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This document, which comprises an admission document for the purposes of the AIM Rules, has been issued in connection with the proposed admission to trading on AIM of the whole of the ordinary share capital of the Company in issue and to be issued pursuant to the Placing. Any offer of Ordinary Shares in the United Kingdom is being made only to qualified investors for the purposes of and as defined in Section 86 of FSMA and accordingly this document does not comprise an approved prospectus for and as defined in section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules issued by the Financial Services Authority and has not been approved by the Financial Services Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

The Directors, whose names appear on page 4 of this document, and the Company accept, individually and collectively responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (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 contains no omission likely to affect the import of such information.

**Application will be made for the whole of the ordinary share capital of the Company in issue and to be issued pursuant to the Placing to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 1 May 2007. 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. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Further, neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange.**

Prospective investors are advised to read the whole of this document, in particular, Part II (Risk Factors).

## Direct Wonen N.V.

*(Incorporated in The Netherlands by a notarial deed of incorporation as a public limited liability company (naamloze vennootschap), under Book 2 of the Dutch Civil Code. The Company was first registered in the commercial register of the Chamber of Commerce of Haaglanden with registration number 27293196)*

**Placing of 32,275,684 New Ordinary Shares and 12,413,725 Sale Shares at 137p per share  
and  
Admission to trading on AIM**

**Nominated Adviser  
COLLINS STEWART EUROPE LIMITED**

### EXPECTED SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

| <i>Authorised</i> |                          |                               | <i>Issued and fully paid</i> |                          |
|-------------------|--------------------------|-------------------------------|------------------------------|--------------------------|
| <i>Number</i>     | <i>Nominal Value (€)</i> |                               | <i>Number</i>                | <i>Nominal Value (€)</i> |
| 200,000,000       | 4,000,000                | Ordinary shares of €0.02 each | 157,406,028                  | 3,148,120                |

Collins Stewart Europe Limited, which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as Nominated Adviser to the Company (for the purposes of the AIM Rules) and, as such, its responsibilities under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or any other entity or person. No liability whatsoever is accepted by Collins Stewart Europe Limited for the accuracy of any information or opinions contained in this document or for the omission of any information from this document. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

Collins Stewart Europe Limited are acting exclusively for the Company and the Selling Shareholder, as broker, in relation to the Placing and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to clients of Collins Stewart Europe Limited respectively, or advising any other person on the Placing and the contents of this document or any matter referred to herein.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Collins Stewart Europe Limited, 9th Floor, 88 Wood Street, London EC2V 7QR from the date of this document for the period of one month from the date of Admission.

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This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company or Collins Stewart Europe Limited. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act 1933, as amended, or under the securities legislation of any state of the United States or under the securities legislations of any province or territory of Canada or of Australia, the Republic of Ireland or Japan. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States, Canada, Australia, the Republic of Ireland or Japan or offered or sold to, or for the account or benefit of, a person within the United States (subject to certain exemptions) or a resident of Canada, Australia, the Republic of Ireland or Japan.

In The Netherlands, this document has not been approved by The Netherlands Authority for the Financial Markets ("AFM"). Therefore this document may only be directed or distributed to, and the Ordinary Shares and/or Depositary Interests representing Ordinary Shares may only be offered to 'qualifying investors' (gekwalificeerde beleggers) as defined in article 1:1 of the (Wet op het financieel toezicht; the "WFT"). The WFT defines 'qualifying investors' *inter alia* as: (i) legal entities which are authorised or supervised to operate on the financial markets by the AFM, or The Netherlands Central Bank ("DNB"), or by a supervising authority of another state; or (ii) a legal entity or corporation the sole corporate purpose of which is to invest in securities; or (iii) a legal entity or corporation that according to its last annual or consolidated annual account, meets at least two of the following criteria: (1) an average number of employees during the financial year of 250 or more; (2) a value of the assets according to its balance sheet of at least €43,000,000; and (3) an annual net turnover of at least €50,000,000; and (iv) a legal entity or corporation with its seat in The Netherlands, other than a legal entity or corporation mentioned under (iii) above, that has requested the AFM to be designated as 'qualifying investor'.

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## **PLACING STATISTICS**

|  |                             |
|--|-----------------------------|
| Placing Price per Ordinary Share   | 137p                        |
| Number of Ordinary Shares in issue immediately following Admission   | 157,406,028                 |
| Number of Ordinary Shares retained by Weswa B.V. following Admission   | 112,716,619                 |
| Number of Ordinary Shares sold pursuant to the Placing   | 44,689,409                  |
| Estimated net proceeds of the Placing receivable by the Company after deducting expenses of approximately £4.1 million | approximately £40.1 million |
| Market capitalisation of the Company on Admission at the Placing Price   | approximately £215 million  |

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS\***

|  |                         |
|--|-------------------------|
| Admission Document publication date                          | 25 April 2007           |
| Admission and dealings in Ordinary Shares to commence on AIM | 8.00 a.m. on 1 May 2007 |

\*Each of the times and dates in the above timetable is subject to change. All references are to London time.

## DIRECTORS AND ADVISERS

|                           |  |  |
|---------------------------|--|--|
| <b>Directors</b>          | Yvonne Maria Swaans<br>Richard Westerhuis<br>Ihab El Sayed<br>Wilhelmina Margaretha (Helga) Bouwman  | <i>Chief Executive Officer</i><br><i>Chief Strategic Officer</i><br><i>Chief Financial Officer</i><br><i>Chief Operating Officer</i> |
| <b>Proposed Directors</b> | Terence (Terry) Alan Hart<br>Cornelis Johannes (Kees) Beuving<br><i>all of the registered office</i> | <i>Non-Executive Chairman</i><br><i>Non-Executive Director</i>   |

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Isle of Man IM2 4RW

## DEFINITIONS

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

|   |   |
|---|---|
| <b>“Acadium Bastion Group” or “ABG”</b> | Acadium Bastion Groep B.V., Acadium Bastion B.V., FlexGarant Assuradeuren B.V. and Bastion Employee Benefits B.V.   |
| <b>“Act”</b>                            | the Companies Act 1985, as amended  |
| <b>“Admission”</b>                      | the admission of the whole of the issued ordinary share capital of the Company to trading on AIM and such admission becoming effective in accordance with the AIM Rules |
| <b>“AFM”</b>                            | Netherlands Authority for the financial markets   |
| <b>“AIM”</b>                            | AIM, the market of that name operated by the London Stock Exchange  |
| <b>“AIM Rules”</b>                      | the rules for companies whose securities are traded on AIM and their nominated advisers published by the London Stock Exchange as amended from time to time             |
| <b>“Articles”</b>                       | the articles of association of the Company as at the date of this document  |
| <b>“Board”</b>                          | the board of directors of the Company   |
| <b>“Collins Stewart”</b>                | Collins Stewart Europe Limited  |
| <b>“Combined Code”</b>                  | the Combined Code of Corporate Governance published in June 2006 by the Financial Reporting Council   |
| <b>“Company” or “Direct Wonen”</b>      | Direct Wonen N.V., a public limited company registered in The Netherlands with the trade register of the Chamber of Commerce of Haaglanden under number 27293196        |
| <b>“CREST”</b>                          | the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)                     |
| <b>“CREST Regulations”</b>              | the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended   |
| <b>“DI” or “Depositary Interests”</b>   | dematerialised depositary interests representing underlying Ordinary Shares   |
| <b>“Directors”</b>                      | the Directors and Proposed Director of the Company whose names are listed as such on page 4 of this document  |
| <b>“Duizend”</b>                        | Duizend Steentjes B.V. (a wholly owned subsidiary of Weswa)   |
| <b>“Enlarged Share Capital”</b>         | the 157,406,028 Ordinary Shares in issue immediately following Admission  |
| <b>“Euro” or “€”</b>                    | the monetary unit that is the official currency of the 25 member states of the EU, including The Netherlands  |
| <b>“Existing Ordinary Shares”</b>       | the 125,130,344 Ordinary Shares in issue on the date of this document   |

|  |  |
|--|--|
| <b>“FSA”</b>                           | the UK Financial Services Authority  |
| <b>“FSMA”</b>                          | the UK Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto  |
| <b>“General Meeting”</b>               | a meeting of shareholders of the Company   |
| <b>“Group” or “Direct Wonen Group”</b> | the Company and its subsidiary undertakings  |
| <b>“London Stock Exchange”</b>         | London Stock Exchange plc  |
| <b>“Official List”</b>                 | the official list of the UK Listing Authority  |
| <b>“Ordinary Shares”</b>               | the ordinary shares with a par value of €0.02 each in the capital of the Company   |
| <b>“New Ordinary Shares”</b>           | the 32,275,684 new Ordinary Shares to be issued pursuant to the Placing  |
| <b>“Placee”</b>                        | a person to whom Placing Shares are issued or transferred (as applicable) pursuant to the Placing Agreement  |
| <b>“Placing”</b>                       | the proposed conditional placing of the Placing Shares on behalf of the Company and the Selling Shareholder pursuant to the Placing Agreement  |
| <b>“Placing Agreement”</b>             | the conditional agreement dated 25 April 2007 between the Company (1), the Directors (2), the Selling Shareholder (3) and Collins Stewart (4) relating to the Placing, details of which are set out in paragraph 9 of Part VI of this document |
| <b>“Placing Price”</b>                 | 137p per Placing Share   |
| <b>“Placing Shares”</b>                | the New Ordinary Shares and the Sale Shares  |
| <b>“Prospectus Directive”</b>          | directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading   |
| <b>“Registrar”</b>                     | Capita Registrars (Jersey) Limited   |
| <b>“Sale Shares”</b>                   | the 12,413,725 Ordinary Shares to be sold by the Selling Shareholder pursuant to the Placing   |
| <b>“Selling Shareholder”</b>           | Weswa B.V.   |
| <b>“Share Dealing Code”</b>            | the code on dealings in the Company’s securities adopted by the Company conditionally upon Admission   |
| <b>“Shareholders”</b>                  | holders of Ordinary Shares in the Company  |
| <b>“SNS Securities”</b>                | SNS Securities N.V.  |
| <b>“Takeover Code”</b>                 | the UK City Code on Takeovers and Mergers  |
| <b>“Takeover Panel”</b>                | the UK Panel on Takeovers and Mergers  |
| <b>“UK Listing Authority”</b>          | the FSA acting as competent authority for the purposes of Part VI of FSMA  |
| <b>“United Kingdom” or “UK”</b>        | the United Kingdom of Great Britain and Northern Ireland   |
| <b>“Weswa”</b>                         | Weswa B.V. and its subsidiaries  |

## PART I

### INFORMATION ON THE COMPANY

#### Introduction

The Company is a leading private residential property lettings agent based in The Netherlands serving registered clients via its internet portal, 23 regional letting branch offices, 3 financial services branch offices, and a central customer contact centre. The Directors believe that the Company has more than 15 per cent. (by volume) of the private residential property lettings market in The Netherlands, its historic target market. The Group also acts as sales agent for developers of new build residential developments in The Netherlands. The Group began selling financial services products in 2003 and in September 2006 acquired the Acadium Bastion Group, whose principal business is acting as a financial services intermediary providing insurance and mortgage related products.

#### Background and history

In 1990, Yvonne Swaans and Richard Westerhuis entered into a commercial partnership (*vennootschap onder firma*) called De Kamer Balie to found a lettings business, primarily for students, in Eindhoven. In 1993 the business included seven commercial partnerships (Eindhoven, Den Bosch, Breda, Tilburg, Den Haag, Rotterdam and Nijmegen). These seven commercial partnerships were discontinued in 1993 and the activities were transferred to a newly incorporated company (R&Y Direkt Wonen Holding B.V.), which began trading under the name "Direkt Wonen".

The Group provides letting services to prospective renters with whom the Group links landlords in The Netherlands. The Directors believe that the Group is now a leading provider of private residential letting opportunities within The Netherlands.

In 1996, the Group registered its website [www.direktwonen.nl](http://www.direktwonen.nl) and began to use this as a sales and marketing channel, in addition to its branch offices. In 2000, the website [www.directwonen.nl](http://www.directwonen.nl) was registered and launched and has subsequently been used as a sales and marketing channel. A significant proportion of the Group's lettings business is now generated via this website. The Group's principal lettings customers are subscribers to the website and are located mostly in The Netherlands, although approximately 4 per cent. of subscribers live outside The Netherlands. Between 1990 and 2003 the business expanded with additional branch openings and the Company now has a chain of 23 branches based in cities and large towns throughout The Netherlands, as well as its central customer contact centre (which was established in 2006 and is situated at the Group's head office in The Hague).

In 2003, following a strategic decision by the Group to exploit the commercial opportunity to provide further services and products to its registered clients, the Group began selling simple risk insurance products such as household insurance.

In 2004, the Group established an additional income stream from the sale of new build residential properties undertaken on behalf of property developers. In the same year the current CFO of the Company began to advise the Group on property finance and financial services.

During 2005, the Group extended its offering of financial services and began to act as a residential mortgage broker. In March 2005, Yvonne Swaans received the Prix Veuve Cliquot businesswoman of the year award in The Netherlands.

In September 2006, the Group acquired the Acadium Bastion Group from, *inter alia*, Nationale Nederlanden-Nederland B.V. (part of the ING Group) for a total cash consideration of approximately €17.6 million. The Acadium Bastion Group is an intermediary provider of financial services products in The Netherlands.

In November 2006, following a corporate restructuring of Weswa and the incorporation of the Company, the Group was established. Pursuant to the restructuring, subsidiaries of Weswa B.V. which were considered by

the Directors not to be core to the Group's business activities, were retained by Weswa, whilst all other subsidiaries of Weswa B.V. were transferred to the Company to form the Group. The arrangements in relation to the restructuring are set out in further detail at paragraph 18.1.3 of Part VI of this document.

In February 2007, the Company (through its wholly owned subsidiary Direct Financier B.V.) signed a joint venture agreement with VCS Financiële Diensten B.V. ("VCS Holding") and VCS Financiële Partners B.V. ("VCS") (whose owners, the Directors believe, have strong experience in consumer lending), to purchase 40 per cent. of the shares in VCS ("Joint Venture Company") from VCS Holding for a purchase price of €36,000. The Joint Venture Company will perform activities as an intermediary in consumer credit and related products and services. Pursuant to the joint venture agreement, the Group will have a 40 per cent. shareholding in the Joint Venture Company and will have the right to acquire the remaining 60 per cent. of the share capital of the Joint Venture Company, *inter alia*, after four years time or in the event the Joint Venture Company achieves a loan book value of €225 million (whichever is the earlier). The Joint Venture Company is at a relatively early stage of development.

The Group's business has grown since 2005 when it had approximately 35,000 paying subscribers and approximately 7,678 successful letting transactions. In 2006 the Group collected subscription fees from a total of 38,866 subscribers, as well as adding approximately 100,000 registered users (including subscribers) on the Group's website. The Group had approximately 700,000 registered users and approximately 16,500 properties available to rent in 2006. This growth is reflected in the financial results of the Group which has grown its revenue from €11.9 million in 2004 to €29.4 million in 2006. Pro-forma consolidated revenue (including ABG from 1 January 2006) for 2006 grew to €37.0 million. As a result of the Group's ability to diversify the breadth of products and services it offers without incurring significant additional costs, the Group increased its operating profit margin from 30 per cent. in 2005 to 38 per cent. in 2006.

#### **Amount to be raised and reasons for the Placing**

The Company intends to raise approximately €65 million gross (£44.2 million) (approximately €59.5 million (£40.1 million) net of expenses of the Placing). Most of the funds raised will be available for the Company to strengthen its balance sheet as well as facilitating possible future debt financing to assist with a greater number of new build residential sales projects (as described below). In addition, the Company intends to embark on additional acquisitions, where appropriately priced, of companies offering property-related services and financial intermediaries, in The Netherlands and, in the medium term, possibly abroad. The Directors also believe that Admission will raise the Group's profile with banks and current and prospective customers, which may facilitate further growth.

#### **The business**

##### *Lettings*

The lettings business is considered by the Directors to have been a major factor in the overall success of the Group's business, serving as a platform for diversification and giving the Group a strong sales culture.

The Directors believe that the Group is not overly dependent on any single branch office as the top 11 of the Group's 23 branches (by turnover) have generated approximately 71 per cent. of the total lettings turnover for the financial period ended 31 December 2006. The highest turnover producing branch was the Amsterdam branch which contributed approximately 13 per cent. to the Group's total revenue from lettings services during that period. The Group's lettings business is seasonal with peak activity occurring between the months of May and October each year.

The lettings business, which covers primarily residential property, derives its income from four sources:

- (a) a tenancy fee payable by the tenant (equivalent to approximately one month's rent) following the agreement by the tenant to rent a property;
- (b) a tenancy agreement preparation fee payable by a tenant;

- (c) a cost charge payable by a landlord (unless waived or reduced) to cover costs of marketing its properties; and
- (d) a subscription fee payable by the tenant for access to the Group's database of properties and to be able to conclude a tenancy agreement.

Whilst individuals can register their details with the Group for a trial membership of two weeks without incurring a charge, subscribers, who currently pay a €35 per annum subscription fee, gain access to services including a quarterly magazine and access to the Group's website search and filter facilities.

In addition to the above, a very small number of properties are managed by the Group for landlords. This is considered by the Directors to be an ancillary activity for the Group.

By the end of 2006 the Group's database contained details of approximately 16,500 properties which were available for rent in 2006, and information on approximately 35,000 landlords. In 2006, the Group completed over 8,000 rental transactions and the Group's website had approximately 2.4 million unique visitors.

#### *Property sales*

From late 2003, the Group began to act as a sales agent for property developers on new build residential developments. In this role, the Group contracts with the developer to sell properties 'off plan' and to buy any unsold properties at an agreed price, as described below.

The Group agrees a sale price for the properties (which is typically around 90 per cent. of the expected final sale price) with the developer and contracts with the developer to find purchasers to buy the properties 'off plan'. If the Group finds a purchaser who purchases the property from the developer at a price above the agreed sale price, then the Group is entitled to receive from the developer any difference in value between the agreed sale price and the final sale price (the "Uplift"). The Group generally expects to earn an Uplift equal to 10 per cent. of the final sale price of the residential unit from the developer. Should the Group fail to find purchasers, it commits to buying any unsold properties itself at the agreed sale price. Historically, the Group has provided the developer, in certain circumstances, with a bank guarantee covering between approximately 5 and 10 per cent. of the agreed sale price of the properties. The Group does not bear the risk associated with construction of the properties as this is borne by the developer. The Group's contract in the majority of cases is with the developer and not the eventual purchaser of the property who usually contracts directly with the developer (except where the Group itself is the eventual purchaser of the property because of its obligation to purchase unsold units).

To date, the Group has entered into 2 different types of contracts with developers, one relating to 'turnkey' projects and the other relating to 'phased' projects. In both types of project the Group agrees at the outset of the project the price at which it will purchase any unsold properties. For phased projects, the purchasers found by the Group contract directly with the developer to make staged payments for the residential unit, which will start at the beginning of construction, and the Group receives from the developer the pro-rated Uplift from each staged payment in periodical instalments. In a turnkey project, the Group has no financial obligations to make any payments to the developer until the construction by the developer is completed. In relation to the Group's ongoing phased project, however, at the time a purchaser would be obliged to pay the developer the first staged payment at the start of construction, the Group pays the developer the staged payment on all the units for which it has not yet found purchasers (and at this point legal title to such units is transferred to the Group). In both types of contract, the Group pays nothing to the developer before construction starts and the Directors believe that historically on average circa 75 per cent. of units have been sold before the start of the construction phase. Typically for phased projects, on the first quarter following completion of the development, the Group receives from the developer the balance of the Uplift, if any.

The Group is able to use the information it has available from its database to market the properties to potential purchasers (including in particular the 15,000 website users in 2006 who registered an interest in buying a residential property). Each project has at least one dedicated sales employee and a specific website. The sales team has access to the Group's databases and uses the 'filter and matching' facility to progress marketing. Should the Group be unable to find purchasers for the properties and be required to purchase the unsold properties itself, the Directors believe that the Group has the advantage of being able to use its

database to search for potential renters for the property to secure a rental income on the properties. The Directors therefore believe that the Group's strong position in the private rental market in The Netherlands mitigates the risk of having to acquire unsold properties.

To date, the Group has been involved in a total of six projects (including its Ongoing Projects noted below) pursuant to which the Group has contracted to find purchasers for 431 residential properties and 324 parking lots. The Directors have confirmed that, save in relation to its Ongoing Projects, no properties remained unsold as at 31 December 2006.

The Group currently has two development projects in progress (Statendam in Rotterdam and Funenpark in Amsterdam) (the "Ongoing Projects") pursuant to which it has contracted to sell (and if not sold, to buy) a total of 323 properties. The Directors anticipate that a further development project will be signed imminently in relation to De Stede in Tilburg. The Directors have identified and have taken steps to market to what they believe are the top 19 developers in The Netherlands with a view to identifying further suitable property development projects.

#### *Financial services*

In 2003, the Group began acting as a financial intermediary selling financial services, initially household insurance products, to its customers as part of a new financial services division. The Group generates sales commissions on the financial products it sells.

In late 2005, the Group became a residential mortgage broker and started to offer related insurance products such as life insurance products and disability insurance. In September 2006 the Group (as it was then) acquired ABG, (including FlexGarant Assuradeuren B.V. ("FG")) which the Directors believed would accelerate the Group's penetration into the financial services market in The Netherlands. FG arranges certain insurance policies in The Netherlands on behalf of Nationale Nederlanden Levensverzekering Maatschappij N.V. ABG has been established as a financial services intermediary for a number of years in The Netherlands selling mortgages and insurance products as an intermediary for various financial institutions (including insurers). ABG has 3 branches in The Netherlands in Rotterdam, Amsterdam and Nijmegen. ABG has a back office facility as well as what the Directors believe to be an extensive database of high earning individuals in The Netherlands. Together, ABG generated approximately €12.1 million of commission revenue in 2006.

The importance of the financial services business to the Group has increased significantly since 2004. On a pro-forma basis, including ABG, this part of the business represented 41 per cent. of the Group's gross profit in the 12 months to 31 December 2006. The Directors believe that the Group currently has a less than 0.5 per cent. market share of the Dutch mortgage market and that there is therefore potential for growth in this area of the business.

#### **Strategy**

The Directors believe that the Group has achieved a leading position acting as an online and branch based private residential property lettings agent in The Netherlands. In order to become less dependent on its property lettings business, and to establish further growth prospects, the Directors have diversified the Group's activities and intend to continue to diversify further and sell related products and services to its existing customers and registered users.

The Directors' aim in relation to property lettings is to increase its market share in The Netherlands, opening additional branches or acquiring local lettings agencies in areas where the population concentration is appropriate, and to investigate the possibility of starting a franchise operation in less populated conurbations. The Directors' aim is to continue to grow the Group's business in the private residential sector, and to increase the Group's market by targeting rented houses owned by institutional investors. The Directors believe that a significant proportion of these rental units are at the high end of the Dutch rental market, achieving rent rates greater than €600 per month.

The Directors intend to expand the recently developed financial services business further by marketing products to the Group's 700,000 registered users. The Directors believe that a large increase in the number of financial services products can be managed through ABG's back office without a proportional increase in costs.

The Directors also intend to continue to pursue further new build sales projects. The Directors currently aim to contract to sell approximately 2 per cent. of the new build residential property units in The Netherlands within the next two to three years.

In addition to organic growth, the Directors intend to make acquisitions in order to accelerate its growth plans. The Group will focus on acquiring, where appropriately priced, financial services intermediaries and companies offering property-related services.

Finally, the Directors believe that the Group's preliminary research and analysis of prospects and market conditions in other European countries indicates that a market exists for replicating the Group's business model outside The Netherlands. In the medium term, the Directors aim to expand the Group's operations internationally, focussing on the acquisition of companies offering property-related services and financial intermediaries as entry points to those markets, initially focussing on Belgium.

## **Marketing**

The Directors believe that a considerable level of business is now generated by word of mouth referrals to the website. External research commissioned by the Group indicates that 51 per cent. of 20-49 year olds within The Netherlands were aware of the "Direct Wonen" name. The Group's marketing strategy incorporates online advertising, newspaper and radio advertising, publication of the Direct Wonen magazine (DW Corporate) and a newsletter mailed to all of Direct Wonen's subscribers. The Group commenced TV advertising in October 2006, which the Directors believe has partly accounted for the 14 per cent. increase in subscriptions in the first two months of 2007 compared with the same period in 2006.

New build sales are advertised via the Group's website, local newspapers and magazines and on site marketing suites. Each project also has at least one dedicated sales employee assigned to it, as well as specific project-based websites that link to the Group's website.

The Directors believe that the Group faces strong competition in the financial services market and the Group's strategy is to focus on the further development of its core database and the database of high earning individuals acquired through ABG.

## **Intellectual property**

The Directors believe that the essential intellectual property of the Group are the Lotus Notes intermediary database and applications, the Direct Wonen trademark and the domain name and website [www.directwonen.nl](http://www.directwonen.nl).

The Lotus Notes application is a bespoke piece of software developed in Lotus Notes that was initially developed with the help of a third party software development company. Ongoing development of this software (as a result of business needs) is carried out by employees of the Group with the help of a freelance software developer. Pursuant to the initial software development agreement, employment agreement and freelance agreement all intellectual property rights in relation to this bespoke software are the property of the Group.

The Group also has a number of domain names and trademarks registered in its name. The Directors believe that the most important of these is the domain name [www.directwonen.nl](http://www.directwonen.nl) which is the main website used by the Group in relation to its residential property lettings as well as the portal website for the Group's other products and services (i.e. the sale of financial services and development project properties). The Group also uses specific domain names in relation to specific development projects and other products for marketing purposes. The main website [www.directwonen.nl](http://www.directwonen.nl) was developed by a specialised third party website development company. Ongoing development for [www.directwonen.nl](http://www.directwonen.nl) and all the other websites is undertaken by the Group's employees. All intellectual property rights in relation to these website developments are the property of the Group pursuant to the various consultancy and employment agreements.

All domain names and trademarks used by the Group, and which are material to the Group's business, are owned by the Group.

## **Competition**

### *Lettings*

Within the private residential lettings market in The Netherlands, the Directors believe that the Group's key competitors are primarily Rots Vast, a franchise operator of lettings agencies throughout The Netherlands, and Meeus, the largest real estate broker in The Netherlands (but for whom the Directors believe the residential lettings activities represents only a small part of the business). Local sales estate agents and property management agencies, for whom the Directors believe the lettings activities also only represent a small part of the business, provide local competition. The Directors further believe that the Group's website, with its 'filter and match' facility, together with its dedicated sales personnel located in branches across The Netherlands, allows the Group to match prospective tenants and landlords quickly and to conclude these matches in successful property lettings to the prospective tenants quickly, and that this differentiates the Group from its competitors.

The Directors believe that the main strengths of the Group's lettings services are:

- an effective interactive website;
- good national coverage in 23 branch offices locations across The Netherlands;
- an up to date database of prospective tenants who pay subscription fees (which seeks to ensure that genuinely interested tenants are registered in the database);
- strong, well managed relationships, with its registered users due to the efficient use of information on the databases to market relevant products and services;
- strong brand image and a reputation built on the Group's solid track record; and
- focus on lettings which is sales driven and not distracted by ongoing property management on behalf of landlords.

### *Property Sales*

The Directors believe estate agents and brokers (including Meeus) and property developers are the prime competitors in the new build sales market. The Directors believe that the Group differentiates itself from its competitors in this market through the use of the Group's customer database and website, which contains a wide range of information on the needs and wants of consumers in the property rental and purchase markets. The Directors believe that this information allows the Group to analyse the prices at which the new build properties are likely to sell, and to reduce the risk of unsold properties for the developer by guaranteeing the sale of residential units. The Directors believe that this information also assists the Group's researcher to identify the rental and sale potential of each site before the Group contracts with the developer.

### *Financial services*

The Directors believe that the Group's main competitors to its financial services business are banks such as Rabobank, ING, Fortis, and SNS Real as well as and other financial intermediaries such as De Hypotheker and Hypotheekshop. The Directors believe that the discrete database of high earning individuals acquired with ABG will also support the growth of this part of the business.

## **Market overview**

Based on the Group's internal research and external research surveys, the Directors believe that in 2005 there were approximately 6.9 million residential properties in The Netherlands, of which approximately 55 per cent. were owner occupied and approximately 45 per cent. were rented. Of these rental properties, approximately 600 housing corporations owned approximately 2.4 million rented residential properties, institutional investors owned approximately 176,000 properties and private landlords owned approximately 510,000 properties. The Directors believe that rental tenures are on average approximately 12 years in length in The Netherlands and therefore the Directors believe that approximately 45,000 residential properties are available to rent each year from private landlords. In 2006 the Group rented 8,036 private residential properties.

## The Placing

The Company is proposing to raise approximately £44.2 million (before expenses), by way of a placing and SNS Securities of New Ordinary Shares to institutional and other investors conditional upon Admission. In addition, the Selling Shareholder has agreed to sell 12,413,725 Ordinary Shares in the Placing, following which, it will retain an interest in 112,716,619 Ordinary Shares which represents approximately 71.6 per cent. of the issued ordinary share capital of the Company on Admission (on the assumption that all the Placing Shares are placed).

Under the Placing Agreement, Collins Stewart has agreed as agent for the Company and the Selling Shareholder, conditional, *inter alia*, on Admission taking place not later than 1 May 2007 (or such later date as Collins Stewart and the Company may agree, but not later than 8 May 2007) to use its reasonable endeavours to procure places for the Placing Shares, in each case at the Placing Price. The Placing Agreement contains provisions entitling Collins Stewart to terminate the Placing in certain circumstances. The Placing has not been underwritten. A summary of the Placing Agreement is set out in paragraph 9 of Part VI of this document.

The Ordinary Shares proposed to be issued pursuant to the Placing at the Placing Price will raise approximately £44.2 million (before expenses) for the Company. The Placing Shares will represent up to approximately 28.4 per cent. of the Enlarged Share Capital of the Company on Admission.

The New Ordinary Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after the date of Admission. Following Admission, based on the Placing Price, the Company's market capitalisation will be approximately £215 million.

## Summary financial information

The trading record of the Company, which is extracted without adjustment from the financial information on the Company set out in Part III, is summarised below. So far as the Directors are aware (and are able to ascertain from the information contained in the financial information), no facts have been omitted which would render such information below inaccurate or misleading. In order to make a proper assessment of the financial position of the Company, investors should read this document, including the financial information set out in Part III, as a whole and not rely solely on the key or summarised information in this section.

|                        | <i>Year ended</i><br><i>31 December</i><br><i>2004</i><br><i>€'000</i> | <i>Year to</i><br><i>31 December</i><br><i>2005</i><br><i>€'000</i> | <i>Year to</i><br><i>31 December</i><br><i>2006</i><br><i>€'000</i> |
|------------------------|--|---|---|
| Revenue                | 11,883   | 11,773  | 29,427  |
| Gross Profit           | 9,260  | 11,251  | 24,476  |
| Profit from operations | 2,873  | 3,555   | 11,206  |
| Profit before taxation | 2,882  | 3,468   | 10,185  |

In April 2007, the Company made a distribution to the Selling Shareholder for a total amount of €22.2 million further details of which are set out under the heading "Shareholder Distribution" below. This distribution is not reflected in the 2006 annual accounts. Please see "the unaudited proforma statement of net assets" for the Company, in part V of this document, which shows the impact to the Company's balance sheet of this distribution.

## Current trading and future prospects

Since the end of the last financial year the Group's sales and revenues have been in line with the Directors' expectations. Profits are also in line with the Directors' expectations. The Directors believe that the business of ABG has partly benefited and will further benefit from its acquisition by the Group through gaining access to the Group's database of users and using this to generate potential new business. The Directors are confident that the recently formed joint venture in the consumer loans business will be a success.

## **Shareholder distribution**

Immediately before Admission, the Company will declare a shareholder distribution of €22.2 million. The shareholder distribution will be payable to the Company's sole shareholder, Weswa B.V.. The proceeds of this shareholder distribution will primarily be used by Weswa B.V. to repay a loan of €16.5 million made to Weswa B.V. by ABN Amro Bank N.V. in respect of the acquisition of ABG. The liability to repay this loan was not transferred to the Company as part of the Group restructuring described in paragraph 8.1.3 of Part VI of this document. This shareholder distribution will only be paid upon the Group securing appropriate debt financing to refinance this liability. The minimum financing that will be secured will be €15 million with any balance being financed out of the Group's pre-Admission distributable cash reserves.

Weswa B.V. has waived its rights to receive the payment of this shareholder distribution until such time as appropriate debt financing is available.

