AIM Supplement to the Daily Official List of the London Stock Exchange for the dealing day immediately preceding the date of grant of an option (if the Company is then admitted to dealings on AIM);
 - 7.1.3.4 the nominal value of an Ordinary Share.
- 7.1.4 The number of Ordinary Shares in respect of which options may be granted under the Approved Scheme on any day, when added to the number of Ordinary Shares in respect of which options have been granted under the Approved Plan and the Unapproved Plan and any other share option scheme or share incentive scheme adopted after the adoption of the Approved Scheme, (and, in each case, if such options have not been exercised, have not then ceased to be exercisable) in the preceding period of 10 years is not to exceed 10% of the issued ordinary share capital of the Company from time to time.
- 7.1.5 No option may be granted to an eligible employee if the result of the grant would be that the aggregate price payable on the exercise of all options held by him under the Approved Scheme or any other Inland Revenue approved share option scheme (other than options granted under an Inland Revenue approved savings related share option scheme) adopted by the Company or an "associated company" (as defined in the Approved Scheme) would exceed £30,000.

- 7.1.6 An option will normally be exercisable only during the period between three and ten years following the date of grant. An option will normally lapse if the option holder ceases to be employed by the Company. However, options may be exercised during a limited period in certain specified circumstances, such as the death, injury, disability, redundancy or retirement of the option holder or the take-over or voluntary winding-up of the Company. If any option holder ceases to be employed by the Company in any other circumstances, the Directors have a discretion to allow the option holder to exercise options.
- 7.1.7 The exercise of an option may, but is not required to be, conditional upon the performance of the Company and/or upon the performance of the option holder over such period(s) and measured against such objective criteria as shall be determined by the Directors and notified to the option holder when the option is granted.
- 7.1.8 An option is not transferable and may be exercised only by the person to whom it is granted or, in the case of a deceased option holder, his personal representatives.
- 7.1.9 In the event of a capitalisation issue, a rights issue or a sub division, consolidation or reduction in the capital of the Company, the number of Ordinary Shares subject to an option and the exercise price of an option may be adjusted by the Directors, subject (other than in the case of a capitalisation issue) to the auditors of the Company confirming in writing to the Directors that such adjustment is, in their opinion, fair and reasonable and provided no adjustment will be made unless the Inland Revenue have confirmed that the approved status of the Approved Scheme will not be affected.
- 7.1.10 Ordinary Shares allotted on the exercise of an option granted under the Approved Scheme will rank equally in all respects with the Ordinary Shares of the Company in issue at the date of allotment, except as regards dividends and other entitlements arising by reference to a record date prior to the date of allotment.
- 7.1.11 The Remuneration Committee may amend the rules of the Approved Plan, provided no adjustment will be made unless the Inland Revenue have confirmed that the approved status of the plan will not be affected by the amendment.
- 7.1.12 The rules of the Approved Plan provide that the scheme does not form part of the contract of employment of any employee and that any claim by an employee for loss of employment will not include the loss of any benefit or advantage under the Approved Scheme.
- 7.1.13 The Approved Plan is governed by English Law and any dispute concerning the Approved Plan is subject to the jurisdiction of the English courts.

7.2 Unapproved Share Option Plan

On 15 April 2004, the Company adopted the Bright Things plc Unapproved Share Option Plan (“the Unapproved Plan”). The principal terms of the Unapproved Plan are substantially the same as the Approved Plan. The Unapproved Plan will not be approved by the Inland Revenue under the provisions of the Income Tax (Earnings and Pensions) Act 2003. The principal differences between the Approved and Unapproved Plans are:

- 7.2.1 the aggregate market value of shares over which options may be granted to an eligible employee, when added to the aggregate market value (at the date of grant) of shares over which options are then held by the eligible employee (under the approved and unapproved schemes and any other share incentive scheme established by the Company) shall not exceed four times the eligible employee’s then annual emoluments (excluding benefits in kind);
- 7.2.2 the price payable upon the exercise of an option is not subject to agreement with the Inland Revenue Shares Valuation Division;
- 7.2.3 the amendment of the rules of the Unapproved Scheme does not require Inland Revenue approval.

7.2.4 The Unapproved Scheme does not contain provisions providing for an option holder on the takeover of the Company to exchange an outstanding option for an equivalent option over shares of the acquiring company.

7.3 EMI Plan

On 15 April 2004 the Company adopted the Bright Things plc EMI Plan. Options will be granted under the EMI Plan while, in the opinion of the Directors, the Company remains an independent company with gross assets not exceeding £30 million and the Company and its qualifying subsidiaries continue to carry on a qualifying trade fully or mainly in the United Kingdom within the meaning of Schedule 14 to the Finance Act 2000 (as amended or re-enacted from time to time) (“Schedule 14”) only to recruit or retain employees and will be notified to the Inland Revenue pursuant to the provisions of Schedule 14. Set out below is a summary of the principal terms of the EMI Plan:

7.3.1 Options will be granted by the Remuneration Committee to employees (including executive directors) required to work for the Group not less than 25 hours per week or, if less, 75% of their total working time.

7.3.2 Options may normally be granted only during the period of 42 days following Admission or the announcement of the Company’s interim or final results for any period. Options may not be granted under the EMI Plan after 31 March 2014 nor during a period when the grant of options would not be in accordance with the Model Code for transactions in securities by directors, certain employees and persons connected with them. No payment is required for the grant of an option.

7.3.3 An option will entitle the holder to subscribe for Ordinary Shares in the Company at a price determined by the Remuneration Committee which may not be less than the market value of an Ordinary Share as agreed with the Inland Revenue Shares Valuation nor less than the middle-market quotation of an Ordinary Share as derived from the AIM Supplement to the Daily Official List of the London Stock Exchange for the dealing day immediately preceding the date of grant of an option (if the Company is then admitted to dealings on AIM) and not less than the nominal value of an Ordinary Share.

7.3.4 The number of Ordinary Shares in respect of which options may be granted under the EMI Plan on any day, when added to the number of shares in respect of which options have been granted under the EMI Plan and any other share option scheme or share incentive scheme adopted after the adoption of the EMI Plan, (and, in each case, if such options have not exercised, have not then ceased to be exercisable) in the preceding period of 10 years is not to exceed 10% of the issued ordinary share capital of the Company from time to time.

7.3.5 No option may be granted to an eligible employee if the result of the grant would be that the aggregate market value of all the shares over which options are held by him under the EMI Plan and/or any other Inland Revenue approved share option scheme adopted by the Company or any “associated company” (as defined in the EMI Plan) would exceed £100,000. No additional options may be granted under the EMI Plan to an eligible employee within 3 years of the date when the £100,000 limit referred to above is reached. In addition further options under the EMI Plan may be granted only if and to the extent the market value of any options held by the relevant employee fall below that limit.

7.3.6 An option will normally be exercisable only during the period between three and ten years following the date of grant. An option will normally lapse if the option holder ceases to be employed by the Company. However, options may be exercised during a limited period in certain specified circumstances, such as the death, injury, disability, redundancy or retirement of the option holder or the take-over or voluntary winding-up of the Company. If an option holder ceases to be employed by the Company in any other circumstances, the Directors have a discretion to allow the option holder to exercise options.