## **Directors**

The Board of the Company will, on Admission, comprise 6 Directors as follows:

### ***Terence Alan Hart (aged 41) Non-Executive Chairman***

Terry is a Chartered Accountant. His career has spanned acting as Finance Director of Serco Aviation and latterly Easynet Group plc as Finance Director and Managing Director of the UK business. Terry managed Easynet through a period of growth and transformation, including the launch of UKOnline broadband, culminating in the sale of the business to BskyB. Terry will chair the Remuneration Committee.

### ***Yvonne Swaans (aged 38) Chief Executive Officer***

Yvonne is a founding member of the Group and has been developing its activities with co-founder Richard Westerhuis since 1990. Yvonne has devoted most of her time to developing the internal organisation and developing efficient working sales practices. One of her key roles is to acquire and to retain good personnel. In 2005, Yvonne Swaans won the Prix Veuve Cliquot Businesswoman of the Year Award in The Netherlands.

### ***Richard Westerhuis (aged 41) Chief Strategic Officer***

Richard is a founding member of the Group and, together with co-founder Yvonne Swaans, has been responsible for the Group's development since 1990. He has been particularly responsible for new strategic developments in the Group's business, the development of the marketing of services and using and extending the use of the Group's websites. He was responsible for setting up an active internet site in 1995 which was one of the first websites set up in relation to property lettings in The Netherlands. His prime responsibility is for further strategic developments, M&A activities, the Group property development projects and financial services activities.

### ***Ihab El Sayed (aged 39) Chief Financial Officer***

Ihab has been involved with the Group since late 2004 and has been working in the financial services sector for 15 years. Initially, he worked as Chartered Accountant for Coopers & Lybrand, followed by a position as senior supervisor at De Nederlandsche Bank NV. From 1999 to 2004, Ihab worked as financial and managing director of the DSB Bank NV. The DSB Bank NV is a Dutch financial institution specialising in credit provision to private individuals. Ihab has extensive experience in the financial services sector both in The Netherlands and internationally. From 2004 to 2006 Ihab worked as CFO of DSB Beheer B.V. where he was responsible for real estate and financing projects. His prime responsibilities are for the production of management information, acquisitions and development of financial services and strategy of the Group.

### ***Wilhelmina Margaretha (Helga) Bouwman (aged 43) Chief Operational Officer***

Helga has been working with the Group since January 2007. She has seventeen years experience in marketing and advertising, having previously worked in a number of international companies (including Nestle Nederland Bvand Bestfoods Benelux BV). In the first 15 years of her career, her skills largely focussed on marketing and commercial responsibilities and priorities, following which her portfolio

expanded, until she eventually took up a COO position at Sanoma Uitgevers BV, one of the largest media companies in The Netherlands. She is currently a treasurer of the Foundation of Ideal Advertising.

***Cornelis Johannes (Kees) Beuving (aged 55) Non-Executive Director***

Kees has recently joined the Group after serving for 12 years on the Executive Board (the last four of which as Chairperson) of Fortis Bank Nederland, one of the leading banks in The Netherlands. In his capacity there, Kees was responsible for all activities in The Netherlands and internationally including internal audit, the retail sector, direct banking, and investor relations as well as liaising with the Dutch Central Bank and financial regulators. Kees brings over 30 years' experience in the banking world with him to the Group. Kees will chair the Audit Committee.

The total number of permanent employees of the Group at 31 December 2006 was 228 of whom 149 were engaged in marketing and sales activities and approximately 79 were engaged in administrative functions. In addition, at this time, the Group employed 31 temporary employees.

**Controlling Shareholder**

As at the date of this document, Weswa B.V. holds 100 per cent. of the Existing Ordinary Shares. Weswa B.V. proposes to dispose of 12,413,725 Existing Ordinary Shares pursuant to the Placing and will therefore retain on Admission 112,716,619 Existing Ordinary Shares, representing 71.6 per cent. of the Enlarged Share Capital. Yvonne Swaans and Richard Westerhuis are together the ultimate beneficial owners of Weswa B.V.. Weswa B.V. has entered into a relationship agreement with the Company to, *inter alia*, regulate its relationship with the Company. Further details of the relationship agreement are contained in paragraph 18.1.9 of Part VI of this document.

**Corporate Governance**

The Directors are committed to maintaining a high standard of corporate governance and intend to comply with the Combined Code in such respects as are appropriate for a company of the size, nature and stage of development of the Company, as well as applicable Dutch corporate governance standards. The Directors are responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Following Admission, the Company intends to hold Board meetings at least five times each financial year and at other times as and when required.

The Company intends to appoint an additional independent non-executive Director to the Board by the end of 2007.

The Company has established audit, nomination and remuneration committees of the Board with formally delegated duties and responsibilities.

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The audit committee will meet not less than three times in each financial year and will have unrestricted access to the Company's auditors. Members of the audit committee are Terence Hart, Kees Beuving and Ihab El Sayed.

The remuneration committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The committee will meet at least twice in each financial year and at such as other times as the chairman of the committee shall require. In exercising this role, the Directors shall have regard to the recommendations put forward in the Combined Code. Members of the remuneration committee are Terence Hart, Kees Beuving and Yvonne Swaans.

The nomination committee will review the structure, size and composition required of the Board and make recommendations to the Board with respect to any changes. It will be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, keeping under review the leadership needs of the Group and reviewing annually the time required from non-executive directors. It will make recommendations to the Board concerning a number of items relating to Board composition (and that of the Board committees) and succession and the appointment of any director to executive or other office other than to the positions of Chairman and Chief Executive Officer. The committee shall meet at least two times each year and at such other times as the chairman of the committee shall require. The members of the nomination committee are Terence Hart, Kees Beuving and Richard Westerhuis.

On Admission, the Company will adopt the Share Dealing Code for the Directors and senior employees in accordance with Rule 21 of the AIM Rules which, taking into account the fact that the Company is incorporated in The Netherlands, is appropriate for a company whose securities are traded on AIM. The Company will take all reasonable steps to ensure compliance by its Directors and any relevant employees.

### **Non-applicability of City Code on Takeovers and Mergers**

As the Company is incorporated in The Netherlands, transactions in shares of the Company are not subject to and shareholders in the Company will not have the protection afforded by, the provisions of the Takeover Code. The Articles contain certain clauses with the intention of implementing certain provisions of the City Code, as set out in paragraph 17.16 of Part VI of this document. However, these provisions will not be capable of enforcement by the Takeover Panel. Further details are set out in paragraphs 17.16 of Part VI of this document.

### **Lock-in and orderly market arrangements**

The Directors will, following Admission, together be interested in 112,716,619 Ordinary Shares representing approximately 71.6 per cent. of the Enlarged Share Capital.

Pursuant to the Placing Agreement, each of the Directors and the Selling Shareholder has undertaken to Collins Stewart not to dispose of any interest in securities in the Company for a period of one year from Admission, save in certain circumstances. In addition, they have also undertaken to Collins Stewart that for a further six month period following the first anniversary of Admission, they shall effect any such disposals through Collins Stewart (as long as Collins Stewart remains broker to the Company) with a view to ensuring an orderly market in the Ordinary Shares for that period.

Further details of the lock-in arrangements are set out in the description of the Placing Agreement in paragraph 9 of Part VI of this document.

### **Dividend policy**

The Directors expect to declare a dividend for the financial year to 31 December 2007 but will only be able to pay a dividend if there are sufficient distributable reserves. In the longer term, it is the Directors' intention to pursue a progressive dividend policy, subject to the availability of distributable reserves, in respect of excess equity over and above that required to finance the organic and acquisitional growth of the Company's business.

### **Admission, Settlement and CREST**

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Enlarged Share Capital will commence on 1 May 2007.

Securities of certain non-UK incorporated companies, such as the Company, cannot be held or transferred in CREST, a computerised paperless share transfer and settlement system which allows shares and other securities to be held in electronic, rather than paper, form. However, to enable investors to settle such securities through CREST, a depositary or custodian can hold the relevant securities and issue Depositary Interests representing the underlying securities, which are held on trust for the holders of the Depositary

Interests. The Company's articles of association permit it to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a voluntary system. A Shareholder can continue dealing based on deeds of transfer, subject to Dutch law requirements which apply to the transfer of Ordinary Shares.

The Company, through Capita IRG Trustees Limited, has established a depositary facility whereby depositary interests, representing Ordinary Shares, will be issued to Shareholders who wish to hold their Ordinary Shares in electronic form in CREST. The Company will apply for the Depositary Interests to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system, if the relevant Shareholders so wish. Depositary Interests will have the same international security identification number (ISIN) as the underlying shares and will not require a separate application for admission to trading on AIM.

For more information concerning CREST, Shareholders should contact their brokers or CRESTCo at 33 Cannon Street, London EC4M 5SB.

Trading in Depositary Interests and Ordinary Shares (as the case may be) on AIM will require Shareholders to deal through a stockbroker or other intermediary who is a member of the London Stock Exchange. Shareholders resident outside the UK should ensure that their stockbroker is either a member of the London Stock Exchange or has in place arrangements allowing them to effect trades on AIM. It should be noted that if at any time a CREST member requires any further information regarding the depositary arrangement and the holding of Depositary Interests or wishes to withdraw its Depositary Interests from the CREST system and hold shares in dematerialised registered form, they should contact Capita IRG Trustees Limited for such further information. Further details of the depositary arrangements are set out in paragraph 19 of Part VI of this document.

The Depositary Interests will be created and issued pursuant to a deed poll entered into by Capita IRG Trustees Limited, which will govern the relationship between Capita IRG Trustees Limited and the holders of DIs. Shareholders who elect to hold their Ordinary Shares in uncertificated form through Depositary Interests will be bound by the terms of the deed poll, the provisions of which are expressed to bind all holders of the Depositary Interests, future and present.

The ISIN number of the Ordinary Shares is NL0000817377.

The Ordinary Shares will be in registered form only. No share certificates will be issued in respect of the Ordinary Shares.

No temporary documents of title will be issued. All documents or remittances sent by or to a Placee, or as they may direct, will be sent through the post at their risk.

### **Taxation**

A general guide to the main UK and Dutch tax consequences that will apply to Shareholders who hold their Ordinary Shares as investments and are UK resident individuals or companies is set out in paragraph 20 of Part VI of this document and your attention is drawn to this section. Persons who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own professional advisers.

### **Additional Information**

Your attention is drawn to the information included in the rest of this document. In particular, you are advised to carefully consider the risk factors contained in Part II of this document.

## **PART II**

### **RISK FACTORS**

**IN ADDITION TO ALL OTHER INFORMATION SET OUT IN THIS DOCUMENT, THE FOLLOWING SPECIFIC RISK FACTORS SHOULD BE CONSIDERED CAREFULLY BY POTENTIAL INVESTORS IN EVALUATING WHETHER TO MAKE AN INVESTMENT IN THE COMPANY. THE INVESTMENT DESCRIBED IN THIS DOCUMENT MAY NOT BE SUITABLE FOR ALL OF ITS RECIPIENTS. BEFORE MAKING A FINAL DECISION, INVESTORS IN ANY DOUBT ARE ADVISED TO CONSULT A PERSON AUTHORISED UNDER FSMA WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES.**

You should carefully consider the risks described below and ensure that you have read this document in its entirety before making a decision to invest in the Company. Prospective investors should be aware that an investment in the Company is speculative and involves a high degree of risk. In addition to the other information contained in this document, the Directors believe that the following risk factors are the most significant for potential investors and should be considered carefully in evaluating whether to make an investment in the Company. If any of the risks described in this document actually occur, the Company may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. The risks listed below are not set out in any particular order of priority.

#### **General**

Whilst the Company intends to apply for the admission of the Enlarged Share Capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges. AIM has been in existence since 1995 but the future success of AIM and liquidity market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid (particularly given the lock-in arrangements described in this document) and therefore the Ordinary Shares may be or may become difficult to sell. An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an independent financial adviser authorised for the purpose of FSMA who specialises in the acquisition of shares and other securities in the UK before making any decision to invest.

#### **Share Price Volatility**

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or other securities related to the industry or in response to various facts and events, including variations in the Company's interim or full year operating results and business developments of the Company and/or competitors. Some of these fluctuations in market price may not necessarily reflect the underlying value of the Company. Potential investors should be aware that the value of shares and the income from them can go down as well as up and investors may therefore not recover their initial investment. Admission of the Ordinary Shares to trading on AIM should not be taken as implying that there will be a liquid market in the ordinary shares. Investment in shares which are traded on AIM may be less realisable and may carry a higher risk than shares quoted on the Official List.

### **Dependence upon key executives and personnel**

The Group relies on the skill and experience of its staff and in particular the Group's future success is substantially dependant upon its senior management. The loss of any member of the Group's senior management could harm or delay the business whilst management time is directed to finding suitable replacements or if no suitable replacement is available to the Group. In either case this could have a material adverse effect on the future of the Group's business, and could negatively affect the price of Ordinary Shares. While the Company has entered into service agreements with each of its executive Directors, the retention of their services cannot be guaranteed.

### **Transition of private company status to public company**

The change from a private company to a public company will require some cultural changes, increased awareness of the requirements of being a public company and a requirement to ensure that staff satisfy a number of new requirements, including the AIM Rules, disclosure and financial reporting requirements and enhanced corporate governance. There can be no assurance that the Group will successfully manage this transition, and its failure to do so could have a material adverse effect on the Group's business, financial condition and/or operating or financial results and could negatively affect the price of Ordinary Shares.

### **Influence of controlling Shareholder**

It is expected that immediately following Admission Weswa B.V. will hold approximately 71.6 per cent. of the Enlarged Share Capital. In order to regulate the relationship with Weswa B.V., the Company has entered into a relationship agreement with Weswa B.V. (the "Relationship Agreement"), further details of which are set out in paragraph 18.1.9 of Part VI of this document.

Notwithstanding the Relationship Agreement, as the largest Shareholder, Weswa B.V. may have the ability to determine the outcome of certain matters requiring the approval of shareholders, including the approval of takeovers, acquisitions, mergers or other transactions. Weswa B.V. is likely to continue to remain a substantial Shareholder able to influence the outcome of any Shareholders' resolution for the foreseeable future. The trading price of Ordinary Shares could be adversely affected if potential new investors are disinclined to invest in the Company because they perceive there to be disadvantages associated with such a large shareholding being concentrated in the hands of a single shareholder or group of connected Shareholders.

Immediately following Admission, Weswa B.V. will hold 112,716,619 Ordinary Shares, representing approximately 71.6 per cent. of the Enlarged Share Capital. These Ordinary Shares will be subject to lock-up arrangements described in further details in paragraph 9 of Part VI. Sales of substantial numbers of Ordinary Shares by Weswa B.V. following the expiration of the lock-up period or sales by other holders of Ordinary Shares could adversely affect the prevailing market price of Ordinary Shares.

### **Competition**

The Company operates in competitive markets and it can be expected that competition will continue and/or increase in the future, both from established competitors and new entrants to the market. The barriers to entry to the markets in which the Group operates are relatively low. Further information on the competition faced by the Group is set out in the section headed "Competition" in Part I of this document.

Competitors may be able to develop products and services that are more attractive to customers than the Group's products and services. In order to be successful in the future Group will need to continue to respond promptly and effectively to the challenges of and, in particular, to changing customer requirements. An inability to devote sufficient resources to the development of its products and services in order to achieve this, the development of more aggressive competition in the market in which the Group operates and/or the introduction of new entrants into those markets, could lead to a material and adverse effect on the Group's business, financial condition and operating results and could negatively affect the price of Ordinary Shares.

In particular the market for financial services in The Netherlands is highly competitive. Many companies compete with the Group's operations in the financial services sector, including other intermediaries, banks,

building societies, other financial institutions and speciality providers. In many cases, the Group's competitors are larger, more diversified, have greater financial resources, capital strength, brand recognition or market share or offer a broader range of products than the Group. A number of these competitors have more established and diversified operations in terms of product range and geographical spread than the Group. The development of more aggressive competition in the financial services markets in which the Group operates and/or the introduction of new entrants into those markets could have an adverse effect on the Group's market share and/or margins for its products in the financial services sector. Any such adverse effect could in turn have a material effect on the Group's business, financial condition and/or operating or financial results and could negatively affect the price of Ordinary Shares.

#### **Ability to win or maintain market share**

The success of the Group to date has depended, to a significant extent, on the growth in the market for its products and services. There are no assurances that the competitiveness of the Company's market share will not improve or that the Group will win any additional market share from its competitors or maintain its existing market share. The Group's competitors may be able to respond to changes in the markets in which it operates and/or changes in client requirements and/or demands. Existing and/or increased competition could adversely affect the Group's market share and materially affect its business, financial condition and operating results. It may be that competitive pressures will intensify and force the Group to reduce the price of its products and services, which could adversely affect its business, financial condition and operating results and could negatively affect the price of Ordinary Shares.

#### **Growth strategy**

There can be no certainty that the Company will be able to implement successfully the strategy set out in this document. There can be no guarantee that the strategy set out in this document will generate commercially realisable revenues and failure to do so could therefore negatively impact the Group's financial and management resources, diverting them away from other issues.

The ability of the Group to implement its strategy in a competitive market requires effective planning and management control systems. The Group's future growth will depend on its ability to expand and improve operational, financial and management information and control systems in line with the Group's growth. Failure to do so could have a material adverse effect on the Group's business, financial condition and operating results and could negatively affect the price of Ordinary Shares.

In the event that the Group acquires further businesses or companies, the Group's ability to manage its growth effectively, including the effective integration into the Group of any businesses or companies acquired by it in the future, is likely to require the Group to take certain steps. These may include improving its operations, financial and management controls, reporting systems and procedures, training motivating and managing its employees and, as required, installing new management information and control systems. There can be no assurance that the Group will be able to successfully integrate further businesses or companies into the Group or implement improvements to its management information and control systems in an efficient and timely manner or that, if implemented, such improvements will be adequate to support the Group's operations. Any inability of the Group to manage the integration of acquired businesses and expansion successfully could have a material adverse effect on its financial condition, results of operations and prospects and could negatively affect the price of Ordinary Shares.

#### **Growth in certain areas of the business could be limited by the balance sheet**

Whilst the Company is receiving the majority of the net proceeds of the Placing, it is possible that, if the Group embarks upon an aggressive growth strategy, the balance sheet will be inadequate to facilitate growth, particularly in relation to any project development opportunities and future acquisition opportunities which might present themselves to the Group. This could have a material adverse effect on the Group's business, financial condition and operating results and could negatively affect the price of Ordinary Shares.

**The middle tier management of the Company is comprised of comparatively recently recruited individuals**

The Company has recently recruited certain of its middle management. This could expose the Group to short term developmental problems or limit the rate of growth.

**The acquisition of the Acadium Bastion Group increases the exposure of the Group to regulatory risks**

The acquisition of the Acadium Bastion Group, which is regulated by the Dutch Financial Services Authority, increases the exposure of the Group to a regulatory regime, in that the provision of financial services requires compliance with a codified regime governing operational practice and financial constraints. After the acquisition of ABG, the provision of financial services constitutes a more material part of the Group's activities.

**Possible downturn in The Netherlands property market and a material adverse change in economic conditions**

The Group's operations are predominately located and associated with The Netherlands residential property sector. Accordingly, the Group's performance may be significantly affected by events beyond its control affecting the general economic conditions in The Netherlands, such as a general downturn in The Netherlands property market or economy, changes in The Netherlands regulatory requirements and applicable laws and The Netherlands interest and inflation rate fluctuations. Within The Netherlands property market, the group operates predominately in the residential property sector. As a result, the performance of the Group is closely linked to events that negatively impact residential property. Real estate in general, including the residential property sector, is prone to significant cyclical fluctuations and sustained downturns, which would reduce the demand for properties, the amount of rental payments received from properties and the value of properties upon sale and, consequently, could have a material adverse impact on the Group's operations and/or financial results and could negatively affect the price of Ordinary Shares.

**Reliance on third parties**

The Group is reliant upon third party service providers for certain aspects of its business, notably in relation to the construction of the development projects and the provision of insurance policies and financial products sold by the financial services division. Any interruption or deterioration in the performance of these third party service providers could impair the timing and quality of the Group's services. In addition, if the contracts with any of these third party service providers are terminated, the Group may not find alternative providers on a timely basis or on equivalent terms. The occurrence of these events could impact upon the Group's reputation and have a material adverse effect on the financial condition or results or operations of the Group and could negatively affect the price of Ordinary Shares.

**Risk on project developments**

There can be no assurance that all or any of the Ongoing Projects (or any development project acquired in the future) will be fully developed in accordance with the Group's current plans or completed on time or to budget. The successful and timely completion of these projects (and any similar projects undertaken in the future) are dependent on, *inter alia*, third party developers over whom the Group has no/little control. Delays in the construction and completion of the projects or other technical difficulties may result in a material adverse effect on the Group's business, financial condition and/or operating or financial results. There can be no guarantee that the further development of such additional assets will be successfully achieved or indeed economically viable at the relevant time.

**Risk on having to purchase unsold developments and inability to sell on**

The Group may be unable to sell the properties it has contracted to sell on behalf of developers and be obliged to purchase unsold properties. Should the Group be required to purchase a significant number of properties this may limit the working capital available to the Group and limit its ability to operate or grow in the future.

## **Financial services laws and regulations**

Changes in financial services laws, regulations and government policies applicable to the Group and its business could have a material adverse effect on the Group's business, financial condition and/or operating or financial results and could negatively affect the price of Ordinary Shares.

The Group's operations in the financial services sector are subject to legislation, regulation and government policies. The AFM has jurisdiction over the Group's operations in the financial services sector, including marketing and selling practices, advertising, authorisation or agents, terms of business and admissible investments.

Financial services laws, regulations and government policies affecting the Group may change and, although the Group monitors developments, it cannot accurately predict the timing or form of any future initiatives or changes.

There have been significant legislative and regulatory changes in recent years to Dutch securities laws, including the entry into force of the Financial Services Act and the Act on Financial Supervision. These changes have each had a significant impact on the provision of financial services and, as a consequence, the Group's business.

Changes in relevant government policy, legislation or regulatory interpretation may materially and adversely affect, among other things, the Group's product range, the scale and pricing of certain product groups, the way products are distributed, and may give rise to increased costs of compliance. The Group will seek to limit the risk in these areas, but there is no assurance that it will be able to do so.

## **Legal compliance**

The Group faces significant risks of regulatory investigations and proceedings and of litigation in connection with, amongst other things, its activities as a financial services provider, employer, investment adviser, securities issuer, investor and taxpayer in the jurisdictions in which it operates. Regulatory and legal actions may be difficult to assess or quantify and may seek recovery of very large indeterminate amounts, which may remain unknown for substantial periods of time. In addition, they could result in adverse publicity for, or negative perceptions regarding, the Group or they could affect its relations with current and potential customers, as well as divert management's attention away from the day-to-day management of the Group's business.

Whilst the Directors believe that the Group's regulated businesses dedicate sufficient resources to its compliance programme, endeavour to respond to regulatory enquiries in an appropriate way and take corrective action when warranted, there can be no assurance that these efforts will eliminate the risk that the relevant authority could find that the Group has failed to comply with applicable regulations or has not undertaken corrective action as required. In that case, regulatory proceedings could result in a public reprimand, substantial monetary fines or other sanctions which could have a material adverse effect on the Group's reputation or its business, financial condition and/or operating or financial results and could negatively affect the price of Ordinary Shares.

## **Laws and regulation**

The Group will be subject to laws in The Netherlands. Existing and future legislation, regulation and actions could cause additional expense, capital expenditure, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. No assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Group's services. Such laws, rules and regulations, current or future, may have a material adverse effect on the Group's business, financial condition and operating results and could negatively affect the price of Ordinary Shares.

## **Compliance with laws covering brokerage services**

The Group provides a intermediary service to prospective tenants looking to rent residential space, matching offer and demand for residential leases through its website and related infrastructure, while also facilitating

the completion of such transactions. In doing so, the Group is subject to Dutch legislation covering the brokerage business, which provides for limitations on a party's ability to charge multiple parties in a transaction. The Directors believe that the Group's business is currently conducted in compliance with such legislation. However, no assurance can be given that the Group has at all times been in full compliance with such legislation. If the Group were to be found to have breached the relevant legislation, this could have a material adverse effect on the Group's reputation and financial position.

## **Other regulatory matters**

### **Compliance with financial services regulations**

Some of the activities performed by the Company's subsidiaries are subject to the provisions of applicable Dutch financial services regulations. Although the Directors believe that the Group is currently in compliance with such regulations, no assurance can be given that no member of the Group could be deemed to have engaged in regulated services without a licence. If such were to be the case, the Dutch financial markets regulator could impose one or more administrative fines and/or injunctions. In addition, the regulator would be likely to publish the fact that it had imposed an administrative fine and/or issues an injunction, specifying the name of the entity found to have breached the law. A breach could lead to criminal prosecution. If any enforcement actions were to occur against a member of the Group, such could adversely affect the reputation of the Group, its business, financial condition and, in turn, future profits.

### **Environmental, health and safety regulations**

The Group's business will be subject to regulations relating to the protection of the environment and health and safety. The Directors believe that the Group is in compliance with all such laws, rules, regulations and policies that will be applicable to the Group. However, there can be no assurance that the Group will not be required to incur significant costs to comply with such environmental and health and safety laws and regulations in the future.

In addition, there is no guarantee that new environmental, health and safety regulations affecting the Group will not be passed in the future. These could negatively impact the Group's business, financial condition and results from operations and could negatively affect the price of Ordinary Shares.

### **Taxation**

The Group is subject to the effect of future changes in tax legislation and practice on its business. Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to Shareholders or negatively alter post tax returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

Certain of the Group's services are subject to VAT. The Directors have applied the VAT rate that they believe to be appropriate in relation to these services. The Group has not been subject to a tax inspection and therefore no assurance can be given that the VAT rates applied will be determined by the relevant tax authorities to be correct. If such a tax authority were to make such a determination, the Group may be subject to a payment in lieu of unpaid tax, fines and penalties.

### **Market growth**

The success of the Group to date has depended, to an extent, on the growth in the market for its products and services. There can be no assurance that such market growth will continue and were market growth not to continue, this would have a material adverse impact on the Group.

### **Intellectual Property**

The intellectual property of the Group may infringe upon intellectual property rights owned by third parties who may challenge the Group's rights. Trademarks owned by the Group may be challenged by third parties and may not be enforceable in certain parts of the world.

### **Technology risks**

The Group's information technology and other business resilience systems are vulnerable to damage or interruption from floods, fires, power loss, telecommunication failures and similar events. These systems may also be subject to sabotage, vandalism and similar misconduct. In particular, the Group's network structure may be adversely compromised by activities such as system intrusions, denial of service attacks, virus spreading and phishing. Such activities can disrupt internet sites and may damage the computer equipment employed by the Group. The same is true of third party service and software providers on which the Group depends.

The Group employs protective systems to ensure the integrity of its data, and the Group's information systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled. However, the Group is dependent on these systems functioning as designed and any weakness or underperformance in the systems or processes or the occurrence of any of the events described above could cause the Group to become subject to a higher number of customer, provider and agent disputes and may increase the Group's litigation and regulatory exposure or require it to incur remediation costs and higher administration costs, which could have a material adverse effect on its reputation, business, financial condition and/or operations or financial results and could negatively affect the price of Ordinary Shares.

### **Additional requirements for cash**

Although the Directors believe that together with the net proceeds of the Placing, the Company has sufficient working capital for its current requirements, it may be necessary for the Company to raise further funds in the future, to, for example, ensure continued planned growth or in order to fund acquisitions. There can be no assurance that additional funds will be available on a timely basis, or on favorable terms, or at all. The Company may raise funds by way of the issue of Ordinary Shares on a non pre-emptive basis which would result in a dilution of the interests of Shareholders at that time of such issue. If the required funds are not available, the Group may have to reduce expenditure on marketing and/or sales initiatives marketing and/or sales initiatives or reduce the scope of its existing or planned operations, financial condition and prospects which could have a material adverse impact on the Group's business, financial condition and prospects and could negatively affect the price of Ordinary Shares.

### **Forward-looking statements**

Certain statements contained in this document may constitute forward-looking statements. Such statements include, amongst other things, statements regarding the Group's or management's beliefs, expectations, estimations, plans, anticipations and similar statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and there can be no assurance that the results and events contemplated by such forward-looking statements will, in fact, occur. The Company and the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, save as required to comply with any legal or regulatory obligations (including the AIM Rules).

### **Dutch law**

The Company is incorporated under Dutch law and therefore the rights and responsibilities of holders of the Ordinary Shares are governed by the Company's Articles and by Dutch law. Shareholders rights and responsibilities may therefore differ from the rights and responsibilities of shareholders under English law or the law of other non-Dutch jurisdictions. Further details on the rights of Shareholders are set out in paragraph 17 of Part VI of this document and further details of certain provisions of Dutch law are set out in Part VII of this document.

### **Currency considerations**

It is expected that all dividends and distributions in respect of the Ordinary Shares will be made in Euros and, as a result, the pound sterling equivalent of any such dividends and distributions will be adversely affected by any reductions in the value of the euro against the pound sterling.

### **Uncertainty with respect to insurance policies with an investment character**

Recently, there has been wide spread publicity in The Netherlands surrounding the marketing and execution of insurance products that include an investment component (so called “investment insurance policies”). Allegedly, policyholders have not always been properly informed about the characteristics of the relevant products and the manner in which expenses are charged for the account of policyholders. Acadium Bastion B.V. and Direct Verzekeren B.V., a member of the Group, provides insurance brokerage services with respect to, *inter alia*, investment insurance policies. Recently, Acadium Bastion B.V. received a small number of consumer complaints relating to investment insurance policies. The Directors believe that the Group is in compliance with applicable law and its contractual commitments in this respect. However, no assurance can be given that the Group will not face further challenges in the future or that the Group will ultimately prevail in each such challenge.

### **Recent Restructuring**

Shortly following the incorporation (by Weswa B.V.) of the Company (as the holding company for the Group), Weswa B.V. and the Company entered into an agreement pursuant to which certain subsidiaries of Weswa B.V. were sold and transferred to the Company. Dutch law requires the issuance of an auditor’s statement in connection with transactions entered into between a company and a shareholder within the first two years following such company’s first registration with the trade register. The auditor must certify that the consideration paid by the Company does not exceed the value of the assets acquired by the Company in the relevant transaction. Until the auditor’s statement has been obtained, the transaction can be nullified by or on behalf of the Company. As part of the transaction entered into between the Company and Weswa B.V., it was agreed that the final purchase price to be paid by the Company will be established after Admission, in order to reflect the value attributed by the public to these subsidiaries now that the relevant subsidiaries are part of the Company’s group. As a result, the auditor’s statement can only be acquired after Admission. The initial purchase price that has been paid by the Company amounts to EUR 240,000,000, of which EUR 48,000,000 was paid up in the form of share premium and of which the remaining amount of EUR 192,000,000 is owed to another entity which now forms part of the Group. This purchase price shall be adjusted shortly following Admission. Weswa B.V. has waived its rights to demand payment from the Company in case adjustment will result in a higher purchase price. In case the adjustment of the purchase price will result in a lower purchase price, Weswa B.V. will have to repay the Company a certain amount. The agreements between Weswa B.V. and the Company provide that, in such case, Weswa shall either pay an amount in cash to the Company, or assume indebtedness to the Company for such amount. As a result, if the valuation following Admission of the Group were to be below EUR 240,000,000, Weswa B.V. may owe certain debt to the Company, the credit risk of which shall be borne by the Company and which may complicate the issuance of the required auditor’s statement. As such, no assurance can be given as to the certainty of issuance of the auditor’s statement post Admission. Prior to the issue of the auditor’s statement the Company has the option to rescind the agreement. The Directors have confirmed that they will not take steps to do so. In addition, the approval of the agreement was based on a shareholder’s resolution, which itself was conditional on obtaining the auditor’s statement. Weswa (as the Company’s sole shareholder pre Admission) has confirmed that it will not take any action in relation to the conditionality of this approval.

**Although the Directors will seek to minimise the impact of the risk factors, investment in the Company should only be made by investors able to sustain a total loss of the investment. Investors are strongly recommended to consult an investment adviser authorised under FSMA (who specialises in investments of this nature) before making a decision to invest.**

## PART III

### FINANCIAL INFORMATION ON THE COMPANY

#### Section A – Accountant’s report on Direct Wonen NV



BDO Stoy Hayward LLP  
Chartered Accountants

BDO Stoy Hayward LLP  
8 Baker Street  
London  
W1U 3LL

The Directors  
Direct Wonen NV  
Binckhorstlaan 340  
2516 BL  
The Hague  
The Netherlands

25 April 2007

The Directors  
Collins Stewart Europe Limited  
9th Floor  
88 Wood Street  
London  
EC2V 7QR

Dear Sirs

**Direct Wonen NV (the “Company”) and its subsidiary undertakings (together, the “Group”)**

#### **Introduction**

We report on the financial information set out in Section B of Part III. This financial information has been prepared for inclusion in the admission document dated 25 April 2007 of Direct Wonen NV (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

As described in Section B of Part III, the directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates

and judgements made by those responsible for the preparation of the financial 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.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its consolidated profits, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**BDO Stoy Hayward LLP**

*Chartered Accountants*

## Section B – Financial information on Direct Wonen NV

### Responsibility

The Directors are responsible for the financial information set out below on the Group on the basis of preparation set out in note 1 to the financial information.

### Consolidated income statements

|                               |             | <i>Year ended</i><br><i>31 December</i><br><i>2004</i> | <i>Year ended</i><br><i>31 December</i><br><i>2005</i> | <i>Year ended</i><br><i>31 December</i><br><i>2006</i> |
|-------------------------------|-------------|--|--|--|
|                               | <i>Note</i> | <i>€'000</i>   | <i>€'000</i>   | <i>€'000</i>   |
| <b>Revenue</b>                | 3           | 11,883   | 11,773   | 29,427   |
| Cost of sales                 | 3           | (2,623)  | (522)  | (4,951)  |
| <b>Gross profit</b>           |             | <u>9,260</u>   | <u>11,251</u>  | <u>24,476</u>  |
| Administrative expenses       |             | (6,387)  | (7,696)  | (13,270)   |
| <b>Profit from operations</b> | 4           | <u>2,873</u>   | <u>3,555</u>   | <u>11,206</u>  |
| Finance income                | 6           | 9  | –  | 740  |
| Finance costs                 | 7           | –  | (87)   | (1,761)  |
| <b>Profit before tax</b>      |             | <u>2,882</u>   | <u>3,468</u>   | <u>10,185</u>  |
| Tax expense                   | 8           | (958)  | (1,073)  | (2,993)  |
| <b>Profit for the year</b>    |             | <u><u>1,924</u></u>                                    | <u><u>2,395</u></u>                                    | <u><u>7,192</u></u>                                    |

## Consolidated balance sheets

|   |             | <i>As at</i><br><i>31 December</i><br><i>2004</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2005</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2006</i><br>€'000 |
|---|-------------|--|--|--|
|   | <i>Note</i> |  |  |  |
| <b>ASSETS</b>   |             |  |  |  |
| <b>Non-current assets</b>   |             |  |  |  |
| Intangible assets   | 10          | –  | –  | 13,885   |
| Property, plant and equipment   | 12          | 951  | 823  | 1,835  |
|   |             | <u>951</u>   | <u>823</u>   | <u>15,720</u>  |
| <b>Current assets</b>   |             |  |  |  |
| Inventories and work in progress  | 14          | 2,144  | 1,561  | 2,046  |
| Trade and other receivables   | 15          | 293  | 1,045  | 6,112  |
| Related company balances  | 28          | 1,232  | 858  | 2,217  |
| Other current assets  | 16          | 320  | 3,151  | 12,855   |
| Cash and cash equivalents   |             | 893  | 1,227  | 15,275   |
| Total current assets  |             | <u>4,882</u>   | <u>7,842</u>   | <u>38,505</u>  |
| <b>TOTAL ASSETS</b>   |             | <u>5,833</u>   | <u>8,665</u>   | <u>54,225</u>  |
| <b>Capital and reserves attributable to equity holders of the Company</b> |             |  |  |  |
| Share capital   | 17          | 45   | 45   | 45   |
| Capital contribution  | 18          | 48,000   | 48,000   | 48,000   |
| Merger reserve  | 19          | (221,420)  | (221,220)  | (221,220)  |
| Retained earnings   | 20          | 2,116  | 3,256  | 10,448   |
| <b>TOTAL EQUITY</b>   |             | <u>(171,259)</u>   | <u>(169,919)</u>   | <u>(162,727)</u>   |
| <b>LIABILITIES</b>  |             |  |  |  |
| <b>Current liabilities</b>  |             |  |  |  |
| Financial current liabilities   | 22          | –  | 439  | 41   |
| Trade and other payables  | 23          | 367  | 643  | 8,218  |
| Other current liabilities   | 23          | 2,489  | 1,017  | 2,417  |
| Related company balances  | 28          | 173,511  | 173,511  | 193,949  |
| Current tax liabilities   |             | 267  | 1,582  | 1,363  |
| Total current liabilities   |             | <u>176,634</u>   | <u>177,192</u>   | <u>205,988</u>   |
| <b>Non-current liabilities</b>  |             |  |  |  |
| Financial liabilities   | 22          | –  | 941  | 2,183  |
| Provisions  | 24          | 336  | 356  | 7,723  |
| Deferred tax liability  | 25          | 122  | 95   | 1,058  |
| Total non-current liabilities   |             | <u>458</u>   | <u>1,392</u>   | <u>10,964</u>  |
| <b>Total liabilities</b>  |             | <u>177,092</u>   | <u>178,584</u>   | <u>216,952</u>   |
| <b>TOTAL NET LIABILITIES</b>  |             | <u>(171,259)</u>   | <u>(169,919)</u>   | <u>(162,727)</u>   |

## Consolidated statements of changes in equity

|                                    |             | <i>Share<br/>capital</i> | <i>Capital<br/>contribution</i> | <i>Merger<br/>reserve</i> | <i>Retained<br/>earnings</i> | <i>Attributable<br/>to equity<br/>holders</i> |
|------------------------------------|-------------|--------------------------|---------------------------------|---------------------------|------------------------------|---|
|                                    | <i>Note</i> | €'000                    | €'000                           | €'000                     | €'000                        | €'000   |
| <b>Balance at 1 January 2004</b>   |             | 45                       | –                               | –                         | 1,507                        | 1,552   |
| Merger reserve                     | 19          | –                        | –                               | (221,420)                 | –                            | (221,420)                                     |
| Capital contribution               | 18          | –                        | 48,000                          | –                         | –                            | 48,000  |
| Profit for the year                |             | –                        | –                               | –                         | 1,924                        | 1,924   |
| Dividends paid                     | 21          | –                        | –                               | –                         | (1,315)                      | (1,315)                                       |
| <b>Balance at 31 December 2004</b> |             | 45                       | 48,000                          | (221,420)                 | 2,116                        | (171,259)                                     |
| Profit for the year                |             | –                        | –                               | –                         | 2,395                        | 2,395   |
| Dividends paid                     | 21          | –                        | –                               | –                         | (1,255)                      | (1,255)                                       |
| Share option exercised             |             | –                        | –                               | 200                       | –                            | 200   |
| <b>Balance at 31 December 2005</b> |             | 45                       | 48,000                          | (221,220)                 | 3,256                        | (169,919)                                     |
| Profit for the year                |             | –                        | –                               | –                         | 7,192                        | 7,192   |
| <b>Balance at 31 December 2006</b> |             | 45                       | 48,000                          | (221,220)                 | 10,448                       | (162,727)                                     |

## Consolidated statements of cash flows

|   |             | <i>Year ended</i><br><i>31 December</i><br>2004 | <i>Year ended</i><br><i>31 December</i><br>2005 | <i>Year ended</i><br><i>31 December</i><br>2006 |
|---|-------------|---|---|---|
|   | <i>Note</i> | €'000   | €'000   | €'000   |
| <b>OPERATING ACTIVITIES</b>                             |             |   |   |   |
| Profit before tax                                       |             | 2,882   | 3,468   | 10,185  |
| <b>Adjustments for</b>                                  |             |   |   |   |
| Depreciation  | 12          | 346   | 391   | 393   |
| Finance income  | 6           | (9)   | –   | (740)   |
| Finance costs   | 7           | –   | 87  | 1,761   |
|   |             | <u>3,219</u>                                    | <u>3,946</u>                                    | <u>11,599</u>                                   |
| Decrease/(increase) in inventories                      | 14          | 367   | 583   | (485)   |
| Increase in trade and other receivables                 |             | (989)   | (3,208)   | (9,407)   |
| (Decrease)/increase in trade and other payables         |             | (716)   | 558   | 18,467  |
| Increase in provisions                                  |             | 266   | 20  | (478)   |
|   |             | <u>2,147</u>                                    | <u>1,899</u>                                    | <u>19,696</u>                                   |
| Taxation paid   |             | (920)   | (1,100)   | (2,935)   |
| <b>Net cash from operating activities</b>               |             | <u>1,227</u>                                    | <u>799</u>                                      | <u>16,761</u>                                   |
| <b>INVESTING ACTIVITIES</b>                             |             |   |   |   |
| Acquisition of subsidiaries, net of cash acquired       |             | –   | –   | (4,094)   |
| Purchases of property, plant and equipment              |             | (346)   | (263)   | (504)   |
| Interest received                                       |             | 9   | –   | 740   |
| <b>Cash used in investing activities</b>                |             | <u>(337)</u>                                    | <u>(263)</u>                                    | <u>(3,858)</u>                                  |
| <b>FINANCING ACTIVITIES</b>                             |             |   |   |   |
| Issue of ordinary shares                                |             | –   | 200   | –   |
| Bank borrowing advances                                 |             | –   | 1,379   | 2,080   |
| Bank borrowing repayments                               |             | –   | (439)   | (838)   |
| Interest paid   |             | –   | (87)  | (97)  |
| Dividends paid  |             | (1,315)   | (1,255)   | –   |
| <b>Net cash (used in)/from financing activities</b>     |             | <u>(1,315)</u>                                  | <u>(202)</u>                                    | <u>1,145</u>                                    |
| (Decrease)/increase in cash and cash equivalents        |             | <u>(425)</u>                                    | <u>334</u>                                      | <u>14,048</u>                                   |
| Cash and cash equivalents at the beginning of the year  |             | <u>1,318</u>                                    | <u>893</u>                                      | <u>1,227</u>                                    |
| <b>Cash and cash equivalents at the end of the year</b> |             | <u>893</u>                                      | <u>1,227</u>                                    | <u>15,275</u>                                   |

## Notes to the consolidated financial information

### 1 Accounting policies

The consolidated financial information presented is that of Direct Wonen NV (the “Company”) and its subsidiaries (the “Group”). The consolidated financial information comprises the following: consolidated income statements, consolidated statements of changes in equity, consolidated balance sheets, consolidated statements of cash flows and the associated notes. The following principal accounting policies have been applied in the preparation of the financial information:

#### *Basis of preparation*

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board as endorsed by the European Union. The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial instruments to fair value through the income statement.

#### *Basis of consolidation*

Subsidiaries are companies controlled, directly or indirectly by the Group. Control exists where the Group has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Except as noted below, subsidiaries are consolidated from the date of acquisition (i.e. the date on which control of the subsidiary effectively commences) to the date of disposal (i.e. the date on which control over the subsidiary effectively ceases).

Except as noted below the financial statements of subsidiaries are included in the consolidated financial information using the acquisition method of accounting. On the date of acquisition the assets and liabilities of the relevant subsidiaries are measured at their fair values.

#### *Accounting for the group restructuring*

On 9 November 2006 as part of a restructuring exercise initiated by the Company’s parent company Weswa BV, the Company acquired from Weswa BV, a number of subsidiary companies.

Accounting for the Company’s acquisition of the controlling interest in these entities is as follows:

The Company’s controlling interest in its directly held wholly owned subsidiaries were acquired through a transaction under common control as defined in IFRS 3, Business Combinations. The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IFRS contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This requires, *inter alia*, that where IFRS does not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the United Kingdom Accounting Standards Board has issued an accounting standard covering business combinations (FRS 6) that is similar in a number of respects to IFRS 3 and specifically addresses the accounting for group restructuring.

Having considered the requirements of IAS 8 and the guidance included within FRS 6, it is considered appropriate to use merger accounting to reflect the Group restructuring, except for the acquisition of the Acadium Bastion Group (as defined below).

In consequence, the consolidated financial information for the Company reports the result of operations for the period as though the acquisition of its controlling interest in all its subsidiaries, except for the Acadium Bastion Group, had occurred on 1 January 2004. The effects of intercompany transactions have been eliminated in determining the results of operations for the period prior to the

acquisition of the controlling interest, meaning that those results are on substantially the same basis as the results of operations for the period after the acquisition of the controlling interest.

Similarly the consolidated balance sheet and other financial information have been presented as through the assets and liabilities of the combining entities had been transferred on 1 January 2004.

*Accounting for the acquisition of the Acadium Bastion Group:*

On 1 September 2006, Acadium Bastion Groep BV, its subsidiaries and FlexGarant Assuradeuren BV (together the “Acadium Bastion Group”) were acquired by Weswa BV. On 9 November 2006, the Company acquired the Acadium Bastion Group as part of the group restructuring. The Company has accounted for this acquisition by applying the purchase method and has recognised the assets and liabilities at their fair values at the acquisition date. In accordance with IFRS 3, a business combination is recognized when an entity obtains control. Control is assumed to be in existence when the parent owns more than half of the voting power of an entity (IAS 27). Based on this, the Company had control over the Acadium Bastion Group on 1 September 2006 and its results are consolidated from that date.

*Changes in accounting policies - future accounting periods*

*Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted, as follows:

- IAS 19 (Amendment), Employee Benefits. This is not relevant to the Group’s current operations.
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions. This is not relevant to the Group’s current operations.
- IAS 39 (Amendment) The Fair Value Option. This amendment changes the identification of financial instruments classified at fair value through the profit and loss account and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of the financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning on or after 1 January 2007.
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts. This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant to the Group.
- IFRS 7, Financial Instruments: disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures. IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity

analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual period beginning 1 January 2007.

- IFRIC 4, Determining whether an Arrangement contains a Lease. IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Group's operations.
- IFRS 8 Operating Segments. This standard is effective for accounting periods beginning on or after 1 January 2009 but is not yet endorsed by the EU. It will replace IAS 14 and will impact on the disclosure of financial information only. The first comparative disclosures will be required for the 2008 financial year.
- IFRIC 7 Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies. This becomes effective for accounting periods beginning on or before 1 March 2006 and requires the restatement of accounts in terms of a measuring unit at balance sheet date. It is unlikely to have any impact on the Group.
- IFRIC 8 Scope of IFRS 2 Share based payment. This becomes effective for accounting periods beginning on or before 1 May 2006 and applies where not all goods/services received by the Group relating to share based transactions can be identified. It requires that measurement in such circumstances is the difference between the fair value of the equity instruments granted over the identifiable consideration received. Upon measurement, the accounting follows the existing IFRS2. Should the Group undertake share based payment transactions this may impact on the charge against income and any balance in equity.
- IFRIC 9 Reassessment of embedded derivatives. This becomes effective for accounting periods beginning on or before 1 June 2006 and allows that no reassessment is required unless the contract and/or the cash flows change. It is not considered to have significant impact on the Group.
- IFRIC 10 Interim Financial Reporting and Impairment. This becomes effective for accounting periods beginning on or before 1 November 2006, but is not yet endorsed by the EU. It requires that impairments recognised in Interim Accounts cannot be reversed in the Final Accounts. It will only affect financial accounts where an Interim impairment has been reversed by the end of an entity's year end.
- IFRIC 11 & IFRS 2 - Group and Treasury Share Transactions. This becomes effective for accounting periods beginning on or before 1 March 2006, but is not yet endorsed by the EU. It defines certain transactions as "equity settled" or "cash settled". As noted above for IFRC8, should the Group undertake share based payment transactions this may impact on the charge against income and any balance in equity.
- IFRIC 12 Service concession arrangements. This becomes effective for accounting periods beginning on or before 1 January 2008, but is not yet endorsed by the EU. It concerns Public Finance Initiative arrangements and is not considered to be relevant to the Group.

#### *Revenue*

Revenue, which arises in The Netherlands, comprises commissions from the provision of letting services, commissions on the sale of new build residential and commercial properties, commissions on the sale and administration of 'Golden Handshake' annuity contracts, pension products and mortgages and income from the sale of new residential and commercial properties.

- Lettings. Lettings income mainly relates to revenue from mediation services between landlords and tenants. Revenue consists of a commission fee which is recognised at the completion of the mediation.
- New build sales. Commission revenues are recognised in the period the contracts between consumers and developers are realised. Sales revenue from property acquired and subsequently disposed of by the Group is recognised at the signing of the contracts. Income generated from the sale of new properties is recognised at the date of issue of the notarial deed.
- Financial services. Revenue from ‘Golden handshake’ annuity contracts, pension products and mortgages are recognised in the accounting periods in which the services are rendered. The services are rendered on the specific date the service contract is signed by the customer.

All other revenue is recognised on an accrual basis.

#### *Finance expense*

The Group does not incur any interest costs that qualify for capitalisation under IAS 23 ‘Borrowing costs’. Therefore all borrowing costs are expensed in the period incurred.

#### *Dividends*

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends this is when approved at the Annual General Meeting.

#### *Segmental information*

A business segment is a distinguishable component of the Group that is engaged in providing an individual product, service, a group of related products or services that is subject to risks and returns that are different from those of other business segments. The Company recognises three business segments based on the products, environment and risks:

- Commissions from lettings (lettings and property management)
- Commissions earned and proceeds from the sale of new properties (as an agent or principal)
- Financial services (insurance and mortgage commissions) which contains the results of the Acadium Bastion Group from 1 September 2006.

#### *Employee benefits*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### *Leased assets*

The Group has engaged in lease contracts where substantially all of the risks and rewards incidental to ownership are retained by the lessor (operating leases). The total rents payable under the lease are charged to the income statement on a straight-line basis over the lease term.

#### *Income tax*

The major components of income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowed for tax purposes and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also recognised in equity.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profits will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### *Intangible fixed assets*

##### *Goodwill*

Goodwill represents the excess of the costs of a business combination over the interest in the fair value of the net identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of the consideration paid, the excess is credited in full to the income statement.

##### *Impairment of goodwill*

Impairment tests on goodwill with an indefinite useful life is undertaken annually at 31 December. Goodwill is subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of the value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets in each cash generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, giving rise to the goodwill.

Impairment charges are included in the administrative expenses line in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

#### *Property, plant and equipment - owned assets*

All property, plant and equipment is initially recognised at cost. All property, plant and equipment is stated at historical cost less depreciation. Freehold land is not depreciated.

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all property, plant and equipment over their expected useful economic lives. It is calculated at the following rates:

- Land and buildings 5 – 10% per annum
- Fixture, fittings and equipment 10 – 25% per annum
- Motor vehicles 25% per annum
- Computer Equipment 33.3% per annum

#### *Inventories and work in progress*

Inventories consist of residential buildings which have been purchased and are available for sale. These inventories are stated at the lower of cost and net realisable value. Work in progress is recognised for the direct cost and related costs. Interest costs are included in work in progress if there is a specific project financing plan and the related interest charges can be directly attributed to work in progress.

#### *Financial assets*

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Interest-bearing loans are recognised initially at fair value net of transaction costs. After initial recognition, the loans are measured at amortised cost. Recognition and de-recognition of these financial instruments is accounted for on the date of settlement of the instrument. Other financial assets are stated at cost, less an appropriate provision for probable bad debts.

The Group recognises the commissions due from the property development contracts as a receivable when the customer signs the contract. The receivable is stated at nominal value.

Cash and cash equivalents are non-derivative monetary assets available to the Group, unless otherwise stated. Cash and cash equivalents comprise short term bank deposits.

Financial derivatives held for sale are initially recognised at cost. After initial recognition the derivatives are revalued at each balance sheet date to book value by calculating the book value and discounting it for the future interest returns to effective market interest rates. Valuation changes are charged or credited directly to the income statement.

### *Financial liabilities*

The Group classifies its financial liabilities into one of the following categories depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Trade payables and other short-term monetary liabilities are recognised at amortised cost.

Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupons payable while the liability is outstanding.

Provisions and accruals are estimates of future payables and liabilities held at cost or discounted value.

### *Provisions*

A provision is recognised in the balance sheet when the Group has a present, legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

## **2 Critical accounting judgements and estimates**

The preparation of the Group's financial information under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the financial information.

### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Further details of impairment reviews are set out in note 10.

### *Provisions and other contingencies*

The commission clawback provision is calculated using a model that has been developed over several years. The model is based on historical information collating clawback data in quarterly periods. The Directors use this data, together with latest market trends, to make a judgement as to the future clawback rates to be applied.

When evaluating the impact of potential liabilities arising from claims against the Group, the Directors take professional advice to assist them in arriving at their estimation of the liability taking into account the probability of the success of any claims.

### 3

#### Business segments

The Group is divided into several business segments: lettings, new build sales and financial services. Information about the business segments is outlined below.

|  | Lettings      |               |               | New build sales |               |               | Financial services |               |               | Other         |               |               | Consolidated  |               |               |
|--|---------------|---------------|---------------|-----------------|---------------|---------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2004<br>€'000 | 2005<br>€'000 | 2006<br>€'000 | 2004<br>€'000   | 2005<br>€'000 | 2006<br>€'000 | 2004<br>€'000      | 2005<br>€'000 | 2006<br>€'000 | 2004<br>€'000 | 2005<br>€'000 | 2006<br>€'000 | 2004<br>€'000 | 2005<br>€'000 | 2006<br>€'000 |
| <b>Revenue - external sales</b>                              |               |               |               |                 |               |               |                    |               |               |               |               |               |               |               |               |
| Commission revenues  | 8,201         | 9,119         | 10,081        | 180             | 1,734         | 7,801         | 46                 | 315           | 5,975         | -             | -             | 8,427         | 11,168        | 23,857        |               |
| Cost of sales  | -             | -             | -             | -               | -             | -             | -                  | -             | (243)         | -             | -             | -             | -             | (243)         |               |
| Sale of properties   | 8,201         | 9,119         | 10,081        | 180             | 1,734         | 7,801         | 46                 | 315           | 5,732         | -             | -             | 8,427         | 11,168        | 23,614        |               |
| Cost of sales  | -             | -             | -             | 3,456           | 605           | 5,570         | -                  | -             | -             | -             | -             | 3,456         | 605           | 5,570         |               |
|  | -             | -             | -             | (2,623)         | (522)         | (4,708)       | -                  | -             | -             | -             | -             | (2,623)       | (522)         | (4,708)       |               |
|  | -             | -             | -             | 833             | 83            | 862           | -                  | -             | -             | -             | -             | 833           | 83            | 862           |               |
| <b>Gross profit</b>  | 8,201         | 9,119         | 10,081        | 1,013           | 1,817         | 8,663         | 46                 | 315           | 5,732         | -             | -             | 9,260         | 11,251        | 24,476        |               |
| <b>Balance sheet</b>   |               |               |               |                 |               |               |                    |               |               |               |               |               |               |               |               |
| Assets   | 2,087         | 2,292         | 2,870         | 2,196           | 4,499         | 10,908        | (2)                | 23            | 32,544        | 1,552         | 1,851         | 7,903         | 8,665         | 54,225        |               |
| Liabilities  | (688)         | (851)         | (1,524)       | (12)            | (1,472)       | (2,876)       | (3)                | (57)          | (13,765)      | (176,389)     | (176,204)     | (198,787)     | (178,584)     | (216,952)     |               |
| <b>Net assets/(liabilities)</b>                              | 1,399         | 1,441         | 1,346         | 2,184           | 3,027         | 8,032         | (5)                | (34)          | 18,779        | (174,837)     | (174,353)     | (190,884)     | (169,919)     | (162,727)     |               |
| <b>Other</b>   |               |               |               |                 |               |               |                    |               |               |               |               |               |               |               |               |
| Capital expenditure  | -             | -             | -             | -               | -             | -             | -                  | -             | 1,035         | 315           | 263           | 358           | 263           | 1,393         |               |
| Depreciation,<br>amortisation and other<br>non cash expenses | (346)         | (378)         | (175)         | -               | (6)           | (9)           | -                  | (7)           | (197)         | -             | -             | (346)         | (391)         | (381)         |               |

#### 4 Profit from operations

This has been arrived at after charging:

|  | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|--|--|--|--|
| Staff costs  | 2,877  | 3,329  | 6,310  |
| Depreciation of tangible assets                          | 346  | 391  | 393  |
| Audit fees   | 14   | 17   | 45   |
| Fees paid to the Group's auditors for non-audit services | –  | –  | 25   |
|  | <u>          </u>                                    | <u>          </u>                                    | <u>          </u>                                    |

#### 5 Staff costs

|  | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|--|--|--|--|
| <i>Staff costs (including directors) comprise:</i> |  |  |  |
| Wages and salaries                                 | 2,542  | 2,852  | 5,577  |
| Pensions   | –  | –  | 160  |
| Social securities                                  | 335  | 477  | 573  |
|  | <u>          </u>                                    | <u>          </u>                                    | <u>          </u>                                    |
|  | 2,877  | 3,329  | 6,310  |

The Group offers a defined contribution pension scheme to which all employees can contribute. All of the contributions above are made by the employer and are based on its salaries and wages scheme.

There are no directors who are members of a company pension scheme.

The average number of full time equivalent employees of the Company during 2006 including executive directors was 196 (2005:171; 2004:153)

#### 6 Finance income

|                          | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|--------------------------|--|--|--|
| Bank interest receivable | 9  | –  | 740  |
|                          | <u>          </u>                                    | <u>          </u>                                    | <u>          </u>                                    |

#### 7 Finance costs

|   | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|---|--|--|--|
| Bank interest payable   | –  | 87   | 97   |
| Interest payable to Weswa BV due to the group restructure (Note 30) | –  | –  | 1,664  |
|   | <u>          </u>                                    | <u>          </u>                                    | <u>          </u>                                    |
|   | –  | 87   | 1,761  |

## 8 Tax expense

|                            | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|----------------------------|--|--|--|
| Current tax expense        | 920  | 1,101  | 3,087  |
| Deferred tax for the year: |  |  |  |
| • changes in tax rate      | 38   | (28)   | (27)   |
| • financial instruments    | –  | –  | (29)   |
| • revenue recognition      | –  | –  | (38)   |
|                            | <u>958</u>   | <u>1,073</u>   | <u>2,993</u>   |

The tax expense for the year can be reconciled to the profit in the income statement as follows:

|  |            |              |              |
|--|------------|--------------|--------------|
| Profit before tax  | 2,882      | 3,468        | 10,185       |
| Tax calculated at domestic tax rate (2004: 34.5%,<br>2005: 31.5%, 2006: 29.6%) | 994        | 1,092        | 3,015        |
| Correction different tax rates   | (36)       | (19)         | (22)         |
| Income tax expense   | <u>958</u> | <u>1,073</u> | <u>2,993</u> |

Deferred tax charges relate to the differences in accounting treatment under IFRS as opposed to the tax accounting treatment applied due to Dutch tax laws.

## 9 Earnings per share

From continuing operations

|  | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|--|--|--|--|
| <i>Numerator</i>   |  |  |  |
| Earnings used for calculation of basic EPS (€)               | <u>1,924,000</u>                                     | <u>2,395,000</u>                                     | <u>7,192,000</u>                                     |
| <i>Denominator</i>   |  |  |  |
| Weighted average number of shares used<br>in basic EPS (No.) | <u>225,000</u>                                       | <u>225,000</u>                                       | <u>225,000</u>                                       |
| <i>Earnings per share</i>                                    |  |  |  |
| Basic (€)  | <u>8.55</u>  | <u>10.64</u>   | <u>31.96</u>   |

## 10 Intangible assets

The goodwill arose on the acquisition of the Acadium Bastion Group and Value Marketing Services BV.

|   |               |
|---|---------------|
|   | €'000         |
| <i>Cost</i>                               |               |
| At 1 January 2006                         | –             |
| Recognised on acquisition of subsidiaries | 13,885        |
| At 31 December 2006                       | <u>13,885</u> |

Goodwill acquired in a business combination is allocated, at acquisition, to cash generating units (CGUs) that are expected to benefit from that business combination.

The carrying amount of goodwill for Value Marketing Services BV is insignificant in comparison to the total amount of goodwill recognised. The carrying value of goodwill has therefore been allocated to the Acadium Bastion Group.

Goodwill is tested annually for impairment for each cash generating unit. The recoverable amount of a cash generating unit is based on value-in-use calculations. These calculations are pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The grow rate does not exceed the long-term average growth rate for the business in which the cash generating unit operates.

The Directors have adopted a growth percentage of 0 per cent. for the coming 5 years and a discount rate of 4 per cent. which approximate the long term interest-rate within the European Union.

## 11 Acquisitions

On 1 September 2006 the Group acquired 100 per cent. of the voting equity instruments of the Acadium Bastion Group for a cash consideration (including costs) of €18.5m. The Acadium Bastion Group's principal activity is intermediary providers of financial services products in The Netherlands. This transaction has been accounted for by the acquisition method of accounting, as set out in the accounting policies.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

### Book value of assets acquired

|  |               |
|--|---------------|
|  | €'000         |
| Property, plant and equipment                  | 934           |
| Receivables                                    | 6,728         |
| Cash and cash equivalents                      | 14,439        |
| Payables                                       | (8,698)       |
| Provisions                                     | (7,845)       |
| Deferred tax liability                         | (905)         |
|  | <u>4,653</u>  |
| <b>Consideration paid</b>                      | <u>18,483</u> |
| <b>Goodwill</b>                                | <u>13,830</u> |
| <b>Net cash outflow arising on acquisition</b> |               |
| Cash consideration                             | 18,483        |
| Cash and cash equivalents acquired             | (14,439)      |
|  | <u>4,044</u>  |

The Group also acquired Value Marketing Services BV on 21 June 2006 for a cash consideration of €125,000 which gave rise to goodwill of €55,000.

The book values of derivatives, receivables, payables and bank loan were considered to be the fair values at the acquisition date.

The main factor leading to the recognition of goodwill is that the acquisition of the Acadium Bastion Group will increase profitability through its trading performance and creation of back office and lead generation synergies.

Since the acquisition date, the Acadium Bastion Group has generated €2,072,000 in Group profit. If the acquisition had occurred on 1 January 2006, Group turnover would have been €36,992,000 and Group profit for the period would have been €8,926,000.

## 12 Property, plant and equipment

|  | <i>Land and<br/>buildings</i> | <i>Plant,<br/>and motor<br/>vehicles</i> | <i>Fixtures<br/>and fittings</i> | <i>Computer<br/>equipment</i> | <i>Total</i> |
|--|-------------------------------|--|----------------------------------|-------------------------------|--------------|
|  | €'000                         | €'000                                    | €'000                            | €'000                         | €'000        |
| <b>Cost</b>                            |                               |  |                                  |                               |              |
| At 1 January 2004                      | 1,086                         | 12                                       | 663                              | 510                           | 2,271        |
| Additions                              | 88                            | –  | 69                               | 158                           | 315          |
| At 31 December 2004                    | 1,174                         | 12                                       | 732                              | 668                           | 2,586        |
| Additions                              | –                             | 24                                       | 126                              | 113                           | 263          |
| At 31 December 2005                    | 1,174                         | 36                                       | 858                              | 781                           | 2,849        |
| Additions                              | 174                           | –  | 158                              | 172                           | 504          |
| Acquired through business combinations | 324                           | 160                                      | 323                              | 127                           | 934          |
| Disposal of assets                     | –                             | (3)                                      | (30)                             | –                             | (33)         |
| At 31 December 2006                    | 1,672                         | 193                                      | 1,309                            | 1,080                         | 4,254        |
| <b>Depreciation</b>                    |                               |  |                                  |                               |              |
| At 1 January 2004                      | (517)                         | (5)                                      | (377)                            | (390)                         | (1,289)      |
| Charge for the year                    | (129)                         | (3)                                      | (109)                            | (105)                         | (346)        |
| At 31 December 2004                    | (646)                         | (8)                                      | (486)                            | (495)                         | (1,635)      |
| Charge for the year                    | (124)                         | (19)                                     | (132)                            | (116)                         | (391)        |
| At 31 December 2005                    | (770)                         | (27)                                     | (618)                            | (611)                         | (2,026)      |
| Charge for the year                    | (131)                         | (6)                                      | (137)                            | (119)                         | (393)        |
| At 31 December 2006                    | (901)                         | (33)                                     | (755)                            | (730)                         | (2,419)      |
| <b>Net book value</b>                  |                               |  |                                  |                               |              |
| At 31 December 2006                    | 771                           | 160                                      | 554                              | 350                           | 1,835        |
| At 31 December 2005                    | 404                           | 9  | 240                              | 170                           | 823          |
| At 31 December 2004                    | 528                           | 4  | 246                              | 173                           | 951          |

### 13 Subsidiaries

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information are as follows:

- FlexGarant Assurendeuren BV
- Acadium Bastion Groep BV
- Acadium Bastion BV
- 1002 Steentjes BV
- 1001 Steentjes BV
- Direct Verzekeren BV
- R&Y Goed Beheer BV
- Direct Wonen Nieuwbouw Makelaars BV
- Direct Wonen Verhuur Makelaars Holdings BV
- Value Marketing Services BV

These are all wholly owned subsidiaries. Each of these companies is incorporated in The Netherlands.