- 7.3.7 The exercise of an option may be conditional upon the performance of the Company and/or upon the performance of the option holder over such period(s) and measured against such objective criteria as shall be determined by the Remuneration Committee and notified to the option holder when the option is granted.
- 7.3.8 An option is not transferable and may be exercised only by the person to whom it is granted or, in the case of a deceased option holder, by his personal representatives.
- 7.3.9 An option may be exercised within 40 days of the occurrence of:
- 7.3.9.1 the loss of the independence of the Company;
 - 7.3.9.2 the Company ceasing to meet the trading activities requirements of Schedule 14;
 - 7.3.9.3 changes to the terms of the option;
 - 7.3.9.4 the alteration of the Company's share capital; or
 - 7.3.9.5 the conversion of the shares over which the option has been granted to shares of another class;
- in each case in accordance with Schedule 14 (each a "Disqualifying Event") provided that in so exercising the relevant option holder is not in breach of the Model Code.
- 7.3.10 In the event of a capitalisation issue, a rights issue or a sub division, consolidation or reduction in the capital of the Company, the number of Ordinary Shares subject to an option and the exercise price of an option may be adjusted by the Directors, subject (other than in the case of a capitalisation issue) to the auditors of the Company confirming in writing to the Directors that such adjustment is, in their opinion, fair and reasonable.
- 7.3.11 Ordinary Shares allotted on the exercise of an option granted under the EMI Plan will rank equally in all respects with the Ordinary Shares of the Company in issue at the date of allotment, except as regards dividends and other entitlements arising by reference to a record date prior to the date of allotment.
- 7.3.12 The Remuneration Committee may amend the rules of the EMI Plan provided no adjustment will be made as a result of which, in the opinion of the Directors, the plan will cease to comply with the provisions of Schedule 14.
- 7.3.13 The rules of the EMI Plan provide that the scheme does not form part of the contract of employment of any employee and that any claim by an employee for loss of employment will not include the loss of any benefit or advantage under the EMI Plan. In addition in agreeing to a grant of options under the EMI Plan eligible employees will agree that they will have no right or claim against the Company or the Directors in the event that any such option is or becomes disqualified from tax relief whether through the occurrence or a Disqualifying Event or otherwise.
- 7.3.14 The EMI Plan is governed by English Law and any dispute concerning the EMI Plan is subject to the jurisdiction of the English courts.

7.4 Option Agreements

- 7.4.1 In addition to the options granted to the Directors referred to in paragraph 5.2, the Company has granted options over 230,050 Ordinary Shares in aggregate to Locolabs, P. Muller, D. Ward, J. Poole and A. Bennett, each of whom has provided services to the Group, pursuant to option agreements dated 26 April 2004. The options are exercisable at 10 pence (in the case of Locolabs LLC and P. Muller) and or 14 pence (in the case of Messrs Poole, Ward and Bennett) per Ordinary Share and will lapse if not exercised by 30 June 2012.

- 7.4.2 An option agreement dated 26 April 2004 between the Company (1) and Corporate Synergy (2) pursuant to which, conditional on Admission, the Company has granted to Corporate Synergy an option to subscribe for up to 350,945 Ordinary Shares exercisable at Placing Price. The option is exercisable by notice in writing to the Company given at any time(s) up to the seventh anniversary of Admission. The number of Ordinary Shares the subject of the option and/or the exercise price are subject to adjustment in the event of any capitalisation issue, subdivision, consolidation or reduction of capital and any further issue of Ordinary Shares made pro rata to all Ordinary Shareholders on such terms, in the absence of agreement between the Company and Corporate Synergy, as the auditors or the Company or an independent firm of chartered accountants appointed for the purpose, shall determine as being fair and reasonable.
- 7.4.3 An option agreement dated 26 April 2004 between the Company (1) and Kelton (2) pursuant to which, conditional on Admission, the Company has granted to Kelton an option to subscribe for up to 399,055 Ordinary Shares exercisable at Placing Price. The option is exercisable by notice in writing to the Company given at any time(s) up to the seventh anniversary of Admission. The number of Ordinary Shares the subject of the option and/or the exercise price are subject to adjustment in the event of any capitalisation issue, subdivision, consolidation or reduction of capital and any further issue of Ordinary Shares made pro rata to all Ordinary Shareholders on such terms, in the absence of agreement between the Company and Kelton, as the auditors or the Company or an independent firm of chartered accountants appointed for the purpose, shall determine as being fair and reasonable.