### 14 Inventories and work in progress

|                  | <i>As at<br/>31 December<br/>2004<br/>€'000</i> | <i>As at<br/>31 December<br/>2005<br/>€'000</i> | <i>As at<br/>31 December<br/>2006<br/>€'000</i> |
|------------------|---|---|---|
| New houses       | 2,144   | 1,329   | –   |
| Work in progress | –   | 232   | 2,046   |
|                  | <u>2,144</u>                                    | <u>1,561</u>                                    | <u>2,046</u>                                    |

### 15 Trade and other receivables

|                     | <i>As at<br/>31 December<br/>2004<br/>€'000</i> | <i>As at<br/>31 December<br/>2005<br/>€'000</i> | <i>As at<br/>31 December<br/>2006<br/>€'000</i> |
|---------------------|---|---|---|
| Trade debtors (net) | <u>293</u>                                      | <u>1,045</u>                                    | <u>6,112</u>                                    |

The carrying amount of trade and other receivables approximates to their fair value, which is based on an estimate of the recoverable amount. Recoverable amount is determined by calculating the present value of the expected future cash flows.

## 16 Other current assets

|   | <i>As at</i><br><i>31 December</i><br><i>2004</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2005</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2006</i><br>€'000 |
|---|--|--|--|
| Commissions receivable                                    | –  | 2,177  | 7,126  |
| Social security premiums                                  | 92   | 35   | –  |
| Claim   | –  | 744  | 744  |
| Mortgage commissions receivable                           | –  | 142  | 1,234  |
| Pre-purchased annuity contracts                           | –  | –  | 148  |
| Other debtors relating to pre-purchased annuity contracts | –  | –  | 2,069  |
| Prepayments   | 129  | –  | 413  |
| Deposits  | –  | –  | 84   |
| Other   | 99   | 53   | 1,037  |
|   | <u>320</u>   | <u>3,151</u>   | <u>12,855</u>  |

The claim represents a legal claim the Group has against a former employee. The Directors are confident that this amount is fully recoverable and have received advice from their legal advisers as to the enforceability of the claim.

The amount of other current assets is based on fair value.

### *Pre-purchased annuity contracts*

To take advantage of beneficial interest rates, the Acadium Bastion Group purchased a number of annuity contracts under a scheme from the Nationale Nederlanden NV. This contract scheme was settled by selling parts of the collective contracts to the Acadium Bastion Group's customers. The terms and conditions for partial contract sales to customers are strictly regulated and form a part of a licence agreement with Nationale Nederlanden NV.

The Acadium Bastion Group purchased these contracts based on interest rates which are fixed at the date of commencement of the contracts. They have been sold on to customers based on the effective interest rates of the licensee at the date the customer signs their contract. The face value of the contracts is based upon the original purchase price of the contract to the Acadium Bastion Group, the interest revenues, the fixed costs incurred on partial contract sales and the selling prices to customers.

The total pre-purchased annuity contracts scheme over the three year period 2004 to 2006 comprised a total of 12 individual contracts which were commenced between October 2002 and May 2005. No new pre-purchased annuity contracts were acquired in 2006.

The length of terms of the annuity contracts, which will be sold on to customers, vary from 18 to 26 years so that the maturity dates of the contracts scheme run from December 2020 to May 2031. Based on the contract periods a detailed analysis of the contracts scheme is set out in the tables below. Each contract is classified according to its individual length (the key uncertainty being estimation of future interest rates) and the face value of the contracts at the balance sheet date.

In line with the contract with Nationale Nederlanden NV, interest rates are compared to the discounted future interest returns based on the discount rate at the year-end (2004: 4.23 per cent.; 2005: 3.76 per cent.; 2006: 4.293 per cent.) as quoted by the European Central Bank for long term interest rates. The sensitivity of the contracts due to changes in discount interest rates is analysed as a rate change of +1 per cent. and is classified each year.

| <i>Contract term</i>              | <i>Interest rates</i> | <i>Face value 2006</i><br>€'000 | <i>Fair value 2006</i><br>€'000 |
|-----------------------------------|-----------------------|---------------------------------|---------------------------------|
| 18-20 years                       | 4.6% – 6.4%           | 26                              | 31                              |
| 21-23 years                       | 6.2%                  | –                               | –                               |
| 24-26 years                       | 4.3% – 5.3%           | 104                             | 117                             |
| At 31 December                    |                       | <u>130</u>                      | <u>148</u>                      |
| Net loss on fair value adjustment |                       |                                 | <u>342</u>                      |

## 17 Share capital

The total authorised number of shares of the Company is 1,125,000 ordinary shares with a par value of €0.20. On 25 October 2006, 225,000 ordinary shares were issued.

## 18 Capital contribution

The capital contribution reserve arose on a capital contribution from Weswa BV on 9 November 2006 as set out in note 30. Under Dutch law this reserve is distributable providing there are sufficient net assets in the company.

## 19 Merger reserve

The merger reserve is the amount arising from the application of merger accounting as set out in note 1. Under this method of accounting the difference between the consideration for the controlling interest in certain subsidiaries (as set out in note 30) and the nominal value of the shares acquired is taken to a merger reserve on consolidation.

## 20 Retained earnings

As a result of the application of merger accounting, the retained earnings reflects the Company's share of the retained profits for the year ended 31 December 2006 and reflects the cumulative profits as if the current Group structure had always been in place and the acquisition of Acadium Bastion Group at 1 September 2006.

## 21 Dividends paid

The dividends were paid to the parent company, Weswa B.V, prior to the group restructuring on 9 November 2006 (2004: €1,315,000, 2005: €1,255,000).

## 22 Current and non-current financial liabilities

|                    | <i>As at</i><br><i>31 December</i><br><i>2004</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2005</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2006</i><br>€'000 |
|--------------------|--|--|--|
| <i>Current</i>     |  |  |  |
| Bank loans:        |  |  |  |
| Secured            | <u>–</u>   | <u>439</u>   | <u>41</u>  |
| <i>Non-current</i> |  |  |  |
| Bank loans:        |  |  |  |
| Secured            | <u>–</u>   | <u>941</u>   | <u>2,183</u>   |

## 23 Trade and other current liabilities

|                           | <i>As at</i><br><i>31 December</i><br><i>2004</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2005</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2006</i><br>€'000 |
|---------------------------|--|--|--|
| Trade payables            | 367  | 643  | 8,218  |
| Other current liabilities | 2,489  | 1,017  | 2,417  |
|                           | <u>2,856</u>   | <u>1,660</u>   | <u>10,635</u>  |

## 24 Provisions

|  | <i>2004</i><br>€'000 | <i>2005</i><br>€'000 | <i>2006</i><br>€'000 |
|--|----------------------|----------------------|----------------------|
| Life annuity at 1 January                          | 320                  | 336                  | 356                  |
| Provided   | 16                   | 20                   | –                    |
| Released   | –                    | –                    | (356)                |
| Life annuity at 31 December                        | <u>336</u>           | <u>356</u>           | <u>–</u>             |
| Provision claims for clawback at 1 January         | –                    | –                    | –                    |
| Acquisition of the Acadium Bastion Group           | –                    | –                    | 6,470                |
| Provided   | –                    | –                    | 291                  |
| Released   | –                    | –                    | (411)                |
| Provision claims for clawback at 31 December       | <u>–</u>             | <u>–</u>             | <u>6,350</u>         |
| Provision for future administrative at 1 January   | –                    | –                    | –                    |
| Acquisition of the Acadium Bastion Group           | –                    | –                    | 1,375                |
| Provided   | –                    | –                    | 88                   |
| Released   | –                    | –                    | (90)                 |
| Provision for future administrative at 31 December | <u>–</u>             | <u>–</u>             | <u>1,373</u>         |
| Total amount of provision at 31 December           | <u>336</u>           | <u>356</u>           | <u>7,723</u>         |

The life annuity provision arose as a result of the original partnership being converted into a limited company. In 2006 this liability was transferred to Weswa BV.

The additions to the financial product clawback provision are evaluated annually in order to prevent future income being altered by these liabilities. The estimated clawback cost is accrued based on the income recognised during each year. Based on past experience of the portfolio and market assumptions, a valuation percentage for future clawback liabilities is set.

The provision for future administrative expenses is based on prior experience, the average amount of administrative costs and the average period of possible administrative duties (mainly cashing-out activities of annuity contracts). The income on these insurance policies is received upfront but the payment scheme also embodies a reward for future administrative duties. It is the Acadium Bastion Group's policy to accrue the income in the actual year of performing these administrative duties.

## 25 Deferred tax liabilities

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25.5 per cent.

The movement of the deferred tax account is as shown below:

|   | <i>2004</i><br>€'000 | <i>2005</i><br>€'000 | <i>2006</i><br>€'000 |
|---|----------------------|----------------------|----------------------|
| At 1 January                                | 84                   | 122                  | 95                   |
| On acquisition of the Acadium Bastion Group | –                    | –                    | 905                  |
| Profit and loss account - charge/(credit)   | 38                   | (27)                 | 58                   |
| At 31 December                              | <u>122</u>           | <u>95</u>            | <u>1,058</u>         |

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of amounts charged/(credited) to the consolidated income statement and amounts charged/(credited) to reserves are as follows:

|  | <i>Liability</i><br><i>2004</i><br>€'000 | <i>Charged</i><br><i>to income</i><br><i>2004</i><br>€'000  | <i>Charged</i><br><i>to reserves</i><br><i>2004</i><br>€'000 |
|--|--|---|--|
| Other temporary and deductible differences | <u>122</u>                               | <u>38</u>   | <u>–</u>   |
|  | <i>Liability</i><br><i>2005</i><br>€'000 | <i>Credited</i><br><i>to income</i><br><i>2005</i><br>€'000 | <i>Charged</i><br><i>to reserves</i><br><i>2005</i><br>€'000 |
| Other temporary and deductible differences | <u>95</u>                                | <u>(27)</u>   | <u>–</u>   |
|  | <i>Liability</i><br><i>2006</i><br>€'000 | <i>Charged</i><br><i>to income</i><br><i>2006</i><br>€'000  | <i>Charged</i><br><i>to reserves</i><br><i>2006</i><br>€'000 |
| Other temporary and deductible differences | <u>1,058</u>                             | <u>58</u>   | <u>–</u>   |

## 26 Financial risk management

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and various items, such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

In carrying out its various operations and based on the value embodied in the financial instruments, the Group can be exposed to a significant amount of credit risk, interest rate risk, and liquidity risk. The Group's actual exposure to these risks, the risk profile that results from this exposure and the actions taken to reduce these risks are outlined below.

### *Credit risk*

The Group is exposed to credit risk from trade and other receivables. The credit risk on trade receivables is limited because the counterparties are financial institutions with high credit ratings

assigned by international credit-rating agencies (financial services), well known constructors (new build sales) and in the letting business there are a lot of smaller receivables due from tenants, however, the tenants have to pay their invoice before they get access to the let premises. Trade receivables consist of provision and commission claims for contracting customers. Payments are usually made within a month after the contract is entered into. Furthermore an allowance has been made for estimated premature cancellation of contracts (provisions).

The Group is not exposed to any significant concentration of credit risk because its exposure is spread over several financial institutions, contractors and tenants. The maximum amount of credit risk which the Group is exposed to at the balance sheet date is represented by the carrying amounts of the Group's financial assets.

#### *Interest rate risk*

The Group is exposed to interest rate risk from its interest-earning financial fixed assets, pre-purchased annuity contracts and interest-bearing liabilities. The interest risks on the fixed financial assets are limited because of the total amount of loans and the fact that interest and disposals on these loans are subject to active and regular credit management by the finance department.

The interest risk on the pre-purchased annuity contracts is limited. The commercial activities bear no interest risk because of the fact that the fixed interest rates and costs of partial selling contracts are set forward to customers. To further reduce the possible interest risks on the pre-purchased annuity contracts, two main instruments of risk reduction are used. As a result of the variance in the contracts scheme, multiple fixed interest rates can be applied to the settlement of partial customer contracts. The flexibility which is offered by both the variety of contract periods as well as the variety of interest rates offers a mechanism to reduce the Group's exposure to possible interest rate risks. Furthermore one of the terms in the licence agreement is that the collective contracts can be terminated prior to the maturity date of the individual contract. Prior termination of the contract will be done at fair value of the contract on de-recognition or settlement date.

#### *Interest rate sensitivity*

The Directors are of the opinion that the sensitivity to interest rates is limited.

#### *Liquidity risk*

Because of the nature of the Group's business the liquidity risk is limited. The main amount of trade receivables is due from large financial institutions in The Netherlands which are under a strict financial regime that considers solvency and are mostly AA(A) rated. The other substantial factor of liquidity risks comes from a forced premature ending of the pre-annuity contracts in which a guaranteed capital at maturity date will be discounted to the fair value at the de-recognition date. In order to cover the possible liquidity risks the Group's policy was to keep, at minimum, an amount of cash and cash equivalents to cover the fair value of all pre-purchased annuity contracts.

#### *Maturity of financial liabilities*

|  | <i>Year ended</i><br><i>31 December</i><br><i>2004</i><br><i>€'000</i> | <i>Year ended</i><br><i>31 December</i><br><i>2005</i><br><i>€'000</i> | <i>Year ended</i><br><i>31 December</i><br><i>2006</i><br><i>€'000</i> |
|--|--|--|--|
| In less than one year                              | –  | 439  | 41   |
| In more than one year but not more than five years | –  | 941  | 2,183  |
| Total  | <u>–</u>   | <u>1,380</u>   | <u>2,224</u>   |

All of the financial liabilities have floating interest rates which are therefore not exposed to any fair value risks.

## 27 Commitments and guarantees

### *Bank guarantee*

There is a credit agreement between Weswa BV, 1001 Steentjes BV, 1002 Steentjes BV and Duizend Steentjes BV and ABN Amro Bank NV dated 6 September 2006. This is an “obligo credit” facility used for the issued bank guarantees, as described below. The total amount is €6,425,000 consisting of a bank guarantee of €2,400,000 and of €3,845,000 (both discussed below).

1002 Steentjes BV has issued a bank guarantee underwritten by ABN Amro Bank N.V. to OVG Projecten VII BV dated 14 September 2006. The maximum amount of the bank guarantee is €2,400,000. This bank guarantee is granted to OVG Projecten VII BV for the correct fulfilment of the financial obligations of 1002 Steentjes BV under the Laurenshof project, a purchase and development project, being the business of 1002 Steentjes BV.

1001 Steentjes BV has issued a “first demand” bank guarantee underwritten by ABN Amro Bank N.V. to Heijmans Vastgoed BV dated 17 March 2006. The maximum amount of the bank guarantee is €3,845,000. At 31 December 2006, the amount outstanding was €3,056,000. This bank guarantee is granted to Heijmans Vastgoed BV for the correct fulfilment of the financial obligations of 1001 Steentjes BV under the Funenpark project, a purchase and development project, being the business of 1001 Steentjes BV.

### *Bank facility agreements*

The bank facility with KBC, amounts to €928,755 at 31 December 2006, is in name of 1001 Steentjes B.V.. KBC has a first mortgage right on 4 apartments/houses. These apartments/houses were sold to 1000 Steentjes B.V. in 2006. The benefits of the bank facility are for 1001 Steentjes B.V. In addition, Weswa B.V. and DW Verhuurmakelaars B.V. have issued a guarantee on the servicing of the interest charge of the loan to 5 per cent. of the investment.

Credit agreement between 1001 Steentjes BV, Duizend Steentjes BV as borrowers and SNS/Bouwfonds Property Finance BV as lender dated 20 April 2005. The purpose of this credit agreement is financing of the Funenpark project, being the purchase and development of houses/apartments by 1001 Steentjes BV. The amount of the credit is €33,654,000. At 31 December 2006 the facility was €25,172,628 and at 28 February 2007, the facility was €20,949,549. The outstanding amount at 31 December 2006 was €1,304,073 and at 28 February 2007 €787,054.

The bank facility with SNS/Bouwfonds, amounts to €25,172,629 at 31 December 2006 (€20,949,549 at 28 February 2007). 1001 Steentjes B.V. and Duizend Steentjes B.V. are parties to the loan agreement, however 1001 Steentjes is benefiting to the rights for this loan agreement. Furthermore Weswa B.V. has issued a guarantee on the interest servicing of the loan to SNS Bouwfonds. The benefits of the bank facility are for 1001 Steentjes B.V.. The other companies are there to strengthen the guarantee.

Credit agreement FlexGarant Assuradeuren B.V - This credit agreement is currently not in use.

The following bank guarantees are in effect:

- Beheermaatschappij WTC Amsterdam BV, resident Amsterdam to €14,279; and
- Kintel Rotterdam BV, resident Rotterdam ad €108,031

### *Real estate purchase*

Under the terms of contracts to sell properties on behalf of developers, the Company has obligations to purchase any unsold properties at the end of that contract. At 31 December 2006, there were €30,781,426 worth of unsold apartments which the Company would have to purchase if sale of these apartments cannot be agreed before the end of the contract with the developer.

### *Tax*

The Company forms a tax group for the taxable profit with its subsidiaries and Weswa BV. As soon as the Company is listed, Weswa BV will no longer be a part of the tax group. A new tax group will be created with the Company as the parent company which will include all companies in the Group except Direct Wonen Belguim BVBA and Weswa BV. Weswa BV and the other non IPO group companies will form a separate tax unit, which is not a part of the Group.

## **28 Related parties**

### *Relationships*

The Group is 100 per cent. under the control of Weswa BV. The Acadium Bastion Group has been part of the Group since 1 September 2006. Weswa BV is a Dutch private limited company based in The Hague and is the ultimate parent company of the Group. The former other related party relationships of the Group, the Group's associates and executives were settled as of the date of the change of ownership.

On 25 April 2007, the Company entered into a relationship agreement with Weswa BV, pursuant to which Weswa BV agreed, conditional upon and with effect from Admission, that, for so long as Weswa BV has the ability (whether formally or otherwise) to either exercise or control the exercise of 10 per cent or more of the rights to vote at general meetings of the Company, or to control the appointment of Directors who are able to exercise a majority of votes at board meetings of the Company: (i) it will conduct all transactions and relationships with any member of the Group at arm's length and on a normal commercial basis; and (ii) it will use reasonable endeavours to ensure that the Company is capable at all times of carrying on its business independently of Weswa BV.

### *Transactions with directors and executives*

Based on the presentation and disclosure requirements of IAS 24 key management personnel are considered as statutory and non-statutory directors of the Group's companies (or former subsidiaries). Non-executive directors received no remuneration before or after the change of ownership by the Group therefore the remuneration scheme set out below only contains the transactions with operational directors.

|                      | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|----------------------|--|--|--|
| Salaries and wages   | –  | –  | 187  |
| Bonuses              | –  | –  | 118  |
| Pensions             | –  | –  | 29   |
| Share based payments | –  | –  | 53   |
| Total                | –  | –  | 387  |

### *Related party transactions*

1000 Steentjes BV and Westerwind Yacht Sales and Charter BV are wholly owned subsidiaries of Weswa BV. Locatie Ontwikkeling Kinderdagverblijven Nederland BV is a 50 per cent. owned subsidiary of Weswa BV.

|   | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|---|--|--|--|
| Commission revenues received from 1000 Steentjes BV | –  | –  | 933  |
| Weswa BV management charges                         | 336  | 7,511  | 876  |
| Sale of property to 1000 Steentjes BV               | –  | –  | 1,207  |
| Rent paid to 1000 Steentjes BV                      | 229  | 300  | 431  |

### *Related party balances*

|  | <i>As at<br/>31 December<br/>2004<br/>€'000</i> | <i>As at<br/>31 December<br/>2005<br/>€'000</i> | <i>As at<br/>31 December<br/>2006<br/>€'000</i> |
|--|---|---|---|
| <i>Assets</i>  |   |   |   |
| Weswa BV   | 1,232   | 195   | –   |
| 1000 Steentjes BV  | –   | 392   | 1,755   |
| Westerwind Yacht Sales and Charter BV                    | –   | –   | 4   |
| Locatie Ontwikkeling Kinderdagverblijven<br>Nederland BV | –   | 271   | 458   |
|  | <u>1,232</u>                                    | <u>858</u>                                      | <u>2,217</u>                                    |
| <i>Liabilities</i>                                       |   |   |   |
| Weswa BV   | <u>173,511</u>                                  | <u>173,511</u>                                  | <u>193,949</u>                                  |

Included in amounts owed to Weswa BV is €240,000,000 relating to the provisional consideration of the group restructuring. This balance is contingent and is further explained in note 30.

In addition to the balances above, included in trade payables at 31 December 2006 is €707,000 owed to Weswa BV and €621,000 owed to 1000 Steentjes BV.

## **29 Operating leases**

The Company has entered into non-cancellable car and property operating leases.

The total of the future minimum lease payments is as follows:

|   | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|---|--|--|--|
| Not later than one year                           | 1,124  | 1,308  | 1,746  |
| Later than one year and not later than five years | 3,788  | 4,117  | 5,447  |
| Later than five years                             | 2,625  | 1,756  | 8,538  |
|   | <u>7,537</u>   | <u>7,181</u>   | <u>15,731</u>  |

### **30 Group restructuring**

On 9 November 2006 Direct Wonen NV acquired as a result of a group restructuring, the Direct Wonen group companies from its parent Weswa BV for a provisional consideration of €240,000,000.

On acquisition, 20 per cent. of the consideration payable, being €48,000,000, was settled by means of a capital contribution by Weswa BV to the capital of Direct Wonen NV with the remaining 80 per cent. of the consideration, amounting to €192,000,000 to be settled by means of a 5 year term loan at a 6 per cent. interest rate from Weswa BV to Direct Wonen NV. Of the total pre-tax intercompany interest charge amounting to €4,064,000 an amount of €1,664,000 is charged to the results of the financial year ending 31 December 2006, with the remainder of €2,400,000 to be charged against the 2007 pre-IPO results of Direct Wonen NV.

### **31. Post balance sheet events**

On 16 March 2007, Weswa BV made a capital contribution of €196,064,000 to its wholly owned subsidiary Direct Wonen Belgie Bvba (a Belgium entity). The contribution was equivalent to the loan and accrued interest payable to Weswa BV from Direct Wonen NV which was issued as part of the group restructure (see note 30).

On 30 March 2007, Direct Wonen NV received a capital contribution from Weswa BV of the entire share capital (101 ordinary shares of €186 per share) of Direct Wonen Belgie Bvba.

As a result of the contribution, Direct Wonen NV and its subsidiaries reduced the amount owed to companies outside the IPO group by €196,064,000).

#### *Shareholder Distribution*

Immediately before Admission, the Company will declare a shareholder distribution of €22,157,000 payable to the sole shareholder on that date, Weswa B.V. Weswa B.V. has waived its right to receive the payment of this shareholder distribution until such time as appropriate debt financing (the minimum of which will be €15 million) is available.

#### *Joint Venture*

In February 2007, the Company (through its wholly owned subsidiary Direct Financierien B.V.) signed a joint venture agreement, with VCS Financiële Diensten B.V. (“VCS Holding”) and VCS Financiële Partners B.V. (“VCS:), to purchase 40 per cent. of the shares in VCS (“Joint Venture Company”) from VCS Holding for a purchase price of €36,000. The Joint Venture Company will perform activities as an intermediary in consumer credit and related products and services. The Group will have a 40 per cent. shareholding in the Joint Venture Company and will have the right to acquire the remaining 60 per cent. of the share capital of the Joint Venture Company, *inter alia*, after four years time or earlier in the event that the joint venture achieves a loan book value of €225,000,000.

On 25 April 2007, the Company undertook a 10 for 1 share split and issued 122,880,344 Ordinary Shares of €0.02 to Weswa B.V. to be credited as paid up out of the Company’s share premium reserve.

On 25 April 2007, the Company repurchased 2,062,085 Ordinary Shares of €0.02 each from Weswa B.V. for nil consideration.

## PART IV

### Financial information on the Acadium Bastion Group

#### Section A – Accountant’s report on the Acadium Bastion Group



BDO Stoy Hayward LLP  
Chartered Accountants

BDO Stoy Hayward LLP  
8 Baker Street  
London  
W1U 3LL

The Directors  
Direct Wonen N.V.  
Binckhorstlaan 340  
2516 BL  
The Hague  
The Netherlands

25 April 2007

The Directors  
Collins Stewart Europe Limited  
9th Floor  
88 Wood Street  
London  
EC2V 7QR

Dear Sirs

**Acadium Bastion Groep B.V., Acadium Bastion B.V., Bastion Employee Benefits B.V. and FlexGarant Assuradeuren B.V. (together, the “Acadium Bastion Group”)**

#### **Introduction**

We report on the financial information set out in Section B of Part IV. This financial information has been prepared for inclusion in the admission document dated 25 April 2007 of Direct Wonen N.V. (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

As described in Section B of Part IV, the directors of Direct Wonen NV (the “Directors”) are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the

amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial 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.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Acadium Bastion Group as at the dates stated and of its aggregated profits, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**BDO Stoy Hayward LLP**  
*Chartered Accountants*

## PART IV

### Section B – Financial information on the Acadium Bastion Group

#### Responsibility

The Directors are responsible for the financial information set out below on the Acadium Bastion Group on the basis of preparation set out in note 1 to the financial information.

#### Aggregated income statements

|                               |             | <i>Year ended<br/>31 December<br/>2004</i> | <i>Year ended<br/>31 December<br/>2005</i> | <i>Year ended<br/>31 December<br/>2006</i> |
|-------------------------------|-------------|--|--|--|
|                               | <i>Note</i> | <i>€'000</i>                               | <i>€'000</i>                               | <i>€'000</i>                               |
| <b>Revenue</b>                | 3           | 16,322                                     | 15,652                                     | 12,087                                     |
| Other operating income        |             | 150  | 49   | 26   |
| Administrative expenses       |             | (8,564)                                    | (9,233)                                    | (7,619)                                    |
| <b>Profit from operations</b> | 4           | <u>7,908</u>                               | <u>6,468</u>                               | <u>4,494</u>                               |
| Finance costs                 | 5           | (119)                                      | (291)                                      | –  |
| Finance income                | 6           | <u>1,545</u>                               | <u>1,805</u>                               | <u>887</u>                                 |
| <b>Profit before tax</b>      |             | <u>9,334</u>                               | <u>7,982</u>                               | <u>5,381</u>                               |
| Tax expense                   | 7           | (3,184)                                    | (2,518)                                    | (1,575)                                    |
| <b>Profit for the year</b>    |             | <u><u>6,150</u></u>                        | <u><u>5,464</u></u>                        | <u><u>3,806</u></u>                        |

## Aggregated balance sheets

|  |    | <i>As at</i><br><i>31 December</i><br><i>2004</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2005</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2006</i><br>€'000 |
|--|----|--|--|--|
| <b>ASSETS</b>  |    |  |  |  |
| <b>Non-current assets</b>  |    |  |  |  |
| Property, plant & equipment  | 8  | 1,482  | 1,173  | 935  |
| <b>Current assets</b>  |    |  |  |  |
| Trade and other receivables  | 10 | 27,585   | 11,913   | 7,430  |
| Cash and cash equivalents  |    | 20,173   | 52,737   | 12,958   |
|  |    | <u>47,758</u>  | <u>64,650</u>  | <u>20,388</u>  |
| <b>TOTAL ASSETS</b>  |    | <u>49,240</u>  | <u>65,823</u>  | <u>21,323</u>  |
| <b>Equity attributable to the equity holders of the parent company</b> |    |  |  |  |
| Share capital  | 11 | 125  | 125  | 126  |
| Retained earnings  | 11 | 24,941   | 30,449   | 6,608  |
| <b>Total equity</b>  |    | <u>25,066</u>  | <u>30,574</u>  | <u>6,734</u>   |
| <b>LIABILITIES</b>   |    |  |  |  |
| <b>Current liabilities</b>   |    |  |  |  |
| Trade and other payables   | 12 | 11,766   | 23,809   | 4,574  |
| Current tax liabilities  |    | 2,058  | 2,093  | 1,283  |
|  |    | <u>13,824</u>  | <u>25,902</u>  | <u>5,857</u>   |
| <b>Non-current liabilities</b>   |    |  |  |  |
| Provisions   | 13 | 8,995  | 8,085  | 7,725  |
| Deferred tax liabilities   | 9  | 1,355  | 1,262  | 1,007  |
|  |    | <u>10,350</u>  | <u>9,347</u>   | <u>8,732</u>   |
| <b>Total liabilities</b>   |    | <u>24,174</u>  | <u>35,249</u>  | <u>14,589</u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                    |    | <u>49,240</u>  | <u>65,823</u>  | <u>21,323</u>  |

## Aggregated statements of changes in equity

|                                    | <i>Share<br/>capital<br/>€'000</i> | <i>Retained<br/>earnings<br/>€'000</i> | <i>Attributable<br/>to equity<br/>holder<br/>€'000</i> |
|------------------------------------|------------------------------------|--|--|
| <b>Balance at 1 January 2004</b>   | 125                                | 19,220                                 | 19,345   |
| Profit for the year                | –                                  | 6,150                                  | 6,150  |
| Other reserves                     | –                                  | 42                                     | 42   |
|                                    | <hr/> 125                          | <hr/> 25,412                           | <hr/> 25,537   |
| <b>Other equity changes</b>        |                                    |  |  |
| Dividends paid                     | –                                  | (471)                                  | (471)  |
| <b>Balance at 31 December 2004</b> | <hr/> 125                          | <hr/> 24,941                           | <hr/> 25,066   |
| Profit for the year                | –                                  | 5,464                                  | 5,464  |
| Other reserves                     | –                                  | 44                                     | 44   |
| <b>Balance at 31 December 2005</b> | <hr/> 125                          | <hr/> 30,449                           | <hr/> 30,574   |
| Profit for the year                | –                                  | 3,806                                  | 3,806  |
| Other reserves                     | –                                  | 12                                     | 12   |
| Increase in share capital          | 1                                  | –                                      | 1  |
| Dividends paid                     | –                                  | (27,659)                               | (27,659)   |
| <b>Balance at 31 December 2006</b> | <hr/> 126                          | <hr/> 6,608                            | <hr/> 6,734  |

## Aggregated statements of cash flows

|   |    | <i>Year ended</i><br><i>31 December</i><br><i>2004</i><br>€'000 | <i>Year ended</i><br><i>31 December</i><br><i>2005</i><br>€'000 | <i>Year ended</i><br><i>31 December</i><br><i>2006</i><br>€'000 |
|---|----|---|---|---|
| <b>OPERATING ACTIVITIES</b>                                       |    |   |   |   |
| Profit before tax   |    | 9,334   | 7,982   | 5,381   |
| <b>Adjustments for</b>  |    |   |   |   |
| Decrease in deferred tax liabilities                              |    | (46)  | (93)  | (255)   |
| Depreciation  | 8  | 442   | 419   | 407   |
| (Profit)/loss on sale of property, plant<br>and equipment         |    | (26)  | 18  | 1   |
| Finance income  |    | (1,545)   | (1,805)   | (887)   |
| Finance cost  |    | 119   | 291   | –   |
|   |    | <u>8,278</u>  | <u>6,812</u>  | <u>4,647</u>  |
| (Increase)/decrease in trade receivables                          |    | (2,493)   | 2,894   | 2,778   |
| Increase/(decrease) in current liabilities                        |    | 4,270   | 11,168  | (20,405)  |
| Taxation paid   |    | (3,184)   | (2,518)   | (1,575)   |
| <b>Net cash from/(used in) operating activities</b>               |    | <u>6,871</u>  | <u>18,356</u>   | <u>(14,555)</u>   |
| <b>INVESTING ACTIVITIES</b>                                       |    |   |   |   |
| Purchase of property, plant and equipment                         | 8  | (396)   | (133)   | (194)   |
| Disposal of pre-purchased annuity contracts                       |    | (2,326)   | 12,778  | 1,705   |
| Finance income  |    | 1,545   | 1,805   | 887   |
| Proceeds from sale of property, plant and equipment               |    | 43  | 5   | 24  |
| <b>Net cash (used in)/generated from<br/>investing activities</b> |    | <u>(1,134)</u>  | <u>14,455</u>   | <u>2,422</u>  |
| <b>FINANCING ACTIVITIES</b>                                       |    |   |   |   |
| Increase in share capital   | 11 | –   | –   | 1   |
| Dividends paid  |    | (471)   | –   | (27,659)  |
| Finance cost  |    | (119)   | (291)   | –   |
| Other   |    | 43  | 44  | 12  |
| <b>Net cash used in financing activities</b>                      |    | <u>(547)</u>  | <u>(247)</u>  | <u>(27,646)</u>   |
| Net increase in cash and cash equivalents                         |    | 5,190   | 32,564  | (39,779)  |
| Cash and cash equivalents at the beginning of the year            |    | <u>14,983</u>   | <u>20,173</u>   | <u>52,737</u>   |
| <b>Cash and cash equivalents at the end of the year</b>           |    | <u>20,173</u>   | <u>52,737</u>   | <u>12,958</u>   |

## Notes to the aggregated financial information

### 1 Accounting policies

The aggregated financial information presented is that of the Acadium Bastion Group. The aggregated financial information comprises the following: income statement, statement of changes in equity, balance sheet, statement of cash flows and the associated notes. The following principal accounting policies have been applied in the preparation of the financial information:

#### *Basis of preparation*

The aggregated financial information has been prepared in accordance with the requirements of the AIM rules and in accordance with the basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) except as described below.

IFRSs as adopted by the EU do not provide for the preparation of aggregated financial information and, accordingly, in preparing the aggregated financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the material departure from IFRSs as adopted by the EU in respect of accounting for the group restructuring, as described below. In other respects IFRSs as adopted by the EU have been applied.

The aggregated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial instruments to fair value through the income statement.

#### *Basis of aggregation*

The financial information for the Acadium Bastion Group has been prepared on an aggregated basis as each of the companies were under common ownership but the companies did not form a legal group.

The aggregated financial information is based on the financial statements of the companies in the Acadium Bastion Group, which are:

- Acadium Bastion Groep BV (and its wholly owned subsidiaries, Acadium Bastion BV and Bastion Employee Benefits BV); and
- FlexGarant Assuradeuren BV.

All of the above companies are incorporated in The Netherlands.

Transactions and intercompany balances between these companies have been eliminated as adjustments on aggregation.

#### *Revenue*

Revenue, which arises in The Netherlands, comprises commissions on sale and administration of the following types of financial products:

- ‘Golden handshake’ and pension products;
- Mortgages

Revenue from ‘golden handshake’, pension products and mortgages are recognised in the accounting periods in which the services are rendered. The services are rendered on the specific date the service contract is signed by the customer.

All other revenue is recognised on an accruals basis.

Finance income is recognised on an accruals basis.

## 1 Accounting policies (continued)

### *Defined contribution pension scheme*

Contributions to the defined contribution pension scheme are charged to the income statement in the year to which they relate.

### *Leased assets*

The Acadium Bastion Group has engaged in lease contracts where substantially all of the risks and rewards incidental to ownership are retained by the lessor (operating leases). The total rents payable under the leases are charged to the income statement on a straight-line basis over the lease terms.

### *Segment information*

A business segment is a distinguishable component of the Acadium Bastion Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A product segment is the most applicable and distinguishable component of the Acadium Bastion Group that is engaged in providing products or services within a particular environment.

### *Employee benefits*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

### *Taxation*

The major components of income tax on the profit or loss for the year comprise current and deferred tax.

Current tax is based on the profit from ordinary activities adjusted for items that are non-assessable or disallowed for tax purposes and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also recognised in equity.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Acadium Bastion Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or

## 1 Accounting policies (continued)

- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### *Property, plant and equipment*

All tangible fixed assets are initially recognised at cost. All tangible fixed assets are stated at historical cost less depreciation.

Depreciation is provided to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

|                                  |                    |
|----------------------------------|--------------------|
| Fixtures, fittings and equipment | – 10-20% per annum |
| Motor vehicles                   | – 25% per annum    |
| Hardware and licenses            | – 33.3% per annum  |

### *Financial assets*

The Acadium Bastion Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The accounting policy for each category is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Interest-bearing loans are recognised initially at fair value net of transaction costs. After initial recognition, the loans are measured at amortised cost. Recognition and de-recognition of these financial instruments is accounted for on the date of settlement of the instrument. Other financial assets are stated at cost, less an appropriate provision for probable bad debts.

Cash and cash equivalents are non-derivative monetary assets. Cash is available to the Acadium Bastion Group, unless otherwise stated. Cash and cash equivalents comprise short term bank deposits.

Financial derivatives held for trade are initially recognised at cost. After initial recognition the derivatives are revalued at each balance sheet date to book value by calculating the book value and discounting it for the future interest returns to effective market interest rates. Valuation changes are charged or credited directly to the income statement.

### *Financial liabilities*

The Acadium Bastion Group classifies its financial liabilities into one of the following categories depending on the purpose for which the liability was acquired. The accounting policy for each category is as follows:

Trade payables and other short-term monetary liabilities are recognised at amortised cost.

Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. “Interest expense” in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Provisions and accruals are estimates of future payables and liabilities held at cost or discounted value.

## **1 Accounting policies (continued)**

### *Provisions*

A provision is recognised in the balance sheet when the Acadium Bastion Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

### *Dividends*

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved at the Annual General Meeting.

## **2 Critical accounting judgements and estimates**

The preparation of the financial information requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgments are likely to have the most significant effect on the amounts recognised in the financial information.

### *Provisions and other contingencies*

The clawback provision is calculated using a model that has been developed over several years. The model is based on collating clawback data from historical information. The Directors use this data, together with latest market trends, to make a judgement the expected liability from the premature termination of insurance and mortgage contracts and of the coverage of possible future administrative costs.

When evaluating the impact of potential liabilities arising from claims against the Acadium Bastion Group, the directors take professional advice to assist them in arriving at their estimation of the liability taking into account the probability of the success of any claims.

### 3 Segment information

The Acadium Bastion Group is divided into several business and product segments. The segments transact with external customers as well as each other. Information about the business and product segments is outlined below.

#### *Product segments*

The Acadium Bastion Group's advisory products can be segmented into three regular product segments: commissions earned on mortgages, 'Golden handshake'/pension products and other insurance products.

|                                    | <i>Mortgage<br/>products<br/>€'000</i> | <i>'Golden<br/>handshake'/<br/>pension<br/>€'000</i> | <i>Other<br/>€'000</i> | <i>Total<br/>€'000</i> |
|------------------------------------|--|--|------------------------|------------------------|
| <b>Year ended 31 December 2004</b> |  |  |                        |                        |
| Revenue – external                 | 7,261                                  | 8,533  | 528                    | 16,322                 |
| Profit for the year                | 2,736                                  | 3,215  | 199                    | 6,150                  |
| <b>As at 31 December 2004</b>      |  |  |                        |                        |
| Assets                             | 21,905                                 | 25,742   | 1,593                  | 49,240                 |
| Liabilities                        | (10,754)                               | (12,638)   | (782)                  | (24,174)               |
|                                    | 11,151                                 | 13,104   | 811                    | 25,066                 |
| <i>Other</i>                       |  |  |                        |                        |
| Capital expenditure                | 175                                    | 205  | 16                     | 396                    |
| Depreciation                       | 197                                    | 231  | 14                     | 442                    |
| <b>Year ended 31 December 2005</b> |  |  |                        |                        |
| Revenue – external                 | 5,358                                  | 9,775  | 519                    | 15,652                 |
| Profit for the year                | 2,089                                  | 3,173  | 202                    | 5,464                  |
| <b>As at 31 December 2005</b>      |  |  |                        |                        |
| Assets                             | 25,164                                 | 38,221   | 2,438                  | 65,823                 |
| Liabilities                        | (13,476)                               | (20,468)   | (1,305)                | (35,249)               |
|                                    | 11,688                                 | 17,753   | 1,133                  | 30,574                 |
| <i>Other</i>                       |  |  |                        |                        |
| Capital expenditure                | 51                                     | 77   | 5                      | 133                    |
| Depreciation                       | 160                                    | 243  | 16                     | 419                    |
| <b>Year ended 31 December 2006</b> |  |  |                        |                        |
| Revenue – external                 | 4,983                                  | 6,834  | 270                    | 12,087                 |
| Profit for the year                | 1,569                                  | 2,152  | 85                     | 3,806                  |
| <b>As at 31 December 2006</b>      |  |  |                        |                        |
| Assets                             | 8,790                                  | 12,057   | 476                    | 21,323                 |
| Liabilities                        | (6,014)                                | (8,249)  | (326)                  | (14,589)               |
|                                    | 2,776                                  | 3,808  | 150                    | 6,734                  |
| <i>Other</i>                       |  |  |                        |                        |
| Capital expenditure                | 80                                     | 110  | 4                      | 194                    |
| Depreciation                       | 168                                    | 230  | 9                      | 407                    |

#### 4 Profit from operations

|  | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|--|--|--|--|
| Profit from operations is arrived at after charging: |  |  |  |
| Staff costs  | 4,663  | 4,896  | 4,429  |
| Pensions   | 573  | 601  | 480  |
| Depreciation of tangible assets                      | 442  | 419  | 407  |
| Audit fees   | 40   | 42   | 45   |
| Fees to the auditors for non-audit services          | 20   | 22   | 25   |

The Acadium Bastion Group offers a defined contribution pension scheme in which all employees can participate. All of the contributions are made by the employer and are based on its salaries and wages scheme.

The average number of full time equivalent employees of the Acadium Bastion Group during 2006, including executive directors, was 64 (2005: 66; 2004: 73).

#### 5 Finance costs

|                                  | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|----------------------------------|--|--|--|
| Interest payable to former owner | 119  | 291  | –  |

#### 6 Finance income

|                                       | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|---------------------------------------|--|--|--|
| Bank interest income                  | 1,545  | 1,280  | 887  |
| Interest income due from former owner | –  | 525  | –  |
| Finance income                        | 1,545  | 1,805  | 887  |

#### 7 Tax expense

|                                 | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|---------------------------------|--|--|--|
| Current tax expense             | 3,217  | 2,598  | 1,828  |
| Deferred tax for the year:      |  |  |  |
| Changes in tax rate             | (41)   | (26)   | (50)   |
| Pre purchased annuity contracts | 92   | (55)   | (87)   |
| Revenue recognition             | (84)   | 1  | (116)  |
| Temporary timing differences    | (33)   | (80)   | (253)  |
|                                 | 3,184  | 2,518  | 1,575  |

## 7 Tax expense (continued)

The tax expense for the year can be reconciled to the profit in the income statement as follows:

|  | <i>Year ended</i><br><i>31 December</i><br><i>2004</i><br>€'000 | <i>Year ended</i><br><i>31 December</i><br><i>2005</i><br>€'000 | <i>Year ended</i><br><i>31 December</i><br><i>2006</i><br>€'000 |
|--|---|---|---|
| Profit before tax  | 9,334   | 7,982   | 5,381   |
| Tax calculated at domestic tax rate, 2006: 29.6%<br>(2005: 31.5%; 2004: 34.5%) | 3,220   | 2,514   | 1,593   |
| Correction for different tax rates   | (36)  | 4   | (18)  |
| Income tax expense   | <u>3,184</u>  | <u>2,518</u>  | <u>1,575</u>  |

## 8 Property, plant and equipment

|                       | <i>Fixtures,<br/>fittings and<br/>equipment</i><br>€'000 | <i>Motor<br/>vehicles</i><br>€'000 | <i>Hardware<br/>and licences</i><br>€'000 | <i>Total</i><br>€'000 |
|-----------------------|--|------------------------------------|---|-----------------------|
| <b>Cost</b>           |  |                                    |   |                       |
| At 1 January 2004     | 822  | 355                                | 1,308                                     | 2,485                 |
| Additions             | –  | 144                                | 252                                       | 396                   |
| Disposal of assets    | –  | (125)                              | –   | (125)                 |
| At 31 December 2004   | <u>822</u>   | <u>374</u>                         | <u>1,560</u>                              | <u>2,756</u>          |
| Additions             | –  | 99                                 | 34  | 133                   |
| Disposal of assets    | –  | (129)                              | –   | (129)                 |
| At 31 December 2005   | <u>822</u>   | <u>344</u>                         | <u>1,594</u>                              | <u>2,760</u>          |
| Additions             | 30   | –                                  | 164                                       | 194                   |
| Disposal of assets    | –  | (30)                               | –   | (30)                  |
| At 31 December 2006   | <u>852</u>   | <u>314</u>                         | <u>1,758</u>                              | <u>2,924</u>          |
| <b>Depreciation</b>   |  |                                    |   |                       |
| At 1 January 2004     | 256  | 195                                | 488                                       | 939                   |
| Charge for the year   | 82   | 58                                 | 302                                       | 442                   |
| Disposal of assets    | –  | (107)                              | –   | (107)                 |
| At 31 December 2004   | <u>338</u>   | <u>146</u>                         | <u>790</u>                                | <u>1,274</u>          |
| Charge for the year   | 82   | 62                                 | 275                                       | 419                   |
| Disposal of assets    | –  | (106)                              | –   | (106)                 |
| At 31 December 2005   | <u>420</u>   | <u>102</u>                         | <u>1,065</u>                              | <u>1,587</u>          |
| Charge for the year   | 108  | 57                                 | 242                                       | 407                   |
| Disposal of assets    | –  | (5)                                | –   | (5)                   |
| At 31 December 2006   | <u>528</u>   | <u>154</u>                         | <u>1,307</u>                              | <u>1,989</u>          |
| <b>Net book value</b> |  |                                    |   |                       |
| At 31 December 2006   | <u>324</u>   | <u>160</u>                         | <u>451</u>                                | <u>935</u>            |
| At 31 December 2005   | <u>402</u>   | <u>242</u>                         | <u>529</u>                                | <u>1,173</u>          |
| At 31 December 2004   | <u>484</u>   | <u>228</u>                         | <u>770</u>                                | <u>1,482</u>          |

## 9 Deferred tax assets and liabilities

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25.5 per cent.

The movement of the deferred tax account is as shown below:

|                                  | <i>2004</i><br>€'000 | <i>2005</i><br>€'000 | <i>2006</i><br>€'000 |
|----------------------------------|----------------------|----------------------|----------------------|
| At 1 January                     | 1,401                | 1,355                | 1,262                |
| Profit and loss account – credit | (33)                 | (80)                 | (253)                |
| Equity credit                    | (13)                 | (13)                 | (2)                  |
| At 31 December                   | <u>1,355</u>         | <u>1,262</u>         | <u>1,007</u>         |

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of amounts credited to the consolidated income statement and amounts credited to reserves are as follows:

|  | <i>Liability</i><br><i>2004</i><br>€'000 | <i>Credited</i><br><i>to income</i><br><i>2004</i><br>€'000 | <i>Credited</i><br><i>to reserves</i><br><i>2004</i><br>€'000 |
|--|--|---|---|
| Other temporary and deductible differences | <u>1,355</u>                             | <u>(33)</u>   | <u>(13)</u>   |
|  | <i>Liability</i><br><i>2005</i><br>€'000 | <i>Credited</i><br><i>to income</i><br><i>2005</i><br>€'000 | <i>Credited</i><br><i>to reserves</i><br><i>2005</i><br>€'000 |
| Other temporary and deductible differences | <u>1,262</u>                             | <u>(80)</u>   | <u>(13)</u>   |
|  | <i>Liability</i><br><i>2006</i><br>€'000 | <i>Credited</i><br><i>to income</i><br><i>2006</i><br>€'000 | <i>Credited</i><br><i>to reserves</i><br><i>2006</i><br>€'000 |
| Other temporary and deductible differences | <u>1,007</u>                             | <u>(253)</u>  | <u>(2)</u>  |

## 10 Trade and other receivables

|   | <i>As at</i><br><i>31 December</i><br><i>2004</i><br><i>€'000</i> | <i>As at</i><br><i>31 December</i><br><i>2005</i><br><i>€'000</i> | <i>As at</i><br><i>31 December</i><br><i>2006</i><br><i>€'000</i> |
|---|---|---|---|
| Trade receivables   | 6,501   | 3,808   | 3,744   |
| Pre-purchased annuity contracts (see below)               | 9,584   | 2,953   | 148   |
| Other debtors relating to pre-purchased annuity contracts | 7,116   | 969   | 2,069   |
| Amounts due from Weswa BV (a related party)               | –   | –   | 912   |
| Other receivables   | 4,384   | 4,183   | 557   |
|   | <u>27,585</u>   | <u>11,913</u>   | <u>7,430</u>  |

### *Trade and other receivables*

The carrying amount of trade and other receivables approximates to their fair value, which is based on an estimate of the recoverable amount. Recoverable amount is determined by calculating the present value of the expected future cash flows.

### *Pre-purchased annuity contracts*

To take advantage of beneficial interest rates, the Acadium Bastion Group purchased a number of annuity contracts under a scheme from the Nationale Nederlanden NV. This contract scheme was settled by selling parts of the collective contracts to the Acadium Bastion Group's customers. The terms and conditions for partial contract sales to customers are strictly regulated and form a part of a licence agreement with Nationale Nederlanden NV.

The Acadium Bastion Group purchased these contracts based on interest rates which are fixed at the date of commencement of the contracts. They have been sold on to customers based on the effective interest rates of the licensee at the date the customer signs their contract. The face value of the contracts is based upon the original purchase price of the contract to the Acadium Bastion Group, the interest revenues, the fixed costs incurred on partial contract sales and the selling prices to customers.

The total pre-purchased annuity contracts scheme over the three year period 2004-2006 comprised a total of 12 individual contracts which were commenced between October 2002 and May 2005. No new pre-purchased annuity contracts were acquired in 2006.

The length of terms of the annuity contracts, which will be sold on to customers, vary from 18 to 26 years so that the maturity dates of the contracts scheme run from December 2020 to May 2031. Based on the contract periods a detailed analysis of the contracts scheme is set out in the tables below. Each contract is classified according to its individual length (the key uncertainty being estimation of future interest rates) and the face value of the contracts at the balance sheet date.

In line with the contract with Nationale Nederlanden BV, interest rates are compared to the discounted future interest returns based on the discount rate at the year-end (2004: 4.23 per cent.; 2005: 3.76 per cent.; 2006: 4.293 per cent.) as quoted by the European Central Bank for long term interest rates. The sensitivity of the contracts due to changes in discount interest rates is analysed as a rate change of +1 per cent. and is classified each year.

## 10 Trade and other receivables (continued)

| Contract term                            | Interest rates | Face value    |               |               | Fair value    |               |               |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  |                | 2004<br>€'000 | 2005<br>€'000 | 2006<br>€'000 | 2004<br>€'000 | 2005<br>€'000 | 2006<br>€'000 |
| 18-20 years                              | 4.6% - 6.4%    | 1,578         | 24            | 26            | 1,710         | 31            | 31            |
| 21-23 years                              | 6.2%           | 64            | 68            | –             | 84            | 95            | –             |
| 24-26 years                              | 4.3% - 5.3%    | 7,396         | 2,451         | 104           | 7,790         | 2,826         | 117           |
|  |                | <u>9,038</u>  | <u>2,543</u>  | <u>130</u>    | <u>9,584</u>  | <u>2,952</u>  | <u>148</u>    |
| Net (gain)/loss on fair value adjustment |                |               |               |               | <u>(291)</u>  | <u>187</u>    | <u>342</u>    |

## 11 Capital and reserves

|                      | 2004<br>€'000 | 2005<br>€'000 | 2006<br>€'000 |
|----------------------|---------------|---------------|---------------|
| <b>Share capital</b> |               |               |               |
| At 1 January         | 125           | 125           | 125           |
| Additions            | –             | –             | 1             |
| At 31 December       | <u>125</u>    | <u>125</u>    | <u>126</u>    |

### *Authorised share capital and significant terms and conditions*

The total authorised number of shares for Acadium Bastion Groep BV and FlexGarant Assuradeuren BV comprises 1,980 shares of preferred stock and 7,020 ordinary shares each with a par value of €50 and 9,000 ordinary shares each with par value of €10.

|   | 2004         | 2005         | 2006         |
|---|--------------|--------------|--------------|
| Number of subscribed shares at nominal value: |              |              |              |
| At 1 January                                  | 4,033        | 4,033        | 4,033        |
| Issued during the year                        | –            | –            | 94           |
| At 31 December                                | <u>4,033</u> | <u>4,033</u> | <u>4,127</u> |

4,127 ordinary shares have been fully paid, of which 94 shares were paid in 2006. The holders of preferred stock and ordinary shares are entitled to receive dividends when declared by a shareholders' meeting.

|                          | 2004<br>€'000 | 2005<br>€'000 | 2006<br>€'000 |
|--------------------------|---------------|---------------|---------------|
| <b>Retained earnings</b> |               |               |               |
| At 1 January             | 19,220        | 24,941        | 30,449        |
| Profit for the year      | 6,150         | 5,464         | 3,806         |
| Other reserves           | 42            | 44            | 12            |
| Dividends paid           | (471)         | –             | (27,659)      |
| At 31 December           | <u>24,941</u> | <u>30,449</u> | <u>6,608</u>  |

### *Dividends*

The dividends were paid to former shareholders.

## 12 Trade and other payables

|                                     | <i>As at</i><br><i>31 December</i><br><i>2004</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2005</i><br>€'000 | <i>As at</i><br><i>31 December</i><br><i>2006</i><br>€'000 |
|-------------------------------------|--|--|--|
| Trade payables                      | 246  | 5,939  | 782  |
| Amounts owed to former shareholders | 8,455  | 8,361  | –  |
| Accruals and deferred income        | (226)  | 4,995  | 625  |
| Amounts owed to Weswa BV            | –  | –  | 853  |
| Other payables                      | 3,291  | 4,514  | 2,314  |
|                                     | <u>11,766</u>  | <u>23,809</u>  | <u>4,574</u>   |

Trade and other payables comprise amounts owed to trade and other suppliers. The average credit period taken in 2006 for trade purchases was 15 days. The carrying amount of trade and other payables approximates to their fair value which is based on an estimate of the payable amount. The payable amount is determined by calculating the present value of expected future cash outflows.

## 13 Provisions

|  | <i>2004</i><br>€'000 | <i>2005</i><br>€'000 | <i>2006</i><br>€'000 |
|--|----------------------|----------------------|----------------------|
| <i>Non-current</i>                                     |                      |                      |                      |
| <i>Financial product commission clawback provision</i> |                      |                      |                      |
| At 1 January   | 7,223                | 7,237                | 6,714                |
| Provided   | 1,985                | 1,136                | 870                  |
| Released   | (1,971)              | (1,659)              | (1,233)              |
| At 31 December   | <u>7,237</u>         | <u>6,714</u>         | <u>6,351</u>         |
| <i>Future administrative services</i>                  |                      |                      |                      |
| At 1 January   | 822                  | 1,758                | 1,371                |
| Provided   | 1,129                | 449                  | 276                  |
| Released   | (193)                | (836)                | (273)                |
| At 31 December   | <u>1,758</u>         | <u>1,371</u>         | <u>1,374</u>         |
| <i>Other</i>   |                      |                      |                      |
| At 1 January   | 43                   | –                    | –                    |
| Released   | (43)                 | –                    | –                    |
| At 31 December   | <u>–</u>             | <u>–</u>             | <u>–</u>             |
| Total provisions at 31 December                        | <u>8,995</u>         | <u>8,085</u>         | <u>7,725</u>         |

The additions to the financial product clawback provision are evaluated annually in order to prevent future income being altered by these liabilities. The estimated clawback cost is accrued based on the income recognised during each year. Based on past experience of the portfolio and market assumptions, a valuation percentage for future clawback liabilities is set.

The provision for future administrative expenses is based on prior experience, the average amount of administrative costs and the average period of possible administrative duties (mainly cashing-out activities of annuity contracts). The income on these insurance policies is received upfront but the payment scheme also embodies a reward for future administrative duties. It is the Acadium Bastion Group's policy to accrue the income in the actual year of performing these administrative duties.

## 14 Financial risk management

The Acadium Bastion Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, listed investments, and various items such as trade receivables and payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Acadium Bastion Group's operations.

In carrying out its various operations and based on the value embodied in the financial instruments, the Acadium Bastion Group can be exposed to a significant amount of credit risk, interest rate risk, and liquidity risk. The Acadium Bastion Group's actual exposure to these risks, the risk profile that results from this exposure and the actions taken to reduce these risks are outlined below.

### *Credit risk*

The Acadium Bastion Group is exposed to credit risk from investments and other receivables. The credit risk on trade receivables is limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies. The trade receivables consist of commissions due from financial institutions in The Netherlands. Payments are usually made within the month after the contract is put into action. Furthermore a commission clawback provision is made for estimated premature cancellation of contracts.

The Acadium Bastion Group is not exposed to any significant concentration of credit risk because its exposure is spread over several financial institutions. The maximum amount of credit risk which the Acadium Bastion Group is exposed to at the balance sheet date is represented by the carrying amounts of its financial assets.

### *Interest rate risk*

The Acadium Bastion Group is exposed to interest rate risk from its interest-earning financial fixed assets, pre-purchased annuity contracts investments and interest-bearing liabilities. The interest risks on the fixed financial assets are limited because of the total amount of loans and the fact that interest and disposals on these loans are subject to active and regular credit management by the finance department.

The interest risk on the pre-purchased annuity contracts is limited. The commercial activities bear no interest risk because the interest rates are fixed and the costs of partial selling contracts are passed onto customers. To further reduce the possible interest risks on the pre-purchased annuity contracts, two main instruments of risk reduction are used. Because of the variance in the contracts, scheme multiple fixed interest rates can be applied in the settlement of partial customer contracts. The flexibility which is offered by both the variety of contract periods as well as the variety of interest rates offers a mechanism to balance possible interest risks. Furthermore one of the terms in the license agreement is that the collective contracts can be terminated prior to the maturity date of the individual contract. Prior termination of the contract will be made at fair value of the contract on de-recognition or settlement date.

### *Liquidity risk*

Because of the nature of the Acadium Bastion Group's business the liquidity risk is limited. The main trade receivables are due from large financial institutions in The Netherlands which are under a strict financial regime considering solvency and most of them have an AA(A) credit rating. The other substantial factor of liquidity risks comes from a forced premature ending of the pre-purchased annuity contracts in which a guaranteed capital at maturity date will be discounted to the fair value at the de-recognition date. In order to cover the possible liquidity risks the Acadium Bastion Group's policy is to keep a minimum amount of cash and cash equivalents to cover the fair value of all pre-investments.

## 15 Related parties

### *Relationships*

On 1 September 2006, Weswa BV acquired the entire issued share capital of Acadium Bastion Groep BV and 76.24 per cent. of the issued share capital of FlexGarant Assuradeuren BV. Acadium Bastion Groep BV owned 23.76 per cent. of the issued share capital of FlexGarant Assuradeuren BV through its wholly owned subsidiary, Acadium Bastion BV. Thus on 1 September 2006, Weswa BV acquired directly or indirectly the Acadium Bastion Group.

Direct Wonen NV was incorporated on 25 October 2006. Weswa BV carried out a corporate restructuring on 9 November 2006 under which it disposed of various subsidiaries including the Acadium Bastion Group to Direct Wonen NV.

### *Related party transactions*

The Acadium Bastion Group had receivable and payable balances with Weswa BV at 31 December 2006. These amounts are disclosed in note 10 and note 12.

The intercompany balances with Weswa BV are the result of payments relating to income tax, transfer of cash and interest on the current account with Weswa B.V., at a nominal rate of 2,8 per cent. which was the market rate for this period.

### *Transactions with directors and executives*

Based on the presentation and disclosure requirements of IAS 24, key management personnel are all considered statutory and non-statutory directors of the Acadium Bastion Group companies. Non-executive directors received no remuneration before or after the change of ownership by the Acadium Bastion Group. The table below sets out the remuneration expenses of operational directors of the Acadium Bastion Group.

|                      | <i>Year ended<br/>31 December<br/>2004<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2005<br/>€'000</i> | <i>Year ended<br/>31 December<br/>2006<br/>€'000</i> |
|----------------------|--|--|--|
| Salaries and wages   | 131  | 133  | 123  |
| Bonuses              | 168  | 173  | 118  |
| Pensions             | 38   | 38   | 29   |
| Share based payments | –  | –  | 53   |
|                      | <u>337</u>   | <u>344</u>   | <u>323</u>   |

The number of directors accruing pensions under a defined contribution scheme in 2006 was 2 (2005: 2, 2004: 2).

## 16 Operating leases

The Acadium Bastion Group leases office space in Amsterdam and Rotterdam.

The total of future minimum lease payments is as follows:

|                            | <i>As at<br/>31 December<br/>2004<br/>€'000</i> | <i>As at<br/>31 December<br/>2005<br/>€'000</i> | <i>As at<br/>31 December<br/>2006<br/>€'000</i> |
|----------------------------|---|---|---|
| Within one year            | 390   | 390   | 390   |
| Between one and five years | 1,414   | 1,414   | 1,024   |
| Greater than five years    | 390   | –   | –   |
|                            | <u>390</u>                                      | <u>–</u>  | <u>–</u>  |

## PART V

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group is based on the consolidated net assets of the Group as at 31 December 2006 and has been prepared to illustrate the effect on the consolidated net assets of the Group as if the Placing, finalisation of the restructuring and pre-Admission shareholder distribution had taken place at 31 December 2006.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

|   | <i>As at 31<br/>December 2006</i> | <i>Finalisation of<br/>restructuring</i> | <i>Adjustments<br/>Pre-Admission<br/>shareholder<br/>distribution</i> | <i>Net proceeds<br/>of the offer</i> | <i>Proforma<br/>net assets</i> |
|---|-----------------------------------|--|---|--------------------------------------|--------------------------------|
|   | €'000                             | €'000                                    | €'000   | €'000                                | €'000                          |
|   | <i>(Note 1)</i>                   | <i>(Note 2)</i>                          | <i>(Note 3)</i>   | <i>(Note 4)</i>                      |                                |
| <b>ASSETS</b>                             |                                   |  |   |                                      |                                |
| <b>Non-current assets</b>                 |                                   |  |   |                                      |                                |
| Intangible assets                         | 13,885                            | –  | –   | –                                    | 13,885                         |
| Property, plant and equipment             | 1,835                             | –  | –   | –                                    | 1,835                          |
|   | <u>15,720</u>                     | <u>–</u>                                 | <u>–</u>  | <u>–</u>                             | <u>15,720</u>                  |
| <b>Current assets</b>                     |                                   |  |   |                                      |                                |
| Inventories and work<br>in progress       | 2,046                             | –  | –   | –                                    | 2,046                          |
| Trade and other receivables               | 6,112                             | –  | –   | –                                    | 6,112                          |
| Related company balances                  | 2,217                             | –  | –   | –                                    | 2,217                          |
| Other current assets                      | 12,855                            | –  | –   | –                                    | 12,855                         |
| Cash and cash equivalents                 | 15,275                            | –  | –   | 58,947                               | 74,222                         |
| Total current assets                      | <u>38,505</u>                     | <u>–</u>                                 | <u>–</u>  | <u>58,947</u>                        | <u>97,452</u>                  |
| <b>Total assets</b>                       | <u>54,225</u>                     | <u>–</u>                                 | <u>–</u>  | <u>58,947</u>                        | <u>113,172</u>                 |
| <b>Liabilities</b>                        |                                   |  |   |                                      |                                |
| <b>Current liabilities</b>                |                                   |  |   |                                      |                                |
| Financial current liabilities             | 41                                | –  | –   | –                                    | 41                             |
| Trade and other payables                  | 8,218                             | –  | –   | –                                    | 8,218                          |
| Other current liabilities                 | 2,417                             | –  | –   | –                                    | 2,417                          |
| Related company balances                  | 193,949                           | (193,664)                                | 22,157  | –                                    | 22,442                         |
| Current tax liabilities                   | 1,363                             | –  | –   | –                                    | 1,363                          |
| Total current liabilities                 | <u>205,988</u>                    | <u>(193,664)</u>                         | <u>22,157</u>   | <u>–</u>                             | <u>34,481</u>                  |
| <b>Non-current liabilities</b>            |                                   |  |   |                                      |                                |
| Financial liabilities                     | 2,183                             | –  | –   | –                                    | 2,183                          |
| Provisions                                | 7,723                             | –  | –   | –                                    | 7,723                          |
| Deferred tax liability                    | 1,058                             | –  | –   | –                                    | 1,058                          |
| Total non-current liabilities             | <u>10,964</u>                     | <u>–</u>                                 | <u>–</u>  | <u>–</u>                             | <u>10,964</u>                  |
| <b>Total liabilities</b>                  | <u>216,952</u>                    | <u>(193,664)</u>                         | <u>22,157</u>   | <u>–</u>                             | <u>45,445</u>                  |
| <b>TOTAL NET<br/>(LIABILITIES)/ASSETS</b> | <u>(162,727)</u>                  | <u>193,664</u>                           | <u>(22,157)</u>   | <u>58,947</u>                        | <u>67,727</u>                  |

**Notes:**

1. The net assets of the Group at 31 December 2006 have been extracted without material adjustment from the financial information on the Group set out in Section B of Part III of this document.