8. MATERIAL CONTRACTS

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

- 8.1 A nominated adviser and broker agreement dated 26 April 2004 between (1) the Company and (2) Corporate Synergy plc (“Corporate Synergy”) relating to Corporate Synergy’s appointment as nominated adviser and joint broker to the Company for a period of 9 months and thereafter terminable at any time by 3 months’ written notice. In addition to their expenses, the Company shall pay Corporate Synergy’s fee of £30,000 plus VAT per annum, payable quarterly in advance.
- 8.2 The Placing Agreement dated 26 April 2004 between Corporate Synergy (1), Kelton (2), the Directors (3) and the Company (4) pursuant to which each of Corporate Synergy and Kelton, as agent for the Company, has conditionally undertaken to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement contains representations and warranties given by the Company to each of Corporate Synergy and Kelton and provisions that permit Corporate Synergy and Kelton to terminate their obligations under the agreement upon the occurrence or non-occurrence of certain events. Subject to Admission, the Company has agreed to pay Corporate Synergy a corporate finance fee of £200,000 and commissions of 1 per cent. of the aggregate value at the Placing Price of the Placing Shares and 4 per cent. of the aggregate value at the Placing Price of the Placing Shares in respect of which it shall have procured subscribers, and has also agreed to pay Kelton a commission of 4 per cent. of the aggregate value at the Placing Price of the Placing Shares in respect of which Kelton shall have procured subscribers. The Company has also agreed to bear certain costs of each of Corporate Synergy and Kelton in connection with the Placing.

The Placing Agreement also contains undertakings by the Directors not to dispose of the Ordinary Shares held by them for a period of twelve months from the date of Admission except in the limited circumstances permitted by the AIM Rules including the event of an intervening court order, the death of a Director or in respect of an acceptance of a takeover offer for the Company which is open to all shareholders. The Directors have further undertaken not, other than through Corporate Synergy as the agent selling broker, to dispose of the Ordinary Shares held by them for a further period of twelve months (twenty four months from Admission) whilst Corporate Synergy is the Company’s broker and the relevant director remains a director of the Company or within the two month period from the date he ceases to be a director of the Company.

- 8.3 An assignment dated 18 December 2002 between (1) John Kavanagh and (2) Bright Entertainment Limited under which John Kavanagh assigned to Bright Entertainment all rights and intellectual property, including a US patent application, in and connected with the Genie for a consideration comprising the issue of 1,000,000 ordinary shares of 1 penny each in the capital of Bright Entertainment.
- 8.4 An agreement dated 16 April 2004 between the Company (1), Dominic Wheatley, John Kavanagh, Adrian Moores, Midvale Assets Limited, Safarando Holdings Limited and Merdolino Limited (2) relating to the acquisition by the Company of the entire issued share capital of Bright Entertainment Limited for consideration comprising the issue of 10,000,000 Ordinary Shares, credited as fully paid.
- 8.5 The option agreements summarised in paragraph 7.4 above.

9. LITIGATION

Neither the Company nor Bright Entertainment is or has been engaged in any legal or arbitration proceedings which may have, or have had, during the 12 months preceding the date of this document, a significant effect on the Company's financial position, nor is the Company or Bright Entertainment aware that there are any such proceedings pending or threatened.

10. WORKING CAPITAL

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

11. MATERIAL CHANGES

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2003.

12. CONSENTS

- 12.1 BDO Stoy Hayward LLP have given and have not withdrawn their written consent to the inclusion of their reports set out in Parts III and IV of this document and references thereto and to their name in the form and context in which they appear. BDO Stoy Hayward LLP accept responsibility for their report in accordance with paragraphs 45(1)(b)(iii) and 45(8)(b) of Part VII of Schedule 1 to the POS Regulations.
- 12.2 Corporate Synergy has given and has not withdrawn its written consent to the publication of this document with the inclusion herein of its name in the form and context in which it appears.
- 12.3 Kelton has given and has not withdrawn its written consent to the publication of this document with the inclusion herein of its name in the form and context in which it appears.

13. GENERAL

- 13.1 The total costs and expenses payable by the Company in connection with the Placing (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £560,000, excluding VAT. Included within this amount are commissions of approximately £225,000 payable by the Company pursuant to the Placing Agreement referred to in paragraph 8.2 above.
- 13.2 The minimum amount which, in the opinion of the Directors, must be raised by the issue of the new Ordinary Shares is £3.94 million in order to provide the sums required to be provided in respect of each of the following matters specified in paragraphs 21 (a)(i) to (iv) of Schedule 1 to the POS Regulations:
- 13.2.1 the purchase price of any property purchased, or to be purchased, which is to be defrayed in whole or in part out of the proceeds of the Placing; £NIL