## Adjustments:

2. The finalisation of the restructuring represents the Company's acquisition of Direct Wonen België BvbA on 30 March 2007 as set out in paragraph 18 of Part VI. On 16 March 2007, Weswa B.V. contributed the loan and accrued interest payable to Weswa B.V. from Direct Wonen N.V. such that on acquisition of Direct Wonen België BvbA the Group reduced the amount owed to companies outside the Group. At 31 December this amounted to €193,664,000 being the principal of €192,000,000 and accrued interest of €1,664,000.
3. As set out in Part I, immediately prior to Admission, the Company will declare a shareholder distribution of €22,157,000 payable to Weswa B.V. the Company's sole shareholder on that date. Weswa B.V. has waived its rights to receive the payment of this shareholder distribution until such time as appropriate debt financing (the minimum of which will be €15 million) is available.
4. This adjustment represents the estimated net proceeds of the Placing being approximately €58.947 million (gross proceeds of £44.2 million less expenses of £4.1 million, at an exchange rate of £1 to €1.47).
5. No account has been taken of the trading results of the Group since 31 December 2006.

## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility statement

- 1.1 The Company, whose name and registered office appears on page 4 of this document, and the Directors whose names and functions appear on page 4 of this document, both individually and collectively, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and each 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 does not omit anything likely to affect the import of such information.
- 1.2 BDO Stoy Hayward LLP whose name and registered office appears at page 4 of this document, accept responsibility for their reports contained in Part III and Part IV of this document. To the best of the knowledge of BDO Stoy Hayward LLP, (who have taken all reasonable care to ensure that such is the case), the information contained in their reports contained in Part III and Part IV of this document is in accordance with the facts and contains no omission likely to affect the import of such information.

#### 2. Incorporation

- 2.1 The Company was incorporated in The Netherlands on 25 October 2006 by a notarial deed of incorporation as a limited liability company (naamloze vennootschap), under Book 2 of the Dutch Civil Code, with the legal name "Direct Wonen N.V.". The Company was first registered in the commercial register of the Chamber of Commerce of Haaglanden on 26 October 2006 with registration number 27293196.
- 2.2 The Company's registered office is at Binckhorstlaan 340, 2516 BL The Hague, The Netherlands. Telephone number +31 70 3042691, Fax + 31 70 3042696.
- 2.3 The liability of each shareholder is limited to the unpaid sum, if any, owed in relation to the shares it holds in the Company.
- 2.4 The principal legislation under which the Ordinary Shares have been created and under which the Company was formed and now operates is Book 2 of the Dutch Civil Code. A summary of certain applicable provisions of Dutch company law is set out in Part VII of this document.
- 2.5 The Company trades under the names Direct Wonen N.V., Direct Wonen and Direct Holding.

#### 3. The Company and its subsidiaries

- 3.1 The Company's principal activity is that of a holding and financing company. It is the parent company of the Group and has the following subsidiaries:

| <i>Name</i>                      | <i>Country of registration or incorporation</i> | <i>Principal activity</i>  | <i>% interest held</i> |
|----------------------------------|---|--|------------------------|
| <b>Direct Holding by Company</b> |   |  |                        |
| (1) ACADIUM BASTION GROEP B.V.   | The Netherlands                                 | Holding company (of companies no. 12 and 13 below)   | 100%                   |
| (2) FLEXGARANT ASSURADEUREN B.V  | The Netherlands                                 | Providing services as an intermediary in respect of a number of financial products and authorised agent and authorised sub-agent in respect of life-insurances | 100%                   |

| <i>Name</i>                                     | <i>Country of registration or incorporation</i> | <i>Principal activity</i>   | <i>% interest held</i> |
|---|---|---|------------------------|
| <b>Direct Holding by Company (continued)</b>    |   |   |                        |
| (3) 1002 STEENTJES B.V.                         | The Netherlands                                 | Sales agent and purchaser of newly built property   | 100%                   |
| (4) 1001 STEENTJES B.V.                         | The Netherlands                                 | Sales agent and purchaser of newly built property   | 100%                   |
| (5) DIRECT FINANCIEREN B.V.                     | The Netherlands                                 | Currently dormant. Intended to act as a joint venture holding company   | 100%                   |
| (6) DIRECT VERZEKEREN B.V.                      | The Netherlands                                 | Providing services as an intermediary in respect of simple risk insurance, life and non-life insurances, mortgages and consumer credit.   | 100%                   |
| (7) R&Y GOED BEHEER B.V.                        | The Netherlands                                 | Management of real estate on behalf of landlords  | 100%                   |
| (8) DIRECT WONEN VERHUUR MAKELAARS HOLDING B.V. | The Netherlands                                 | Holding company (of companies no. 14-17 below). Acting as an intermediary for the leasing of real estate on behalf of lessees.  | 100%                   |
| (9) DIRECT WONEN VERKOOP MAKELAARS B.V.         | The Netherlands                                 | Intermediary in selling newly built property  | 100%                   |
| (10) VALUE MARKETING SERVICES B.V.              | The Netherlands                                 | Providing services in relation to lead generation. Currently, Value Marketing Services B.V. licenses data through so called "list brokers" to non-financial organizations and to Direct Verzekeren B.V. | 100%                   |
| (11) DIRECT WONEN BELGIË BVBA                   | Belgium   | Finance company   | 100%                   |
| <b>Indirect Holding through Subsidiaries</b>    |   |   |                        |
| (12) ACADIUM BASTION B.V.                       | The Netherlands                                 | Providing services as an intermediary in respect of a number of financial products and providing services as a reinsurance broker in respect of general, non-life insurance policies                    | 100%                   |
| (13) BASTION EMPLOYEE BENEFITS B.V.             | The Netherlands                                 | Dormant company: no activities  | 100%                   |

| <i>Name</i>  | <i>Country of registration or incorporation</i> | <i>Principal activity</i>      | <i>% interest held</i> |
|--|---|--------------------------------|------------------------|
| <b>Indirect Holding through Subsidiaries (continued)</b> |   |                                |                        |
| (14) DIRECT WONEN VERHUUR MAKELAARS NO B.V.              | The Netherlands                                 | Dormant company: no activities | 100%                   |
| (15) DIRECT WONEN VERHUUR MAKELAARS MW B.V.              | The Netherlands                                 | Dormant company: no activities | 100%                   |
| (16) DIRECT WONEN VERHUUR MAKELAARS NW B.V.              | The Netherlands                                 | Dormant company: no activities | 100%                   |
| (17) DIRECT WONEN VERHUUR MAKELAARS ZW B.V.              | The Netherlands                                 | Dormant company: no activities | 100%                   |

#### **4. Principal establishments**

- 4.1 The Company's head office and principal place of business is at Binckhorstlaan 340, 2516 BL. The Hague, The Netherlands. The Company's head office and principal place of business will move to Nieuwe Duinweg 24, 2587 AD, The Hague, The Netherlands this calendar year.

#### **5. Auditors**

- 5.1 The Company's auditor for the period from 25 October 2006 to 31 December 2006 was BDO CampsObers Audit & Assurance B.V., which is a member of the Royal Netherlands Institute of Accountants (NIVRA) and whose registered office appears on page 4 of this document.

#### **6. Share capital of the Company**

- 6.1 The authorised and issued share capital of the Company at the date of this Admission Document is, and on Admission will be, as follows:

|              | <i>Authorised</i>                              |           | <i>Issued and credited fully paid</i>          |              |
|--------------|--|-----------|--|--------------|
|              | <i>Number of Ordinary Shares of €0.02 each</i> | <i>€</i>  | <i>Number of Ordinary Shares of €0.02 each</i> | <i>€</i>     |
| Current      | 200,000,000                                    | 4,000,000 | 125,130,344                                    | 2,502,606.88 |
| On Admission | 200,000,000                                    | 4,000,000 | 157,406,028                                    | 3,148,120.56 |

#### **6.2 Share Capital History and Reconciliation**

- 6.2.1 No Ordinary Shares have been issued other than for cash consideration or paid up out of the Company's share premium reserve since the incorporation of the Company.
- 6.2.2 The following changes to the share capital of the Company have taken place between 25 October 2006 (the date of incorporation of the Company) and 25 April 2007 (the latest practicable date prior to publication of this document):

| <i>Date</i>     | <i>Description</i>  | <i>Shares</i>   |
|-----------------|---|---|
| 25 October 2006 | Authorised share capital upon incorporation   | 1,125,000 shares with a nominal value of €0.20 each (being the total Authorised share capital)                      |
| 25 October 2006 | Issued share capital upon incorporation   | 225,000 shares with a nominal value of €0.20 each (being the total number of Ordinary Shares in issue)              |
| 25 April 2007   | Share split and increase in authorised share capital to 200,00,00 Ordinary Shares with a nominal value of €0.02 each and additional share issue of 47,750,000 Ordinary Shares | 50,000,000 Ordinary Shares with a nominal value of €0.02 each (being the total number of Ordinary Shares in issue)  |
| 25 April 2007   | Additional share issue of 77,192,429 Ordinary Shares  | 127,192,429 Ordinary Shares with a nominal value of €0.02 each (being the total number of Ordinary Shares in issue) |
| 25 April 2007   | Repurchase by the Company of 2,062,085 Ordinary Shares from Weswa B.V. for nil consideration  | 125,130,344 Ordinary Shares with a nominal value of €0.02 each (being the total number of Ordinary Shares in issue) |

- 6.3 All Ordinary Shares represent capital in the Company. No Ordinary Shares are held by or on behalf of the Company.
- 6.4 Save as disclosed below, there are no acquisition rights or obligations over authorised but unissued capital or an undertaking to increase the capital.
- 6.5 Upon Admission, Weswa B.V.'s holding of Ordinary Shares will be diluted by the allotment and issue of 32,275,684 New Ordinary Shares and the sale of the Sale Shares which together will represent 28.4 per cent. Ordinary Shares post Admission.
- 6.6 As part of the Placing, there has been no subscription offer to holders of Existing Ordinary Shares.
- 6.7 Save as disclosed in this paragraph, no other share or loan capital of the Company or of any member of the Group is under option or is agreed conditionally or unconditionally to be put under option.

## **7. Resolutions relating to the Placing and share capital authorities**

- 7.1 By shareholders' resolutions dated 11 and 25 April 2007, the following resolutions of the Company, *inter alia*, were approved and adopted:
- 7.1.1 an amendment to the Articles of Association in order to allow for the offering of the Company's securities on the AIM;
- 7.1.2 the issue in total of 124,942,429 new Ordinary Shares of €0.02 to Weswa to be credited as paid up out of the Company's share premium reserve and waiver of pre-emption rights;
- 7.1.3 the issue of 32,275,684 new Ordinary Shares of €0.02 to Capita IRG (Nominees) Trustee Limited at the Placing Price to be paid up in cash as part of the Placing (any payment in excess of €0.02 to be treated as share premium and waiver of pre-emption rights);
- 7.1.4 the confirmation of the transfer formalities under the deed entered into between the Company and Capita IRG Trustees Limited providing for the issuance of the Depository Interests;

- 7.1.5 the authorisation of the Board of Directors to resolve to issue additional shares up to an amount of 15 per cent. of the authorised share capital of the Company and the authority to waive pre-emption rights in relation to the same for a period of 5 years; and
- 7.1.6 the repurchase of 2,062,085 Ordinary Shares of €0.02 from Weswa B.V. for nil consideration.

## **8. Investments**

- 8.1 Save as disclosed elsewhere in this document, the Company did not make any significant investments during each financial year covered by the historical financial information.
- 8.2 There are no significant investments in progress by the Company save for investments and commitments with regard to the Company's current development projects referred to in Part I of this document. The Company does not have any firm commitments for any future investments.

## **9. Placing and lock-in arrangements**

- 9.1 On 25 April 2007, (1) the Company, (2) the Directors, (3) Weswa B.V. and (4) Collins Stewart entered into the Placing Agreement pursuant to which Collins Stewart has agreed, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 1 May 2007 (or such later time or date as the Company and Collins Stewart shall agree being not later than 8 May 2007) to use its reasonable endeavours to arrange for relevant placees to subscribe for and/or purchase 32,275,684 New Ordinary Shares and 12,413,725 Sale Shares (the "**Placing Shares**"). The placing of the Placing Shares has not been underwritten by Collins Stewart. The Company will pay to Collins Stewart a commission equal to 5.6 per cent. of the total aggregate value at the Placing Price of the Placing Shares together with all costs and expenses and VAT where appropriate. Collins Stewart will pay a commission to SNS Securities in respect of Ordinary Shares placed with Placees introduced by SNS Securities. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees payable in connection with Admission and the fees of the registrars. The Placing Agreement contains certain warranties given by the Company, the Directors and Weswa B.V. in favour of Collins Stewart and an indemnity from the Company, Weswa B.V., Yvonne Swaans and Richard Westerhuis in favour of Collins Stewart. Collins Stewart may terminate the Placing Agreement in specified circumstances prior to Admission, including in the event of a breach of the warranties contained in the Placing Agreement. The liability of the persons giving the warranties (other than the Company) is limited in certain respects.
- 9.2 Pursuant to the Placing Agreement the Directors and Weswa B.V. entered into lock-up arrangement with the Company and Collins Stewart pursuant to which they have agreed: (i) not to dispose of any interests in any of their Ordinary Shares for a period of one year from the date of Admission (save in certain limited circumstances); and (ii) for a further period of six months thereafter, to effect any disposal through Collins Stewart to preserve an orderly market. The exceptions to the lock-up include a transfer pursuant to acceptance of a takeover offer, transfers to a connected person or family trust, transfers in connection with certain group reorganisations, transfers which are required by order made by a competent court, transfers to the beneficiaries of a Director following death, and otherwise with the consent of Collins Stewart and the Company.

## 10. Information on Directors' and other interests

10.1 The full names (including previous names), ages and functions of the Directors:

| <i>Name</i>                      | <i>Age (Date of Birth)</i> | <i>Functions in the Company</i>                   |
|----------------------------------|----------------------------|---|
| Yvonne Maria Swaans              | 38<br>(18 December 1968)   | Executive Director<br>(Chief Executive Officer)   |
| Richard Westerhuis               | 41<br>(23 July 1965)       | Executive Director<br>(Chief Strategic Officer)   |
| Ihab El Sayed                    | 39<br>(25 June 1967)       | Executive Director<br>(Chief Financial Officer)   |
| Wilhelmina Margaretha Bouwman    | 43<br>(17 December 1963)   | Executive Director<br>(Chief Operational Officer) |
| Terence Alan Hart                | 41<br>(18 September 1965)  | Non-Executive Director<br>(Chairman)              |
| Cornelis Johannes (Kees) Beuving | 55<br>(3 August 1951)      | Non-Executive Director                            |

10.2 Save as set out below, none of the Directors, their immediate families or connected persons (within the meaning of section 346 of the Act) has any interests in the issued share capital of the Company as at 25 April 2007 (being the latest practicable date prior to the publication of this document) and on Admission, which have been notified to the Company pursuant to clause 32 of the Company's Articles or could, with reasonable diligence, be ascertained by the Directors.

The table below sets out certain interests of the Directors (and of persons connected with them) in the share capital of the Company as at 25 April 2007 (being the latest practicable date prior to the date of this document) and as they are expected to be immediately following Admission. The interests of the Directors and of each of their immediate families (spouses and children) and related trusts ("**connected persons**"), all of which are beneficial (unless otherwise stated), in the share capital of the Company which are shown in the table below are those interests the existence of which is known to or could with reasonable diligence be ascertained by that Director.

| <i>Shareholder</i> | <i>Number of Ordinary Shares</i> | <i>Percentage of Ordinary Shares held</i> | <i>Number of Ordinary Shares held following Admission</i> | <i>Percentage of Enlarged Issued Share Capital held following Admission</i> |
|--------------------|----------------------------------|---|---|---|
| Weswa B.V.*        | 125,130,344                      | 100%                                      | 112,716,619   | 71.6%   |

\*Richard Westerhuis and Yvonne M. Swaans, both directors of the Company, each own (indirectly) 50 per cent. of the issued share capital of Weswa B.V. Weswa B.V. has entered into a relationship agreement with the Company, details of which are set out at paragraph 18.1.9 of Part VI.

10.3 Save as disclosed in paragraph 10.2 above, the Company is not aware of any person who will, immediately following Admission, be interested directly or indirectly in three per cent. or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.

10.4 The persons, including the Directors, referred to in paragraph 10.2 above, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company. Please see paragraph 18.1.9 for further details of the Relationship Agreement entered into between Weswa B.V. and the Company.

- 10.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 10.6 Save as disclosed in paragraph 14, no Director has or has had an interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 10.7 The Directorships held by each of the Directors over the five years prior to the date of this document and the partnerships in which they have been partners in the five years prior to the date of this document are as follows:

| <i>Name</i>                         | <i>Current directorships/<br/>partnerships</i> | <i>Previous directorships/<br/>partnerships</i>   |
|-------------------------------------|--|---|
| Yvonne M. Swaans                    | –  | –   |
| Richard Westerhuis                  | –  | –   |
| Ihab El Sayed                       | –  | DSB Bank N.V.   |
| Wilhelmina Bouwman                  | –  | Nestlé Netherlands B.V.<br>Sanoma Uitgevers B.V.<br>B'Valent B.V.   |
| <i>Name</i>                         | <i>Current directorships/<br/>partnerships</i> | <i>Previous directorships/<br/>partnerships</i>   |
| Terence Alan Hart                   | –  | Easynet Ltd<br>UKOnline Ltd<br>Easynet Telecommunications Ltd<br>Delta Bravo Ltd<br>Pavilion Internet Ltd |
| Cornelis Johannes<br>(Kees) Beuving | NIBE/SW Amsterdam<br>Currence Amsterdam        | Direct Bank N.V.<br>Fortis ASR<br>Fortis Turkey<br>International Card Services<br>Alfam/Defam Bunnik      |

- 10.8 No Director has:
- 10.8.1 any unspent convictions in relation to indictable offences;
- 10.8.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement or any equivalent process in any relevant jurisdiction;
- 10.8.3 been a director of a company which, at that time or within 12 months after ceasing to be a director, was the subject of receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition arrangement with its creditors generally or with any class of its creditors or any equivalent process in any relevant jurisdiction;
- 10.8.4 been a partner in any partnership which has been the subject of any compulsory liquidation, administration or partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership or any equivalent process in any relevant jurisdiction;
- 10.8.5 been the owner of any asset placed in receivership or a partner in any partnership which has had an asset placed in receivership whilst he was a partner in that partnership or within the 12

months after he ceased to be partner in that partnership or any equivalent process in any relevant jurisdiction;

10.8.6 been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies) or any equivalent process in any relevant jurisdiction; or

10.8.7 been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company or any equivalent process in any relevant jurisdiction.

## **11. Directors' remuneration**

11.1 The aggregate remuneration paid and benefits in kind granted to the Directors as a group during the last completed financial year ending 31 December 2006 of the Company was €416,892.94.

11.2 The aggregate remuneration granted to the Directors in respect of the Company's current financial year is estimated, under the arrangements in force at the date of this document and the arrangements proposed to be adopted shortly following Admission, as disclosed in paragraph 12, to be approximately €884,000 (with an additional maximum commission of €1,100,000 payable in certain circumstances, as set out in paragraph 12.2), of which approximately €60,000 is conditional upon Admission.

11.3 There are no outstanding loans or guarantees provided by any member of the Group to or for the benefit of any of the Directors and executive officers.

11.4 The Company has purchased directors and officers liability insurance for the benefit of the Directors.

## **12. Board practices**

12.1 The following agreements have been entered into between the Directors and the Company:

12.1.1 Yvonne M. Swaans entered into an employment agreement with the Company on 25 October 2006, pursuant to which the services of Yvonne M. Swaans, as chief executive officer and executive member of the board of the Company, are to be provided to the Company, for an indefinite period of time, terminable by Yvonne M. Swaans on 3 months' written notice and by the Company on 6 months' written notice, for the gross amount of €15,000 per month. Further, Yvonne M. Swaans will receive a commission as described in paragraph 12.2. Yvonne M. Swaans is provided with a company car. Pursuant to the agreement Yvonne M. Swaans has waived her pension rights;

12.1.2 Richard Westerhuis entered into an employment agreement with the Company on 25 October 2006, pursuant to which the services of Richard Westerhuis, as head of strategy and executive member of the board of the Company, are to be provided to the Company, for an indefinite period of time, terminable by Richard Westerhuis on 3 months' written notice and by the Company on 6 months' written notice, for the gross amount of €15,000 per month. Further, Richard Westerhuis will receive a commission as described in paragraph 12.2. Richard Westerhuis is provided with a company car. Pursuant to the agreement Richard Westerhuis has waived his pension rights;

12.1.3 Ihab El Sayed has entered into an employment agreement with the Company (the commencement date of which was 25 October 2006), pursuant to which the services of Ihab El Sayed, as chief financial officer and executive member of the board of the Company, are to be provided to the Company, for an indefinite period of time, terminable by Ihab El Sayed on 3 months' written notice and by the Company on 6 months' written notice, for the gross amount of €11,666 per month. Further, Ihab El Sayed will receive a commission as described in paragraph 12.2. Ihab El Sayed is provided with a company car;

12.1.4 Wilhelmina Margaretha (Helga) Bouwman was appointed as an executive member of the board of the Company on 11 April 2007. Further, Helga has entered into an employment agreement with the Company on 15 January 2007, pursuant to which the services of Helga Bouwman, as

chief operational officer of the Company, are to be provided to the Company, for an indefinite period of time, terminable by Helga Bouwman on 3 months' written notice and by the Company on 6 months' written notice, for the gross amount of €11,500 per month. Helga Bouwman is provided with a company car. Helga Bouwman is entitled to a commission, as described below. Further Helga Bouwman is entitled to an exit compensation as described below.

Commission: According to her employment agreement Helga Bouwman will receive a commission based on the Group's results for the financial years 2007-2010. The Company's annual fixed budget will be determined yearly by the Board. The commission will be paid in two equal instalments: the first instalment immediately after final adoption of the results of that year and the second instalment immediately after final adoption of the results of 2010, both on condition that Helga Bouwman is an employee of the Company at the moment of payment (unless it is a forced redundancy). The commission for the years after 2010 will be determined at the end of 2010. The commission for 2007 will be determined as follows:

|  |                                       |
|--|---------------------------------------|
| <i>If the following percentage of the fixed budget is reached:</i> | <i>the annual commission will be:</i> |
| 80% up to and including 95%  | €50,000                               |
| 96% up to and including 99%  | €75,000                               |
| 100% up to and including 110%                                      | €100,000                              |
| 111% up to and including 119%                                      | €150,000                              |
| at least 120%  | €200,000                              |

Exit agreement: If the Company terminates the employment agreement prior to 15 January 2009, the Company must pay Helga Bouwman compensation equal to a minimum of 6 months' gross salary (including holiday allowance) and a further payment in relation to the proportion of commission that would have otherwise been due to her in respect of the relevant year. This period will be extended until 15 January 2011 if at least 50 per cent. of the share capital of the Company is sold to a third party, as a result the structure of the Company changes radically. If the Company terminates her employment agreement on or after 15 January 2009, the Company shall pay at least the compensation calculated according to the "kantonrechttersformule". This is  $A \times B \times C$  where A is a factor representing the employee's years of service, B is the employee's monthly salary and C is a multiple relating to the circumstances (i.e. good or bad) in which the employee leaves the Company;

12.1.5 Terence Hart has entered into a letter of appointment dated 30 March 2007 reflecting the terms of his engagement as a Non-Executive Director of the Company, conditional upon Admission. The appointment will continue unless and until Terence Hart vacates or is removed from the office under the Company's Articles or is removed from office or is not reappointed by the shareholders (upon submission for re-election). Additionally the Company may terminate the appointment on three months' notice in writing and Terence Hart may also give three months' notice to terminate the appointment. Pursuant to the letter, Terence Hart is entitled to £40,000 per annum (subject to income tax and National Insurance deductions).

12.1.6 Cornelis Johannes (Kees) Beuving has entered into a letter of appointment dated 25 April 2007 reflecting the terms of his engagement as a Non-Executive Director of the Company, conditional upon Admission. The appointment will continue unless and until Kees vacates or is removed from the office under the Company's Articles or is removed from office or is not reappointed by the shareholders (upon submission for re-election). Additionally the Company may terminate the appointment on three months' notice in writing and Kees Beuving may also give three months' notice to terminate the appointment. Pursuant to the letter, Kees Beuving is entitled to €20,000 per annum (subject to certain deductions for income tax).

12.2 According to the employment contracts Yvonne M. Swaans, Richard Westerhuis and Ihab El Sayed are entitled to a commission. Each of the aforementioned directors will receive a commission based on the Group's results for the financial years 2006-2010. The commission for 2006, assuming the targets/fixed budget for 2006 is reached, will be gross €150,000 a year. If between 80 per cent. and

99.9 per cent. of the fixed budget is reached each director still will receive gross €75,000. If the results exceeds 120 per cent. of the fixed budget each director will receive gross €300,000 (this being the maximum commission receivable). The Group's annual fixed budget will be determined yearly by the Board, and for 2007 has been set at €21.2 million. The commission will be paid in two equal instalments: the first instalment immediately after final adoption of the results of that year and the second instalment immediately after final adoption of the results of 2010, both on the condition that the director is an employee of the Company at the moment of payment. The commission for the years after 2010 will be determined at the end of the 2010 financial year.

- 12.3 Save as described above and in this paragraph 12.3, any payment for loss of office is restricted to the amount of salary plus any other contractual entitlements that the Director would normally receive for the term of the notice and restrictive covenant period. In certain circumstances the Dutch Court may award an employee compensation (in an amount determined by the Court) which varies from the Director's strict contractual entitlement.
- 12.4 Save as disclosed in paragraphs 12.1.1 to 12.1.6, there are no service agreements, existing or proposed, between any Director and the Company.
- 12.5 Further details of the Company's corporate governance policies are set out in Part I.

### **13. Employees**

- 13.1 The total number of permanent employees of the Group at 31 December 2006 was 228 of whom 149 were engaged in marketing and sales activities and approximately 79 were engaged in administrative functions. In addition, at this time, the Group employed 31 temporary employees.
- 13.2 The Company and its subsidiaries employed an average of 31 temporary employees during the last financial year (year ending 31 December 2006).

### **14. Related Party Transactions**

- 14.1 Save as disclosed in paragraph 18, the following related party transactions are transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the period commencing since its incorporation and terminating immediately prior to the date of this document. Each of the transactions was concluded at arm's length.

- 14.1.1 There are 14 inter-company lease agreements between Duizend, a subsidiary of Weswa B.V. (as landlord) and the Company (as lessee) for the branches of Direct Wonen Verhuur Makelaars B.V. Each of these leases commenced on 1 January 2007 and is for an initial period of 10 years following which it will be automatically renewed (in 5 years terms) unless cancelled by either party. Further details of each of the leases are set out below:

|                                     |                                 |
|-------------------------------------|---------------------------------|
| Limmerhoek 63 and 64, Alkmaar       | starting rent €30,000 per annum |
| Arnhemseweg 1, Amersfoort           | starting rent €23,500 per annum |
| Overtoom 47A, Amsterdam             | starting rent €55,000 per annum |
| Willemstraat 23, Breda              | starting rent €24,000 per annum |
| Laan van Meerdervoort 141, Den Haag | starting rent €27,000 per annum |
| Kuipersdijk 32, Enschede            | starting rent €22,000 per annum |
| Dr. Poelstraat 18, Heerlen          | starting rent €10,500 per annum |
| Brinkweg 5, Hilversum               | starting rent €17,000 per annum |
| Hooigracht 92, Leiden               | starting rent €19,000 per annum |
| Kelfkensbos 22, Nijmegen            | starting rent €25,000 per annum |
| Mariniersweg 24, Rotterdam          | starting rent €31,000 per annum |
| Lange Jansstraat 15, Utrecht        | starting rent €42,000 per annum |
| Sassenstraat 39, Zwolle             | starting rent €26,500 per annum |
| Voorstraat 349, Dordrecht           | starting rent €22,000 per annum |

14.1.2 On 19 March 2007 Duizend Steentjes B.V. (a subsidiary of Weswa) and the Company entered into a lease agreement for the lease of the new head office of the Company, located at Nieuwe Duinweg 24, 2587 AD, The Hague, The Netherlands. The lease agreement is effective from 1 January 2007. According to this agreement, during the first seven months of the lease, the Company only has to pay €37,666.76, because of adjustments and works, to be carried out by the Company. The annual rent amounts to €452,000.

14.1.3 Summary of the IP/IT/Software/Privacy assignments from Weswa B.V. to the Group:

- a. By letter of 23 March 2007, Weswa B.V. has requested the Dutch Data Protection Authority (*College Bescherming Persoonsgegevens*) to change the responsible party for the data protection notifications filed by Weswa B.V. to the Company. No consideration is involved in this change of responsible party.
- b. Weswa B.V. has assigned and transferred three Benelux-trademarks (DIREKT WONEN, Direct Wonen Makelaars (device) and Direkt Wonen! Voorheen de Kamer Balie (device)) and all related rights to Direct Wonen Verhuur Makelaars Holding B.V. by deed of transfer of 28 March 2007. The deed does not contain a reference to a consideration payable by either party.
- c. Weswa B.V. has assigned and transferred an International Registration, registered for Germany, for a device mark Direct Wonen Makelaars, to Direct Wonen Verhuur Makelaars Holding B.V. through execution of a deed of transfer dated 4 April 2007. The deed does not contain a reference to a consideration payable by either party.
- d. Weswa B.V. has assigned and transferred 21 .nl domain names to Direct Wonen Verhuur Makelaars Holding B.V. by deeds of transfer of 23 March 2007. The deeds do not contain a reference to a consideration payable by either party.
- e. Weswa B.V. has transferred various .eu domain names to Direct Verzekeren B.V., Direct Wonen Verkoop Makelaars B.V. and Direct Wonen Verhuur Makelaars Holding B.V. through the online domain name transfer application of Eurid. The domain names were transferred on 30 March 2007.
- f. Weswa B.V. has executed a Deed of Transfer of Domain Names with Direct Wonen Verhuur Makelaars Holding B.V., Direct Wonen Verkoop Makelaars B.V. and Direct Verzekeren B.V. ("Assignees") dated 4 April 2007 to confirm the assignment and transfer of the aforementioned .eu domain names. The deed of transfer specifies a consideration of EUR 1,- payable by the Assignees to Weswa B.V.

14.1.4 Service level agreement between Weswa B.V. and the Company dated 25 April 2007, pursuant to which services (being the use of vehicles by the directors of the Company and work to be performed by employees of Duizand in order to assist the Group with regard to new build projects) will be rendered by Weswa B.V. to the Company against payment of costs and fees to Weswa B.V. by the Company.

14.1.5 Deed of assignment of contract between Weswa B.V. and the Company dated 4 April 2007 for the transfer of all obligations and rights of Weswa B.V. under the share purchase agreement for the sale and purchase of the share capital of Acadium Bastion Groep B.V. dated 20 July 2006.

14.1.6 Deed of assignment of contract between Weswa B.V. and the Company dated 3 April 2007 for the transfer of all obligations and rights of Weswa B.V. under the share purchase agreement for the sale and purchase of the share capital of FG dated 20 July 2006.

14.1.7 Credit agreement between Weswa B.V. and the Company dated 25 April 2007, in which agreement the total of the inter-company receivables and payables between Weswa and the Direct Wonen Group is converted into one loan agreement between Weswa B.V. and the

Company. According to this agreement Weswa B.V. has to pay off an amount of €3,197,993 to the Company at the latest on 31 March 2008. Annual interest 4 per cent.

- 14.1.8 Management agreement between Duizend and R&Y Goed Beheer B.V., pursuant to which agreement R&Y Goed Beheer B.V. will manage 2 properties for Duizend, against payment of a monthly fee of 2.5 per cent. respectively 3 per cent. of the rent of the properties per month. Commencement date is 1 January 2006, for an initial period of 2 years following which it will be automatically renewed for a one-year period. This agreement may be terminated by either party on three months' notice.
- 14.1.9 Management agreement between Duizend and R&Y Goed Beheer B.V., pursuant to which agreement R&Y Goed Beheer B.V. will manage 4 properties for Duizend, against payment of a monthly fee of 3 per cent. of the rent of the properties per month. The commencement date is 1 January 2007, for an initial period of 2 years following which it will be automatically renewed for a one-year period. This agreement may be terminated by either party on three months' notice.
- 14.1.10 An agreement between Weswa B.V. and the Company dated 25 April 2007 pursuant to which Weswa B.V. agrees to waive any right it may have to receive the shareholder distribution declared by the Company on 25 April 2007 until such time as the Company has received appropriate debt financing to refinance this liability.
- 14.2 The appropriate percentage of which related party transactions form part of the turnover of the Company is 1.4 per cent.

## **15. Legal and arbitration proceedings**

- 15.1 Save as disclosed in paragraph 15.2 and 15.3 below, neither the Company nor its subsidiaries is or has been engaged in any governmental, 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 Group's financial position or profitability nor are any such proceedings pending or threatened of which the Company is aware.
- 15.2 The former financial manager of Direct Wonen Verhuur Makelaars B.V. one of the Company's subsidiaries is alleged to have, during his employment by the subsidiary, made false entries on the ledger account "turnover tax due". The amounts involved were transferred to the former employee's private bank accounts. The quantum of the alleged fraud is approximately €743,738. The Group has commenced proceedings in the Dutch courts with a view to seeking to recover the relevant sum.
- 15.3 Certain complaints have been made against Acadium Bastion B.V. relating to the so called "investment insurance policies matter" (beleggingsverzekeringskwestie) which is a current topic in The Netherlands. A small number of customers of Acadium Bastion B.V. (in its capacity as insurance broker) have notified the Group of their dissatisfaction with their investment insurance policies as large amounts of the premiums paid under the policies were not invested. Acadium Bastion B.V. acted as an insurance broker in relation to the sale of the relevant insurance policies. The current number of complaints filed against Acadium Bastion B.V. (in its capacity as insurance broker) is small. However, due to the publicity surrounding the investment insurance policies matter in The Netherlands, the number of complaints might increase significantly.
- 15.4 In 2003 the Group successfully defended a court action brought against it by a tenant who claimed that the rent he was charged was too high and that the Group had breached its obligations to him by virtue of the Group being a letting intermediary to ensure a fair rent is charged. The tenant then successfully appealed and the Group is now appealing that decision. The directors do not believe the quantum in this matter is material.

## 16. Significant change

Save as disclosed elsewhere in this document, there has been no significant change in the financial or trading position of the Group since the end of the last financial period for which either audited financial information or interim financial information has been published, namely 31 December 2006.

## 17. Articles of Association

17.1 The Company's bylaws are contained in its Articles. There is no separate memorandum of association or equivalent under Dutch law. The Company's Articles, which were adopted by a resolution of the shareholders of the Company dated 25 April 2007, contain, *inter alia*, provisions to the following effect:

17.2 Pursuant to Article 3.1 of the Articles, the objects of the Company are:

17.2.1 the incorporation and acquisition of, the participation in, the cooperation with and the management (including holder activities) of other enterprises and/or companies, whether or not with the same or a similar objective as that of the Company or of which the objectives may entail the promotion of the Company's objectives as defined before, as well as the financing (or arranging for the financing), also by means of the furnishing of securities and the granting of loans or arranging for the provision of monies, as well as taking out loans and/or arranging for the withdrawal of monies, of or to, respectively, other enterprises and/or companies, in particular those with which the Company is affiliated in a group;

17.2.2 the performance of the management and consulting practice in the broadest sense;

17.2.3 the acquisition of property, the control, operation, encumbrance and the alienation of immovable property, securities, investment certificates and other assets – including rights of intellectual property – that by their nature may be a source of income, as well as the performance of any other commercial, industrial and financial act, all this in the broadest sense;

17.2.4 the entering into agreements whereby the Company binds itself as surety or joint and several debtor, in particular – but not exclusively – for enterprises and/or companies with which the Company is affiliated in a group.

Within the scope of its objectives, the Company may perform any act related to these objectives in the broadest sense or any act that may be conducive to that, both for its own account and for the account of third parties.

## 17.3 Board of Directors

17.3.1 Pursuant to the Articles, the Board of Directors (*het bestuur*) is responsible for the management of the Company, the general affairs of the Company's business and the general affairs of group companies affiliated with the Company. Pursuant to the Articles, the Board of Directors, including Executive and Non-Executive members, consists of at least three (3) but not more than ten (10) members.

17.3.2 Pursuant to the Articles, the Board of Directors or any two (2) Executive members of the Board of Directors acting jointly are authorised to represent the Company. In case one or several members of the Board have a direct or indirect conflict of interest with the Company, the Company may nevertheless be represented by said member/members of the Board with due observance of the Articles. The general meeting of shareholders of the Company ("General Meeting") will invariably be competent to designate one (1) or several other persons for said purpose.

17.3.3 The Board of Directors may adopt resolutions either by a majority of votes cast at a meeting in which a quorum (as specified in the Articles) of the members of the Board of Directors is present or represented or unanimously in writing without a meeting.

17.3.4 Pursuant to the Articles, the General Meeting is entitled to appoint members of the Board of Directors. The General Meeting adopts the remuneration policy for members of the Board of Directors and determines the remuneration of individual members of the Board of Directors in accordance with the remuneration policy adopted by the General Meeting and the contractual terms and conditions of employment of members of the Board of Directors.

17.3.5 Pursuant to Dutch law, the General Meeting is entitled to dismiss or temporarily suspend members of the Board of Directors by an absolute majority of the votes cast.

17.3.6 Pursuant to Dutch law, members of the Board shall be appointed for an indefinite period of time unless the General Meeting in its resolution of appointment indicates a period.

17.3.7 The chairman of the Board shall be appointed by the General Meeting either from amidst the Non-Executive members of the Board or from amidst the Executive members of the Board for a period ending on the first General Meeting held after the chairman has served for a period of three (3) years. The chairman may be reappointed or dismissed prematurely in such capacity by the General Meeting at all times.

17.3.8 Current and past Board members will be indemnified by the Company against:

17.3.8.1 all expenses, judgements, fines and amounts paid in settlement, actually incurred by him/her in connection with any action suit or proceeding to which he/she was, is or threatened to be made a party by reason of the fact that he/she is or was a member of the Board (or another such capacity at the request of the Company), if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Company;

17.3.8.2 all expenses actually and reasonably incurred by him/her in connection with any threatened, pending or completed action, suit or proceeding by or in the right of the Company by reason of the fact that he/she is or was a member of the Board, if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for gross negligence or wilful misconduct in the performance of his duty to the Company; and

17.3.8.3 the Company may, to the extent authorised from time to time by the General Meeting, purchase and maintain insurance on behalf of any person who is or was a member of the Board, against any liability asserted against him and incurred by him/her in any such capacity or arising out of his/her capacity as such, whether or not the Company would have the power to indemnify him/her against such liability under the provisions of the Articles.

#### 17.4 ***Rights, preferences and restrictions attaching to the Company's shares***

17.4.1 Each share confers the right to cast one vote at the General Meeting. There are no restrictions, either under Dutch law or in the Articles, on the right of non-residents of The Netherlands or foreign owners to hold or vote the shares, other than those also imposed on residents of The Netherlands. Subject to certain exceptions provided by Dutch law or the Articles, resolutions are passed by a simple majority of the votes cast unless Dutch law or the Articles of Association prescribe a greater majority.

#### 17.5 ***Variation of rights***

17.5.1 The Articles do not impose further constraints or restrictions on shareholders other than as provided by Dutch law and the Articles do not contain provisions regarding actions that may be necessary to change the rights of shareholders.

## 17.6 *Issue of Ordinary Shares*

17.6.1 The Articles provide that the General Meeting is competent to adopt resolutions to issue Ordinary Shares and to determine the price and additional conditions. This competence relates to all Ordinary Shares not yet issued and presently included or at any time included in the authorised capital of the Company. The General Meeting may designate the Board of Directors as the corporate body authorised to resolve to the issue of Ordinary Shares, for a period not exceeding five years. A designation of the Board of Directors as the corporate body authorised to resolve to the issue of shares may be extended from time to time, by the Articles or upon resolution of the General Meeting, for a period not exceeding five years. Pursuant to Dutch law and the Articles, as long as the Board of Directors is authorised to issue Ordinary Shares, the General Meeting may not resolve to issue Ordinary Shares, and the authorisation cannot be revoked, unless the authorisation provides otherwise. When resolving to issue new Ordinary Shares, the price and further terms and conditions of issue has to be determined.

17.6.2 Unless permitted by Dutch law, Ordinary Shares may not be issued below their nominal value.

17.6.3 Subject to Dutch law and the Articles, shareholders have non-transferable pre-emption rights to subscribe for Ordinary Shares upon their issue in proportion to the aggregate number of the Ordinary Shares they hold. According to Dutch law and the Articles, this pre-emption right does not apply in respect of:

17.6.3.1 any issue of shares to the employees of the Company or employees of a group company (*groepsmaatschappij*) of the Company;

17.6.3.2 shares issued against payment in kind.

Pursuant to Dutch law and the Articles, the Company must announce any issue of Ordinary Shares with pre-emption rights for shareholders and the period during which these rights can be exercised in the Dutch Official Gazette (*Staatscourant*) and in a Dutch daily newspaper with nation-wide distribution. The period during which pre-emption rights can be exercised must be at least two weeks starting from the date on which the issue is announced in the Dutch Official Gazette (*Staatscourant*).

17.6.4 The pre-emption rights may be restricted or excluded by resolution of the General Meeting. The General Meeting may designate the Board of Directors as the corporate body authorised to restrict or exclude the pre-emption right, such designation ends on the moment at which the authority of the Board of Directors to issue shares ends. Thus, the power to restrict or exclude pre-emption rights may be delegated to the Board of Directors for a period of no more than five years. This period may be extended for successive periods not exceeding five years, by the Articles of Association or upon resolution of the General Meeting. Unless the authorisation provides otherwise, it cannot be revoked.

17.6.5 Resolutions of the General Meeting to issue new Ordinary Shares or to restrict or exclude pre-emption rights require a majority of two thirds of the votes cast in a General Meeting if less than fifty percent of the issued share capital of the Company is represented at a General Meeting.

17.6.6 The provisions summarised in sub-paragraphs 17.6.1 to 17.6.5 apply similarly to the granting of rights to subscribe for shares in the capital of the Company, but will not be applicable to the issue of Ordinary Shares to a person exercising an already previously acquired right to purchase Ordinary Shares.

## 17.7 *Form and Transfer of shares*

17.7.1 The Ordinary Shares of the Company are in registered form. They are only available in the form of an entry in the share register of the Company without the issue of a share certificate.

17.7.2 Subject to Dutch law and the Articles, the Company must keep a shareholders register. The shareholders register must be regularly kept up-to-date. It may, fully or partially, consist of multiple copies and can be kept at several addresses if the Board resolves thereto. Parts of the shareholders' register may be kept outside The Netherlands, provided that it is necessary to do so to comply with local law or applicable provisions of a stock exchange on which the securities of the Company are listed. The register records the names, addresses and all other information of all shareholders required by law to be included and such other information that is desirable in the view of the Board of Directors. The requirement applies similarly to holders of a right of pledge on shares and holders of a right of usufruct on shares. Shareholders, holders of a right of pledge on shares and holders of right of usufruct on shares will at their request be provided free of charge with a written statement of the recording in the register with respect to shares entered in their name, which statement may be signed on behalf of the Company by a special representative to be designated thereto by the Board of Directors.

17.7.3 The Board of Directors may allow inspection into the register and provide information regarding the direct or indirect shareholding of a shareholder provided to the Company by such shareholder, to foreign supervisory authorities, in order to comply with the statutory requirements or the requirements set by such foreign securities law. The preceding sentence is only applicable if and insofar as such requirements are applicable to the Company and its shareholders pursuant to a listing of the shares in the share capital of the Company on a stock exchange or pursuant to the registration of an offer of such shares under the applicable securities law.

17.7.4 Subject to Dutch law and the Articles, shares are transferred by written deed. To ensure the effectiveness of the transfer vis-à-vis the Company, the deed of transfer must be served upon the Company, or the transfer must be acknowledged by the Company, all in accordance with the provisions of Dutch law and the Articles. Fully paid shares shall not be subject to any lien and are freely transferable.

## 17.8 **General Meetings**

17.8.1 General Meetings are held in The Hague, Amsterdam or in Haarlemmermeer (Schiphol Airport). The Company must convene its Annual General Meeting within six months after the end of the financial year. The agenda for the annual General Meeting must contain, among other items placed on the agenda in accordance with Dutch law and the Articles, the discussion of the Board of Directors' annual report, the adoption of the financial statements and the allocation of profits, the discharge of the members of the Board of Directors from liability for the fulfilment of their duties during the relevant financial year and, if applicable, a proposal to pay a dividend.

17.8.2 The agenda may contain the items selected by the person(s) convening the meeting. In addition, pursuant to Dutch law and the Articles, unless contrary to an important interest of the Company, the agenda may contain the items requested by one or more shareholders or other persons entitled to attend General Meetings, alone or together representing at least one per cent. of the issued share capital or representing the amount of market capitalisation set by law. Requests must be filed with the Board of Directors at least thirty days before the day of the meeting.

17.8.3 Extraordinary General Meetings may be convened whenever the Board of Directors considers this appropriate. In addition, pursuant to Dutch law and the Articles, shareholders who individually or together hold at least one tenth (1/10) of the total issued share capital, may, stating the items to be discussed, request that the Board of Directors convenes an extraordinary General Meeting.

17.8.4 Shareholders invitations to the General Meeting will be published in The Netherlands in at least one daily nationally circulated newspaper and in accordance with the applicable provisions of AIM. Pursuant to the Articles notices sent by or to the Company (including the Shareholders

invitations of General Meeting), by or to shareholders, may be sent or supplied as an electronically sent, readable and reproducible message.

- 17.8.5 General Meetings are presided over by the Chairman of the Board of Directors, or by another person charged by the Chairman of the Board of Directors to preside over such a meeting. In the absence of the Chairman of the Board of Directors in circumstances where the Chairman has not charged another person to preside over the meeting, the General Meeting itself appoints its chairman. The Chairman appoints the secretary.
- 17.8.6 All shareholders and other persons entitled pursuant to Dutch law or the Articles to attend and/or vote at General Meetings are entitled to attend General Meetings, to address the General Meeting and if applicable to vote. In order to exercise the right to attend the meeting, address the meeting and/or vote at the meeting, shareholders and other persons entitled to attend and/or vote at General Meetings must notify the Company in writing of their intention to do so no later than on the day and at the place mentioned in the notice convening the meeting. The Company will issue attendance cards for admission to holders who have duly notified the Company.
- 17.8.7 Unless a Registration Date (as defined below) is used to determine who is entitled to attend a General Meeting, shareholders and other persons entitled pursuant to Dutch law or the Articles to attend and/or vote at General Meetings must hold their shares or DIs both on the day mentioned in the notice for the meeting and on the day of the meeting itself.
- 17.8.8 The Board of Directors may determine that, with regard to a General Meeting, those people may attend and/or vote at the meeting who have registered these rights at the time to be set by the Board of Directors (the “Registration Date”) and have as such been registered in one or more registers designated by the Board of Directors. The Registration Date may not be set earlier than on the thirtieth day before that of the General Meeting.
- 17.8.9 Shareholders may be represented at General Meetings by written proxy. In addition to the other requirements for attendance and voting at General Meetings, proxies must be brought to the meeting to allow the holder to gain admission. Copies of proxies must at latest have been received by the Company on the Registration Date.
- 17.8.10 Members of the Board will be entitled to attend General Meetings and as such will have an advisory vote at General Meetings.
- 17.8.11 Votes that are electronically cast prior to a General Meeting, but not earlier than 30 days for such meeting, are considered to be equal to votes that are cast during the meeting.
- 17.8.12 Shareholders can attend General Meetings by electronic means of communication. The Board can adopt rules with specific conditions for the use of electronic means of communication for the attending of General Meetings.
- 17.9 ***Provisions which would have the effect of delaying, deferring or preventing a change in control of the Company***
- 17.9.1 The Articles do not contain provisions which would have the effect of delaying, deferring or preventing a change in control of the Company.
- 17.10 ***Provisions which set out an ownership threshold above which shareholder ownership should be disclosed***
- 17.10.1 Pursuant to the Articles a Shareholder has to notify the Company of the percentage of voting rights which he, she or it directly or indirectly holds in respect of the issued share capital of the Company, where this percentage reaches, exceeds or falls below the threshold of 3 per cent. and each 1 per cent. thereafter. Such a notification shall include the information provided for in the Rules set out in the United Kingdom Disclosure Rules and Transparency Rules Sourcebook (as amended from time to time) (the “DTR”) at rule 5, and shall be made without delay.

17.10.2 Pursuant to the Articles members of the Board and any person connected with them within the meaning of section 346 of the United Kingdom Companies Act 1985 shall notify the Company in writing of all transactions conducted on his or her own account in the Company's shares or derivatives relating to those shares which he or she would be required to notify to the Company if the Company's shares were admitted to trading on a regulated market pursuant to DTR rule 3. Such a notification shall include the information and be made within the period required by DTR rule 3.

17.10.3 Where a person authorises another (the "agent") to acquire or dispose of, on his behalf, interests in shares in the share capital of the Company, he has to secure that the agent notifies him immediately of acquisitions or disposals effected by the agent which will or may give rise to any obligation of disclosure imposed on him pursuant to the Articles.

17.10.4 If it shall come to the notice of the Board that any person has not, within the requisite period made or, as the case may be, procured the making of any notification required by this article, the Company may notify such person that, in respect of the shares in relation to which the default has occurred, the rights to be present or to vote on such shares at any General Meeting of the Company will be restricted.

#### 17.11 *Repurchase by the Company of its own shares*

17.11.1 Subject to the authorisation of the General Meeting, and subject to the provisions of Dutch law and the Articles, the Board of Directors may cause the Company to acquire fully paid - up shares (or DIs of such shares) in its own share capital, provided that:

17.11.1.1 the net assets less the acquisition price is not less than the sum of the paid-up and called-up capital plus the reserves which must be maintained by law; and

17.11.1.2 the nominal amount of the shares in its capital which the Company acquires, holds, holds in pledge or which are held by a subsidiary does not exceed one-tenth (1/10) of the issued share capital.

These restrictions do not apply to the acquisition of shares for no consideration.

Pursuant to Dutch law the Board of Directors may be delegated the authority to acquire shares in the Company's share capital for a maximum period of eighteen months. In its resolution the General Meeting must provide the number of shares that the Company may acquire, how these shares may be acquired and the price range to be observed.

The Board of Directors may resolve to dispose of shares that the Company acquired in its own share capital.

#### 17.12 *Financial Statements and Auditor*

17.12.1 The financial year of the Company shall be concurrent with the calendar year. The Board of Directors must prepare the annual accounts within five (5) months after the end of the financial year except in the event of extension of this period by six (6) months at most by the General Meeting on the basis of special circumstances. The financial statements must be made available for inspection by shareholders at the offices of the Company within the same period.

17.12.2 Subject to Dutch law, the financial statements must be accompanied by an auditor's statement, an annual report and other mandatory information.

17.12.3 The General Meeting will be authorised to appoint the auditors of the Company. If the General Meeting does not make such instruction, the Board of Directors will be authorised thereto.

17.12.4 Determination of, without limitation, such matters as the amount of profit and loss, the size of the distributable reserves and whether it is allowed to repurchase shares (or DIs) must be made on the basis of the Company's statutory financial statements.

### 17.13 *Profit and Loss*

17.13.1 After adoption of the financial statements which show that a distribution of profits is allowed, the profit (if any) will be at the disposal of the General Meeting. The Board of Directors must determine the amount of the profit to be reserved and to be distributed.

17.13.2 The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total of its issued share capital and the reserves to be maintained pursuant to Dutch law.

17.13.3 On the proposal of the Board of Directors, the General Meeting may, with due observance of the provisions of paragraph 27.4 of the Articles and pursuant to an interim statement of assets and liabilities, resolve to pay interim dividends.

17.13.4 On the proposal of the Board of Directors, the General Meeting may, with due observance of the provisions of paragraph 27.5 of the Articles, resolve to make distributions out of reserves which are distributable under Dutch law or the Articles.

17.13.5 Distributions of profits and interim dividends are made available for payment on a date and at a place to be determined by the Board of Directors within four weeks after the determination thereof.

17.13.6 Cash payments will, to the extent to which these have been made available for payment outside The Netherlands, be paid in the currency of the country in question, converted against the exchange rate of the Amsterdam Stock Exchange (Euronext) at the end of the day prior to the day on which the resolution for payment is made. If and to the extent that the Company is unable to pay to the place designated outside The Netherlands on the first day on which the payment is available for payment, as a result of government measures or other extraordinary circumstances beyond its power, the Board of Directors is authorised to appoint one or more places in The Netherlands to which payment will be made instead thereof.

17.13.7 The person in whose name a share is registered, is entitled to receive dividends and other payments on shares on the date to be determined by the Board of Directors with respect to any payment on Ordinary Shares. Pursuant to Dutch law such payment discharges the Company.

17.13.8 Notifications of payments and on dates and places referred to in paragraph 17.13.6 above, must be published in the The Netherlands in at least one daily nationally circulated newspaper and abroad in at least one newspaper in each of such countries in which the shares of the Company are quoted on an official stock exchange and in such other way as the Board of Directors deem desirable.

17.13.9 A claim for payment of a distribution lapses five years after the date on which it first became payable. Any such lapses shall be for the benefit of the Company.

### 17.14 *Amendment of Articles*

A resolution to amend the Articles may be adopted by the General Meeting upon the proposal of the Board of Directors to that effect. Pursuant to the Articles, the Board of Director has to make the proposed text available for inspection at the offices of the Company from the day on which the convening notice for the General Meeting was given until after the close of the meeting.

### 17.15 *Liquidation*

A resolution to dissolve the Company may be adopted by the General Meeting upon the proposal of the Board of Directors. In case of dissolution of the Company, any surplus remaining after payment of the debts will be paid to the shareholders in proportion to their individual shareholdings. In case of dissolution of the Company, the members of the Board of Directors will be the liquidators, unless the General Meeting appoints other persons to that effect.

### 17.16 *Mandatory Takeover bid*

17.16.1 Pursuant to the Articles an offer has to be made on all issued and outstanding shares in the share capital of the Company (“Offer”) by:

17.16.1.1 any person who acquires, whether by a series of transactions over a period of time or not, any security with respect to issued share in the Company or a derivative with respect to a shares or DIs (“Securities”) which (taken together with Securities held or acquired by persons acting in concert with such person) represent thirty percent (30 per cent.) or more of the voting rights attributable to the issued and outstanding shares in the share capital of the Company which are currently exercisable at a meeting of shareholders (“Voting Rights”); or

17.16.1.2 any person who, together with persons acting in concert with such person, holds not less than thirty percent (30 per cent.) but not more than fifty percent (50 per cent.) of the Voting Rights and such person, or any person acting in concert with such person, acquires additional Securities which will increase his percentage of the Voting Rights.

17.16.2 Each member of a group of persons acting in concert will have a joint and several obligation to extend an Offer.

17.16.3 An Offer must be conditional only upon receiving acceptances in respect of Securities which, together with Securities acquired or agreed to be acquired before or during the Offer, will result in the acquisition of Securities representing more than fifty percent (50 per cent.) of the Voting Rights. In case the person making the Offer already holds Securities representing more than fifty percent (50 per cent.) of the Voting Rights before the Offer is made the Offer must be unconditional.

17.16.4 An Offer must be in cash (or be accompanied by a cash alternative) at not less than the highest price paid by the person making the Offer for shares during the period of the Offer and 12 months prior to the commencement of the Offer. An Offer must be made in writing and publicly disclosed, and must be open for acceptance for a period of not less than 30 days and, if the Offer is made conditional as to acceptances and becomes or is declared unconditional as to acceptances, the Offer must remain open for not less than 14 days after the date on which it would otherwise have expired. In this respect the price paid for Securities by the person making the Offer will be established by reference to the middle market price of the Securities on AIM on the date of such acquisition.

## 18. **Material contracts**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group: (i) within the two years immediately preceding the date of the document and are, or may be, material; or (ii) which contains any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group on the date of this document:

18.1.1 the Placing Agreement, details of which are set out in paragraph 9 above;

18.1.2 On 1 September 2006 Weswa B.V. acquired the whole of the issued share capital of Acadium Bastion Groep B.V. and 76.241 per cent. of the issued share capital of FG. The remaining

23.759 per cent. of the issued share capital of FG was owned by Acadium Bastion B.V. (a 100 per cent. subsidiary of Acadium Bastion Groep B.V.). As stated under paragraph 18.1.3.1 below Weswa B.V. has sold and transferred the shares in the capital of Acadium Bastion Groep B.V. and FG to the Company. The remaining shares in FG were transferred to the Company by way of notarial deed dated 28 December 2006 (as set out at paragraph 18.1.3.6 below). Further, as stated under paragraphs 14.1.5 above, in April 2007 Weswa B.V. transferred its rights and obligations under the sale and purchase agreements to the Company. In respect of the aforementioned acquisitions Weswa B.V. was a party to the following agreements:

18.1.2.1 a share purchase agreement between Weswa B.V. and Nationale-Nederlanden Nederland B.V. dated 20 July 2006, which defined the terms and conditions for the sale and purchase of the shares in the capital of Acadium Bastion Groep B.V. by Nationale-Nederlanden B.V. to Weswa B.V. Weswa B.V. has paid an amount of €11,453,711.19, in full satisfaction of the purchase price and interest to Nationale-Nederlanden Nederland B.V. By deed of transfer of shares executed on 1 September 2006 the transfer of the shares in the capital of Acadium Bastion Groep B.V. by Nationale-Nederlanden Nederland B.V. to Weswa B.V. was effectuated.

18.1.2.2 a share purchase agreement between Weswa B.V. and the vendors, being (1) De Vroome Beheer B.V. (2) Van Heemstra Holding B.V. (3) J.W.A. van der Dussen and (4) R. Bernardon dated 20 July 2006, which defined the terms and conditions for the sale and purchase of the shares in the capital of FG (other than the shares held by Acadium Bastion Groep B.V.) by the vendors to Weswa B.V.. Weswa B.V. has paid a total amount of €6,179,993.06 in full satisfaction of the purchase price and interest to the vendors. By deed of transfer of such shares executed on 1 September 2006 the transfer of the shares in the capital of FG by the vendors to Weswa B.V. was effectuated.

18.1.2.3 a loan agreement between (1) Weswa B.V. (2) Direct Wonen Verhuur Makelaars B.V. (3) Direct Wonen Verkoop Makelaars B.V. (4) Direct Verzekeren B.V., being the borrowers and ABN Amro Bank N.V., dated 31 August 2006, for the financing of the acquisitions of the shares in the capital of Acadium Bastion Groep B.V. and FlexGarant Assuradeuren B.V. As security for the payment of the loan, *inter alia*, the shares in the capital of, *inter alia*, Acadium Bastion Groep B.V., Acadium Bastion B.V., Bastion Employee Benefits B.V., FG, 1001 Steentjes B.V. and 1002 Steentjes B.V. are pledged to ABN Amro Bank N.V. The Group has received written confirmation from ABN Amro Bank N.V. that the Group will be released from the share pledge prior to Admission.

18.1.3 The Company and Weswa B.V. have been involved in a corporate restructuring (“Restructuring”) and in this respect the Company was a party to the following agreements:

18.1.3.1 a share purchase agreement between the Company and Weswa B.V., dated 9 November 2006 (“SPA”), which defines the terms and conditions for the sale and purchase of the whole of the issued share capital of Direct Wonen Verhuur Makelaars Holding B.V., Direct Wonen Verkoop Makelaars B.V., R&Y Goed Beheer B.V., Direct Verzekeren B.V., Direct Financierien B.V., Value Marketing Services B.V., 1001 Steentjes B.V., 1002 Steentjes B.V., Acadium Bastion Groep B.V. and part of the issued share capital of FG (the other 450 shares in the issued share capital of FG were held by Acadium Bastion Groep B.V. and were transferred to the Company on 28 December 2006, see below under 18.1.3.6) (“Subsidiaries”) by Weswa B.V. to the Company. The SPA includes a purchase price adjustment mechanism, as a result of which the adjusted purchase price to be paid by the Company to Weswa B.V. will be established after Admission. The estimated purchase price to be paid by the Company for the acquisition of the Subsidiaries

amounted to €340,000,000. By amendment agreement to the SPA dated 14 March 2007 (“SPA Amendment”) the Company and Weswa B.V. agreed to reduce the estimated purchase price to an amount of €240,000,000. The adjusted purchase price will be established within seven trading days from the date of Admission and will reflect the value attributed by the public to the Subsidiaries now that they are part of the Group. The adjusted purchase price will be equal to the amount calculated by multiplying the average closing price of a DI representing a share in the share capital of the Company over the first five trading days of the Company being admitted to trading on AIM by the total number of issued shares in the share capital of Company at the close of trading at the fifth trading day. Arrangements on the payment of the estimated purchase price and payment or repayment, as the case may be, of the difference between the adjusted purchase price and the estimated purchase price are laid down in the Loan and Contribution Agreement and the Loan Amendment described under 18.1.3.4 below.

- 18.1.3.2 a deed of transfer of shares, executed on 9 November 2006 by M. Bijkerk, civil-law notary in Amsterdam (“Transfer Deed”), to effect the transfer of the shares in the Subsidiaries by Weswa B.V. to the Company. Since article 2:94c of the Dutch Civil Code is applicable on the acquisition of the Subsidiaries by the Company an auditor’s statement is required confirming that the value of the Subsidiaries is at least equal to the consideration paid by the Company for the Subsidiaries, as well as approval of the shareholders meeting of the Company to enter into this transaction. Until such auditor statement has been granted and the transaction is approved by the shareholders’ meeting of the Company, the transaction can be cancelled (*vernietigd*) by or on behalf of the Company. Pursuant to the Transfer Deed the Company and Weswa B.V. confirm that an auditor’s statement will be issued immediately after the adjustment of the purchase price under the SPA, and that the auditor’s statement will be filed at the Trade Register within eight days after its issuance, as is required under article 2:94c of the Dutch Civil Code. In a resolution dated 11 April 2007 the shareholders’ meeting of the Company has granted the approval for the transaction under the condition precedent that the auditor’s statement is granted. The Directors have irrevocably undertaken not to rescind the SPA or the Transfer Deed prior to the auditor statement being received by the Company. In addition Weswa B.V. has irrevocably undertaken not to take any steps to enforce the conditionality element of the shareholder approval relating to the transaction.
- 18.1.3.3 a single currency term loan and capital agreement between the Company and Weswa B.V., dated 9 November 2006 (“Loan and Contribution Agreement”). Under the Loan and Contribution Agreement the Company and Weswa B.V. made arrangements with respect to the payment by the Company of the purchase price under the SPA, the estimated purchase price is partly converted into a loan, the remaining part of the Company’s payment obligations under the SPA was contributed by Weswa B.V. to the Company as an additional payment on the shares held by Weswa B.V. in the Company and was credited to the share premium account. Pursuant to the SPA Amendment, the Company and Weswa B.V. entered into an amendment agreement to the Loan and Contribution Agreement dated 15 March 2007 (“Loan Amendment”). The amount of the loan granted by Weswa B.V. to the Company under the Loan and Contribution Agreement as amended by the Loan Amendment is €192,000,000 (“Loan”). The term of the Loan is five years but may be extended. The Loan and Contribution Agreement includes provisions relating to the repayment of the Loan as well as provisions relating to interest and payment mechanics. For the period starting on 9 November 2006 and ending on 31 December 2007, the rate of interest on the Loan is 6 per cent. As of the year 2008, the Borrower and the Lender may agree upon a new rate of interest on the

Loan ultimately by 1 March of each year. The Loan may be pre-paid in whole or part at any time by the Company. If the adjusted purchase price determined after Admission is lower than the estimated purchase price of €240,000,000, the difference between these amounts will be repaid by Weswa B.V. to the Company, which repayment may be converted in a loan of the Company to Weswa B.V.