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| 13.2.2 | preliminary expenses payable by the issuer and any commission payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscriptions for, any shares in the Company; | £560,000 |
| 13.2.3 | repayment of monies borrowed by the Company in respect of any of the foregoing; and | £NIL |
| 13.2.4 | working capital | £3,940,000 |
- 13.3 There are no amounts to be provided otherwise than from the proceeds of the Placing in respect of the matters specified in paragraphs 21(a)(i) to (iv) of Schedule 1 to the POS Regulations.
- 13.4 The Directors believe that, save as disclosed in Part I of this document, there are no trade marks, patents, licences or contracts relating to Intellectual Property which are of fundamental importance to the Group's business or profitability.
- 13.6 There are no arrangements in force for the waiver of future dividends.
- 13.7 The accounting reference date of the Company is 31 March.
- 13.8 There are no specified dates on which entitlement to dividends or interest thereon on Ordinary Shares arises.
- 13.9 The arrangements for paying for the Placing Shares to be issued pursuant to the Placing are set out in the placing letters referred to in the Placing Agreement. All monies received from applicants will be held by Corporate Synergy or Kelton, as appropriate, until Admission. If the Placing does not proceed, monies will be returned 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 3 days of the termination of the Placing Agreement. CREST Accounts in respect of Placing Shares to be issued in uncertificated form will be credited with Placing Shares within 3 dealing days of Admission. Share certificates in respect of Placing Shares to be issued in certificated form will be sent to placees by first class post at the risk of the applicant within 7 days of Admission. Temporary documents of title will not be issued in connection with the Placing.
- 13.10 Save as disclosed in this document, no person has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.

14. TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective subscriber of Placing Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the United Kingdom, should consult his own professional adviser immediately.

14.1 Taxation of Chargeable Gains

For the purposes of UK tax on chargeable gains, the issue Placing Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a shareholder acquires Placing Shares allotted to him, the Placing Shares so allotted will, for the purposes of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Placing Shares will constitute the base cost of a shareholder's holding. Taper relief will apply on the disposal of the Placing Shares if the investor is an individual or trustee. The amount paid for the

Placing Shares will be eligible for indexation allowance if the investor is a company. If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

14.2 Inheritance Tax - Business Property Relief

Unquoted ordinary shares representing minority interests in trading companies such as the Company potentially qualify for 100 per cent. business property relief which gives up to 100 per cent. exemption from inheritance tax. Therefore, where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax will be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the share for two years before the date of transfer or death.

14.3 Stamp Duty and Stamp Duty Reserve Tax

The Company has been advised that the issue of Ordinary Shares to placees under the Placing will not be liable to stamp duty or stamp duty reserve tax.

The conveyance or transfer on sale of Ordinary Shares, will generally be liable to stamp duty on the instrument of transfer, at a rate of £5.00 for every £1,000 (or part of £1,000) on the amount or value of the consideration. Where an unconditional agreement to transfer such shares is not completed by a duly stamped instrument of transfer a charge to Stamp Duty Reserve Tax (generally at the same rate) will arise. Stamp Duty and Stamp Duty Reserve Tax are usually paid by the purchaser.

14.4 Taxation on dividends

Under current United Kingdom tax legislation, no United Kingdom tax will be withheld from any dividend paid by the Company.

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the United Kingdom receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent.) or the Schedule F upper rate (32.5 per cent.).

The effect will be that taxpayers who are otherwise liable to pay tax at only the starting rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividend.

A UK resident corporate shareholder should not be liable to corporate tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts who are liable to account for income tax at the rate applicable to trusts on the trust's income are required to account for tax at the Schedule F trust rate, currently 32.5 per cent. on dividends.

The right of a Shareholder who is not resident (for tax purposes) in the United Kingdom to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit from the Inland Revenue will depend on the existence and terms of any double taxation convention between the United Kingdom and the country in which the holder is resident. Such a shareholder should consult his own tax adviser concerning his tax liability on dividends received, whether he is entitled to claim any part of the tax credit and, if so, the procedure for doing so.

United Kingdom pension funds and most United Kingdom corporate Shareholders (including authorised unit trusts and open-ended investment companies) are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company.

15. COPIES OF THIS DOCUMENT

Copies of this document will be available free of charge to the public at the offices of Corporate Synergy, 12 Nicholas Lane, London EC4N 7BN during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of Admission for not less than one month.

Dated: 26 April 2004