- 18.1.3.4 a deed of contribution pursuant to which Weswa B.V. transferred the Loan and its rights with respect to the Loan under the Loan and Contribution Agreement (as amended by the Loan Amendment) to its then wholly owned subsidiary Direct Wonen Belgie BVBA in consideration of the issue of one ordinary share in the capital of Direct Wonen Belgie BVBA to Weswa B.V., executed on 16 March 2007 by P. van Melkebeke, civil-law notary in Brussel (“Belgian Contribution Deed”). Pursuant to the Belgian Contribution Deed the stated value of the Loan at that time, being the principal outstanding amount as well as the interest until the date of contribution, was €196,064,000. The Company has been notified of the transfer of the Loan by Weswa B.V. to Direct Wonen Belgie BVBA.
- 18.1.3.5 a deed of transfer of the whole of the issued shares in the capital of Direct Wonen Belgie BVBA by Weswa B.V. to the Company as an additional payment by Weswa B.V. on its shares in the Company, executed on 30 March 2007 by M. Bijkerk, civil-law notary in Amsterdam (“Dutch Contribution Deed”). The auditor’s statement required under article 2:94c of the Dutch Civil Code, confirming that the value of contributed shares in Direct Wonen Belgie BVBA is at least equal to zero, was issued by BDO CampObers Audit & Assurance B.V. on 22 March 2007, the shareholders’ meeting of the Company approved the contribution on 23 March 2007, the value to be booked by the Company as share premium. The result of the Belgian Contribution Deed and the Dutch Contribution Deed is that Direct Wonen Belgie BVBA became a wholly owned subsidiary of the Company, and acquired the rights with respect to the Loan.
- 18.1.3.6 a deed of sale, purchase and transfer of 450 shares in the share capital of FlexGarant Assuradeuren B.V. by Acadium Bastion Groep B.V. to the Company was executed on 28 December 2006 by M. Bijkerk, civil-law notary in Amsterdam. Pursuant to this deed the Company acquired the remaining issued shares in the capital of FlexGarant Assuradeuren B.V. from Acadium Bastion Groep B.V. for a purchase price of €291,971 and FlexGarant Assuradeuren B.V. became a direct wholly owned subsidiary of the Company.
- 18.1.4 A credit facility agreement between 1001 Steentjes B.V. and KBC Bank Nederland B.V. dated 29 September 2004. The purpose of this agreement is a standby facility for the purchase and investment of accommodations/apartments, being the business of 1001 Steentjes B.V. The maximum amount of the credit facility amounts to €24,931,000. As security for the payment of the credit facility, *inter alia*, a first mortgage on the new buildings is required. 1001 Steentjes B.V. has obliged itself towards KBC Bank Nederland B.V. not to distribute any dividend during this credit facility agreement.
- 18.1.5 A credit agreement between 1001 Steentjes B.V., Duizend Steentjes B.V. as borrowers and Bouwfonds Property Finance B.V. as lender dated 20 April 2005. The purpose of this credit agreement is financing of project Funen, being the purchase and development of houses/apartments by 1001 Steentjes B.V. The amount of the credit facility is €33,654,000.
- 18.1.6 A credit agreement between Weswa B.V., 1001 Steentjes B.V., 1002 Steentjes B.V. and Duizend Steentjes B.V. as borrowers and ABN Amro Bank N.V. as lender dated 6 September 2006. This is an “obligo credit” facility used for the issued bank guarantees, as described at paragraph 18.1.8 below. The total amount is €6,245,000.

- 18.1.7 Credit agreement between FG and ABN Amro Bank B.V. dated 17 September 2003. This credit agreement is currently not in use.
- 18.1.8 A bank guarantee issued by 1002 Steentjes B.V. to OVG Projecten VII B.V. dated 14 September 2006. The maximum amount of the bank guarantee is €2,400,000. This bank guarantee is granted to OVG Projecten VII B.V. for the correct fulfilment of the financial obligations of 1002 Steentjes B.V. under the project Laurenshof, (a purchase and development project).
- 18.1.9 On 25 April 2007, the Company entered into a relationship agreement with Weswa B.V. pursuant to which Weswa B.V., has agreed, conditional upon and with effect from Admission, that, for so long as Weswa B.V. has the ability (whether formally or otherwise) to either exercise or control the exercise of 10 per cent. or more of the rights to vote at general meetings of the Company, or to control the appointment of Directors who are able to exercise a majority of votes at board meetings of the Company: (i) it will conduct all transactions and relationships with any member of the Group at arm's length and on a normal commercial basis; and (ii) it will use reasonable endeavours to ensure that the Company is capable at all times of carrying on its business independently of Weswa.
- 18.1.10 On 25 April 2007, the Company, the Directors and Collins Stewart entered into a nominated adviser and broker agreement pursuant to which the Company has appointed Collins Stewart to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for an initial period of 12 months. Unless Collins Stewart's appointment as either nominated adviser or broker is terminated by either party giving to the other not less than 30 days' prior written notice or is otherwise terminated in accordance with the terms of the agreement, the agreement will continue to effect following the initial term. Under the agreement, the Company has agreed to pay to Collins Stewart a fee for which Collins Stewart will provide general advice to the Company and the Directors in relation to matters concerning the London Stock Exchange and to other matters relevant to a company whose shares are traded on AIM and will carry out the responsibilities of a nominated adviser as set out in the rules and regulations of the London Stock Exchange. The agreement also contains certain undertakings given by the Directors and the Company in favour of Collins Stewart and an indemnity from the Company in favour of Collins Stewart.
- 18.1.11 A joint venture agreement (samenwerkingsovereenkomst) between Direct Financier B.V. and VCS Financiële Diensten B.V. ("VCS Holding") dated 14 February 2007, pursuant to which Direct Financier B.V. will obtain 40 per cent. of the shares in the joint venture company, VCS Financiële Partners B.V. ("VCS"), from VCS Holding for a purchase price of €36,000. VCS will perform activities as an intermediary in consumer credit and related products and services. However the transfer of the 40 per cent. shares to Direct Financier B.V. has not yet been executed. Furthermore, the parties have executed a shareholders agreement and a loan agreement pursuant to which Direct Financier B.V. will grant a loan of up to €300,000 to VCS Holding so that VCS Holding can make a capital contribution, if additional capital is needed.
- 18.1.12 A "first demand" bank guarantee dated 23 March 2006 issued by 1001 Steentjes B.V. to Heijmans Vastgoed B.V. The maximum amount of the bank guarantee is €3,845,000. The current balance is €1,654,500 and will not exceed this amount but will decrease as the units of the project are sold. This bank guarantee is granted to Heijmans Vastgoed B.V. for the correct fulfilment of the financial obligations of 1001 Steentjes B.V. under the project Funen, a purchase and development project, being the business of 1001 Steentjes B.V.
- 18.1.13 An agreement between the Company, Collins Stewart and SNS Securities dated 24 April 2007 pursuant to which SNS Securities has agreed to use its best endeavours to arrange for relevant placees to acquire certain of the Placing Shares. Collins Stewart will pay a placing agent's commission to SNS Securities. The Company will pay to SNS Securities all costs and

expenses and VAT where appropriate. The agreement contains an indemnity from the Company in favour of SNS Securities.

18.1.14 Pursuant to a letter dated as April 2007 between the Company and M-Capital Limited (“M-Capital”) on consideration of M-Capital waiving its rights under an option agreement between itself and the Company, the Company have agreed to pay the sum of £465,517.78 to M-Capital and M-Capital have agreed to apply such sum to subscribe for 339,794 Placing Shares pursuant to the Placing.

18.1.15 An agreement between M-Capital Limited and the Company dated 6 June 2006 pursuant to which M-Capital Limited agrees to provide certain financial advisory services for an initial 12 month period. Thereafter the term is automatically extended by 6 month periods unless terminated by either party 3 months in advance of the end of the term. The Company is to pay M-Capital a retainer of €13,000 per calendar month for the first 6 months, and thereafter €10,000 per calendar month. The Company is to reimburse business expenses incurred by M-Capital Limited (limited to €30,000 for the first 6 months of the term).

## **19. CREST and Depositary Interests**

### **19.1 *CREST and Depositary Interests***

The Ordinary Shares are in dematerialised registered form. However, it is proposed that, with effect from Admission, Ordinary Shares may be delivered, held and settled in CREST by means of the creation of dematerialised depositary interests representing such Ordinary Shares. Pursuant to a method proposed by CRESTCo under which transactions in international securities may be settled through the CREST system, the Depositary (as defined below), will issue dematerialised depositary interests representing entitlements to Ordinary Shares, known as Depositary Interests or “DIs”. The DIs will be independent securities constituted under English law which may be held and transferred through the CREST system.

The depositary agreement under which the Company has appointed Capita IRG Trustees Limited (the “Depositary”) to provide the DI arrangements is summarised in paragraph 19.3 below.

The DIs will be created pursuant to and issued on the terms of a deed poll executed by Depositary in favour of the holders of the DIs from time to time (the “Deed Poll”). Prospective holders of DIs should note that they will have no rights in respect of the underlying Ordinary Shares of the DIs representing them against CRESTCo or its subsidiaries.

Ordinary Shares to be issued in uncertificated form will be transferred to an account for the Depositary or its nominated custodian (the “Custodian”). Accordingly, in respect of those Ordinary Shares held by Shareholders in uncertificated form, the Company’s register will show the Depositary (or the Custodian, as appropriate) as the legal holder of such shares. The beneficial interest in the Ordinary Shares will, however remain with the holder of the DIs who will be entitled to receive and exercise (or procure the exercise of all of the rights attaching to the Ordinary Shares). The Depositary will pass on to the holders of DIs any stock or cash benefits received by it as holder of Ordinary Shares on trust for such DI holder. DI holders will also be able to receive notices of meetings of holders of Ordinary Shares and other notices issued by the Company to its Shareholders.

The DIs will have the same security code (ISIN) as the underlying Ordinary Shares and will not require a separate application for admission to trading on AIM.

CREST members should note that stock deposits and stock withdrawals will be switched off within CREST, since the Ordinary Shares are issued in registered form. If a CREST member wishes to avail themselves of this facility they should contact Capita IRG Trustees Limited directly on 0208 639 2293 for details as to how a transfer of Shares to the Issuer and its subsequent issue of Depositary Interests can be effected, and in order to be provided with the necessary documents to be completed in order to effect such transfer. Once the relevant documents have been correctly completed, returned to Capita IRG Trustees Limited together with the fee payable and the transfer effected on the Register in the

Netherlands, the Depository Interests will be credited in the relevant CREST account of the CREST member by using a registrar's adjustment instruction. If a CREST member wishes to undertake a stock withdrawal from CREST, it should also contact directly Capita IRG Trustees Limited on 0208 639 2293 for details as to how the cancellation of the Company's Depository Interests and the subsequent transfer of Ordinary Shares from the Issuer may be effected, and in order to be provided with the necessary documents to be completed in order to effect such transfer. Once the relevant documents have been correctly completed, returned to Capita IRG Trustees Limited together with the fee payable and the transfer effected on the register in the Netherlands, the relevant CREST account of the CREST member will be amended by using a negative registrar's adjustment instruction.

## 19.2 *Depository Interest – Terms of the Deed Poll*

Prospective subscribers for and purchasers of the Ordinary Shares are referred to the Deed Poll available for inspection at the offices of Berwin Leighton Paisner LLP. In summary, the Deed Poll contains, among other things, provisions to the following effect which are binding on holders of DIs.

19.2.1 The Depository will hold (itself or through its nominated Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities pertaining to the DIs for the benefit of the holders of the relevant DIs.

19.2.2 Holders of DIs warrant to the Depository, among other things, that the securities in the Company transferred or issued to the Depository (or the Custodian on behalf of the Depository) are free and clear from all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's Articles nor any contractual obligation, law or regulation.

19.2.3 The Depository and any Custodian must pass on to DI holders and exercise on behalf of DI holders all rights and entitlements received or to which they are entitled in respect of the underlying securities which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form which they are received together with any amendments and additional documentation necessary to effect such passing-on or, as the case may be, exercised in accordance with the Deed Poll.

19.2.4 The Deed Poll contains provisions excluding and limiting the Depository's liability. For example, the Depository shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence, wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depository shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use of such Custodian or agent. Furthermore, the Depository's liability to a holder of DIs will be limited to the lesser of (a) the value of the Ordinary Shares and other deposited property properly attributable to the DIs to which the liability relates and (b) that the proportion of £10,000,000 which corresponds to the portion which the amount the Depository would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Depository would otherwise be liable to pay to all such holders in respect of the same act, omission or event or, if there are no such amounts, £10,000,000.

19.2.5 The Depository is entitled to charge holders of DIs fees and expenses for the provision of its services under the Deed Poll. The Depository shall not be liable for taxes, duties, charges, costs or expenses which may become payable in respect of the Ordinary Shares or other deposited property or the DIs.

19.2.6 Each holder of DIs is liable to indemnify the Depository and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or

arising from any act related to, the Deed Poll so far as they relate to the property held for the account of DIs held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depository, or a Custodian which is a member of its group, or if the Depository shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent and in certain other circumstances.

19.2.7 The Depository may terminate the Deed Poll by giving 30 days' notice. During such period, holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depository must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion, sell all or part of such deposited property and request removal of the DIs from the CREST system. It shall, as such soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depository, together with any other cash held by it under the Deed Poll pro rata to holders of DIs in respect of their DIs.

19.2.8 The Depository or the Custodian may require from any holder of DIs information as to the capacity in which DIs are owed or held and the identity of any other person with any interest of any kind in such DIs or the underlying Ordinary Shares and the holders are bound to provide such information requested. Furthermore, to the extent that, among other things, the Company's Articles require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Company's securities, the holders of DIs are to comply with such provisions and with the Company's instructions with respect thereto.

### 19.3 ***Depository Interests – Terms of Registrar Agreement***

The terms of the registrar agreement dated 23 April 2007 between the Company and the Registrar (the "Registrar Agreement") under which the Company appoints the Registrar to maintain the Company's register in Jersey and provide certain other services as are summarised below.

The Registrar will perform various services in its capacity as Registrar, including maintenance of the register in Jersey; maintenance of dividend instruction records; registration of share transfers; preparation and despatch of dividend warrants; supplying to the Company, as soon as reasonably practicable, all necessary information so that the register be open for inspection at the registered office of the Company; and arranging for the provision of facilities for the holding of General Meetings including the distribution of ballot papers in the event of a poll, and the provision of scrutineers of any vote, if required.

For the provision of its services, the Company will pay the Registrar an annual fee of a minimum of £3,000, plus out-of-pocket expenses, in addition to other related expenses. The agreement can be terminated by either party on the giving of three months' written notice or at any time if either party commits a material breach of its obligations.

The Registrar shall not be liable to the Company for any loss sustained by the Company for whatever reason provided that the Registrar shall remain liable for any loss arising as a result of fraud, negligence or wilful default by the Registrar.

## 20 **Taxation**

### 20.1 ***Dutch Tax***

*This is a general summary and the tax consequences as described here may not apply to a holder of Ordinary Shares. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Ordinary Shares.*

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, the ownership and disposition of Ordinary Shares represented by Depository Interests. It does not discuss every aspect of taxation that may be relevant to a particular holder of Ordinary Shares under special

circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall therefore be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. This summary also assumes that the Company is organised, and that the business of the Company will be conducted, in the manner outlined in this document. A change to such organisational structure or to the manner in which we conduct our business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of The Netherlands as they are in force and in effect on the date of this document. The law upon which this summary is based is subject to change, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

### *Taxes on income and capital gains*

#### Non-resident holders of Ordinary Shares

The summary set out in this section “Taxes on income and capital gains – Non-resident holders of Ordinary Shares” only applies to a holder of Ordinary Shares who is a Non-resident holder of Ordinary Shares.

For the purposes of this section, you are a “Non-resident holder of Ordinary Shares” if you satisfy the following tests:

- a. you are neither resident, nor deemed to be resident, in The Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if you are an individual, you have not elected to be treated as a resident of The Netherlands for Dutch income tax purposes;
- b. your Ordinary Shares and any benefits derived or deemed to be derived therefrom have no connection with your past, present or future employment or membership of a management board (“*bestuurder*”) or a supervisory board (“*commissaris*”);
- c. your Ordinary Shares do not form part of a substantial interest or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001, unless such interest forms part of the assets of an enterprise;
- d. if you are not an individual, no part of the benefits derived from your Ordinary Shares is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969; and
- e. you are not an entity that is resident in a Member State of the European Union and that is not subject to a tax on profits levied there.

Generally, if a person holds an interest in the Company, such interest forms part of a substantial interest or a deemed substantial interest in the Company if any one or more of the following circumstances is present.

1. Such person alone or, if he is an individual, together with his partner (*partner*, as defined in Article 1.2 of the Dutch Income Tax Act 2001), if any, owns, directly or indirectly, a number of shares in the Company representing five per cent. or more of the total issued and outstanding capital of the Company (or the issued and outstanding capital of any class of shares of the Company), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent. or more of the total issued and outstanding capital of the Company (or the issued and outstanding capital of any class of shares of the Company), or the ownership of profit participating certificates (*winstbewijzen*) relating to five per cent. or more of the annual profit of the Company or to five per cent. or more of the liquidation proceeds of the Company.

2. Such person's shares, profit participating certificates or rights to acquire shares or profit participating certificates in the Company have been acquired by him or are deemed to have been acquired by him under a non-recognition provision.
3. Such person's partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner has a substantial interest (as described under 1. and 2. above) in the Company.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and his entitlement to benefits is considered a share or profit participating certificate, as the case may be.

If you are a holder of Ordinary Shares and you satisfy test a., but do not satisfy any one or more of tests b., c., d and e., your Dutch tax position is not discussed in this document.

If you are a Non-resident holder of Ordinary Shares you will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of any benefits derived or deemed to be derived by you from Ordinary Shares, including any capital gains realised on the disposal thereof, except if

1. (i) you derive profits from an enterprise as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if you are an individual, or other than as a holder of securities, if you are not an individual and (ii) such enterprise is either managed in The Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands and (iii) your Ordinary Shares are attributable to such enterprise; or
2. you are an individual and you derive benefits from Ordinary Shares that are taxable as benefits from miscellaneous activities in The Netherlands.

If you are an individual you may, inter alia, derive benefits from Ordinary Shares that are taxable as benefits from miscellaneous activities if your investment activities go beyond the activities of an active portfolio investor, for instance in the case of the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge. Such benefits will be taxable in The Netherlands only if such activities are performed or deemed to be performed in The Netherlands.

#### *Dividend withholding tax*

##### General

Dividends distributed by the Company are generally subject to a withholding tax imposed by The Netherlands at a rate of 15 per cent.

The concept "dividends distributed by us" as used in this section "Taxation – The Netherlands" includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognised as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of Ordinary Shares in excess of the average capital recognised as paid-in for Dutch dividend withholding tax purposes;
- the par value of shares issued by the Company to a holder of Ordinary Shares or an increase of the par value of Ordinary Shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of capital, recognised as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meeting of the shareholders of the Company has resolved in advance to make such repayment and (b) the par value

of the Ordinary Shares concerned has been reduced by an equal amount by way of an amendment to our articles of association.

#### Non-resident holders of Ordinary Shares

If a Non-resident holder of Ordinary Shares is resident in The Netherlands Antilles or Aruba or in a country that has concluded a double taxation treaty with The Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed. Pursuant to domestic rules to avoid dividend stripping, dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by the Company. The Dutch tax authorities have taken the position that this beneficial-ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties and the Tax Arrangement for the Kingdom (*Belastingregeling voor het Koninkrijk*).

In addition, a Non-resident holder of Ordinary Shares that is not an individual and that is resident in a Member State of the European Union is entitled to an exemption from dividend withholding tax, provided that the following tests are satisfied:

1. it takes one of the legal forms listed in the Annex to the EU Parent Subsidiary Directive (Directive 90/435/EEC, as amended), or a legal form designated by ministerial decree;
2. any one or more of the following threshold conditions are satisfied:
  - a. at the time the dividend is distributed by the Company, it holds Ordinary Shares representing at least five per cent. of the nominal paid up capital of the Company; or
  - b. it has held Ordinary Shares representing at least five per cent. of the nominal paid up capital of the Company for a continuous period of more than one year at any time during the four years preceding the time the dividend is distributed by the Company, provided that such period ended after 31 December 2006; or
  - c. it is connected with the Company within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act; or
  - d. an entity connected with it within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act holds at the time the dividend is distributed by the Company, Ordinary Shares representing at least five per cent. of the nominal paid up capital of the Company; and
3. it is subject to the tax levied in its country of residence as meant in article 2, paragraph 1, letter c, of the EU Parent Subsidiary Directive (Directive 90/435/EEC, as amended) without the possibility of an option or of being exempt; and
4. it is not considered to be resident outside the Member States of the European Union under the terms of a double taxation treaty concluded with a third State.

The exemption from dividend withholding tax is not available if pursuant to a provision for the prevention of fraud or abuse included in a double taxation treaty between The Netherlands and the country of residence of the Non-resident holder of Ordinary Shares, such holder would not be entitled to the reduction of tax on dividends provided for by such treaty. Furthermore, the exemption from dividend withholding tax will only be available to the beneficial owner of dividends distributed by the Company. If a Non-resident holder of Ordinary Shares is resident in a Member State of the European Union with which The Netherlands has concluded a double taxation treaty that provides for a reduction of tax on dividends based on the ownership of the number of voting rights, the tests under 2.a. and 2.b. above are also satisfied if such holder owns, or has owned, as the case may be, five per cent. of the voting rights in the Company.

A holder of Ordinary Shares who receives proceeds therefrom shall *not* be recognised as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, it has given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of shares (*kortlopende genotsrechten op aandelen*), whereas it may be presumed that (i) such proceeds in whole or in part, directly or indirectly, inure

to a person who would not have been entitled to an exemption from dividend withholding tax, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and (ii) such person acquires or retains, directly or indirectly, an interest in Ordinary Shares or similar instruments, comparable to its interest in Ordinary Shares prior to the time the composite transaction was first initiated.

See the section “Taxes on income and capital gains – Non-resident holders of Ordinary Shares” for a description of the term Non-resident holder of Ordinary Shares.

#### *Gift and inheritance taxes*

If you acquire Ordinary Shares as a gift (in form or in substance) or if you acquire or are deemed to acquire Ordinary Shares on the death of an individual, you will not be subject to Dutch gift tax or to Dutch inheritance tax, as the case may be, unless:

- the donor is, or the deceased was, resident or deemed to be resident in The Netherlands for purposes of gift or inheritance tax (as the case may be); or
- the Ordinary Shares are or were attributable to an enterprise or part of an enterprise that the donor or deceased carried on through a permanent establishment or a permanent representative in The Netherlands at the time of the gift or of the death of the deceased; or
- the donor made a gift of Ordinary Shares, then became a resident or deemed resident of The Netherlands, and died as a resident or deemed resident of The Netherlands within 180 days of the date of the gift.

#### *Other taxes and duties*

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in The Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Ordinary Shares

### 20.2 **UK Tax**

On issue, the Placing Shares will not be treated as either “listed” or “quoted” securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Placing Shares should continue to be treated as unquoted securities.

The Company will not be obliged to make any withholding on account of UK tax on payment of any dividends. UK resident individuals who are domiciled in the UK will be liable to UK income tax on the gross dividend paid by the Company. However, relief may be available for the Dutch withholding tax, with the provision that the relief cannot exceed the amount of UK tax payable on the dividend. UK resident individuals who are not domiciled in the UK will generally be subject to UK income tax if the dividend is remitted to the UK.

The comments below are of a general nature and are based on current UK law and published HM Revenue and Customs practice at the date of this document, both of which are subject to change, possibly with retroactive effect. The summary assumes that the Company is and shall remain resident in The Netherlands for taxation purposes. The summary only discusses certain UK tax consequences of holding the shares and receiving dividends by the absolute beneficial owner of the shares who are resident and, in the case of individuals only, ordinarily resident and domiciled in the UK, for tax purposes (“**UK holders**”). In addition, the summary (1) only addresses the tax consequences for UK holders who hold the shares as capital assets of investments and does not address the tax consequences which may be relevant to certain other categories of UK holders, for example dealers; (2) assumes that each UK holder does not either directly or indirectly control 10 per cent. or more of the voting power of the company or any other member of the group and is not otherwise connected with the company or any other member of the group.

### 20.2.1 *Withholding tax*

The dividend payments in respect of the shares will not be subject to withholding on account of the UK tax.

UK holders will be liable to UK income tax on the gross dividends paid by the company.

However, relief may be available for the Dutch withholding tax, with the proviso that the relief cannot exceed the amount of UK tax payable on the dividend. UK resident individuals who are not domiciled in the UK will generally be subject to UK income tax only if the dividend is remitted to the UK.

The dividend receipt will be regarded as the top slice of the individual's income and will be subject to UK income tax at the rates set out below.

Individual shareholders, who are liable to income tax at no more than the basic rate, will be subject to income tax on the dividend income received at the rate of 10 per cent. of the gross dividend. The rate of income tax applying to dividends received by individual shareholders liable to income tax at the higher rate will be subject to income tax at a rate of 32.5 per cent. of the gross dividend.

A UK resident company will be liable to UK tax on the gross dividend paid by the Company, subject to a credit for the Dutch withholding tax deducted at source. A UK resident company which is the beneficial owner of 10 per cent. or more of the shares may seek relief for underlying tax (borne by the Company and its subsidiaries on the profits out of which the dividend is paid) associated with the dividends, usually up to the amount of UK tax levied on the dividend.

### 20.2.2 *Chargeable gains in UK*

An individual who is resident and ordinarily resident in the UK for tax purposes is liable to capital gains tax where a gain arises on the disposal of chargeable assets situated anywhere in the world (including shares in the Company held as an investment) subject to any available exemptions or reliefs.

An individual who is resident and ordinarily resident in the United Kingdom for tax purposes but not domiciled in the United Kingdom for tax purposes will be liable to UK capital gains tax only to the extent that chargeable gains made on the disposal of shares are remitted or deemed to be remitted to the United Kingdom.

If an individual shareholder ceases to be resident or ordinarily resident in the UK and subsequently disposes of shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax in respect of a disposal of his shares upon that shareholder becoming once again resident or ordinarily resident in the UK.

For individuals, subject to any available reliefs and to the annual exemption, capital gains tax is charged at the rate of income tax applicable to an individual's top slice of income. Any gain may be reduced by taper relief which is available to UK resident individual and trustee investors. Business assets, which qualify for a higher rate of taper relief currently include shares in qualifying unquoted trading companies. For these purposes, companies admitted to AIM are currently regarded as unquoted.

UK resident companies making a disposal of shares in the Company will be liable to corporation tax in respect of chargeable gains arising on such disposal, subject to the availability of indexation allowance and the substantial shareholdings exemption (should the necessary conditions be met).

### 20.2.3 *Stamp duty and stamp duty reserve tax (“SDRT”)*

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depository arrangements or clearance services, who may be liable at a higher rate.

The allocation and issue of the Placing Shares will not generally give rise to a liability to stamp duty or SDRT.

UK stamp duty at a fixed rate of £5 per transfer will be payable where an investor wishes to deposit the Ordinary Shares with the depository in order that DIs will be issued under the depository interest arrangements outlined in paragraph 19 of Part VI of this admission document.

UK SDRT (at 0.5 per cent. of the purchase price) will be chargeable in respect of an agreement to sell the Ordinary Shares (following issue of the DIs) or DIs representing the Ordinary Shares.

Stamp duty, at 0.5 per cent., on the amount or value of the consideration (rounded up to the nearest £5), will arise on the transfer of Ordinary Shares if the document of transfer is executed in the UK or there is a “matter or thing” to be done in the UK. The term “matter or thing” is very wide and can include paying consideration out of a UK bank account.

Where an SDRT charge arises, payment of stamp duty within six years of the date of an agreement on a transfer executed pursuant to the agreement will generally cancel the charge to stamp duty reserve tax.

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

## 21. **Working capital**

The Directors are of the opinion (having made due and careful enquiry) that, after taking into account the financing facilities available to the Group and the net proceeds of the Placing, the Group will have sufficient working capital for its present requirements, that is, for at least the period of 12 months from the date of Admission.

## 22. **Environmental issues**

There are no environmental issues that may affect the Company’s utilisation of the tangible fixed assets.

## 23. **Selling Shareholder**

Weswa B.V., the sole shareholder in the capital of the Company as at the date of this document, is selling 12,413,725 Ordinary Shares pursuant to the Placing. On the assumption that all of the Placing Shares are placed, such shares will represent 28.4 per cent of the Enlarged Share Capital. Weswa B.V.’s address is Binckhorstlaan 340, 2516 BL, The Hague, The Netherlands.

## 24. **Miscellaneous**

24.1 Assuming that all of the New Ordinary Shares are issued pursuant to the Placing, the total proceeds of the Placing to be received by the Company are expected to be approximately £44.2 million. The total costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 9 above) payable by the Company are estimated to amount to approximately £4.1 million (excluding VAT). The total net proceeds of the Placing will be £40.1 million.

24.2 In making any investment decision in respect of the Placing, no information or representation should be relied on in relation to the Placing, the Group or the Placing Shares, other than as contained in this

document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this document nor any subscription or purchase made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.

- 24.3 BDO Stoy Hayward LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports set out in Section A of Part III and Section A of Part IV of this document and the references to the reports in the context in which they are included. BDO Stoy Hayward LLP has no material interest in the Company.
- 24.4 Collins Stewart has given and has not withdrawn its written consent to the inclusion of its name in the form and in the context in which it is included.
- 24.5 Where information in this document has been sourced from a third party, it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 24.6 Save as otherwise disclosed in this document:
- 24.6.1 there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability; and
- 24.6.2 there have been no interruptions in the Group's business since the date of incorporation of the Company which may have or had a significant effect in the Group's financial positions.
- 24.7 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 24.7.1 received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission; or
- 24.7.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
- 24.7.2.1 fees totalling £10,000 or more;
- 24.7.2.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- 24.7.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 24.8 New Ordinary Shares are to be allotted and issued pursuant to the Placing and the Company will apply for the relevant number of such shares to be admitted to trading on AIM. The ISIN (International Security Number) of the Ordinary Shares and the DIs is NL0000817377.
- 24.9 The principal legislation under which the Ordinary Shares have been created is Book 2 of the Dutch Civil Code.
- 24.10 The Placing Shares, when paid up, will only be available in uncertificated form as registered shares or DIs and settled on CREST as DIs. The records in respect of all shares and DIs will be maintained by Capita Registrars (Jersey) Limited.
- 24.11 The Placing Shares will rank in full for all dividends and other distributions declared, made or paid after the date of their issue and otherwise *pari passu* in all respects with the existing Ordinary Shares. A description of the rights attached to the shares, including transferability, is set out in paragraph 17 of this Part VI. The Placing Shares are denominated in Euros with the Placing Price in sterling.

- 24.12 It is expected that the Ordinary Shares will be issued on 1 May 2007 and CREST accounts will be credited by 1 May 2007.
- 24.13 For a summary of applicable Dutch company law, see Part VII of this document.
- 24.14 There have been no public takeover bids by third parties in respect of the Company's shares, which have occurred during the last financial year and the current financial year.
- 24.15 The Placing Price of 137 pence per Placing Share is at a premium of approximately 135.6 pence for each Placing Share above the nominal value of each Placing Share.
- 24.16 Where required, statutory audited accounts of the Company and its subsidiaries relating to each financial period to which the financial information relates have been delivered to the relevant Dutch Chamber of Commerce.
- 24.17 There is no Director or member of a Director's family who has a related financial product referenced to the Ordinary Shares.
- 24.18 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 24.19 Save as set out in this document, there are no undertakings in which the Company has a proportion of the capital which are likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

## **25. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London, EC4R 9HA up to and including 30 May 2007:

- 25.1.1.1 the Articles;
- 25.1.1.2 the reports by BDO Stoy Hayward LLP set out in Parts III and IV of this document;
- 25.1.1.3 the statutory accounts referred to in paragraph 24.16 above;
- 25.1.1.4 the service agreements referred to in paragraph 12 above;
- 25.1.1.5 the letters of consent referred to in paragraphs 24.3 and 24.4 above; and
- 25.1.1.6 the Deed Poll referred to in paragraph 19.2 above.

25 April 2007

## PART VII

### SUMMARY OF APPLICABLE DUTCH COMPANY LAW

#### **Dutch Squeeze-Out Proceedings**

If a person or company or group of companies (the “Controlling Entity”) holds 95 per cent. or more of the Company’s issued share capital by nominal value for their own account, Dutch law permits the Controlling Entity to acquire the remaining shares in the Company by initiating squeeze-out proceedings against the holders of the remaining shares. The price to be paid for such remaining shares will be determined by the Enterprise Chamber (Ondernemingskamer) of the Amsterdam Court of Appeal.

A shareholder who holds less than 95 per cent. of the shares in the Company’s issued share capital, but in practice controls the Company’s General Meeting of shareholders could attempt via other means to acquire 100 per cent. Examples are a legal merger, a de-merger a sale of substantially all assets of the Company, a liquidation or dilution by contribution of cash or assets (shares would be issued against contribution of cash or assets, whilst at the same time pre-emptive rights would be excluded).

#### **Important Board resolutions to be approved by shareholders.**

Resolutions of the Board of Directors leading to an important change in the identity or character of the Company will require the approval of the General Meeting. These include, but are not limited to, resolutions in respect of:

- 1.1 the transfer of most or all of the business;
- 1.2 the entry into or termination of any long-term co-operation arrangement (including joint ventures);
- 1.3 the acquisition or disposal of participations with a value of at least one third of the balance sheet total as per the most recently adopted annual accounts.

#### **Remuneration policy for the members of the Board of Directors**

It is a statutory requirement under Dutch law that the Company establishes a policy in respect of the remuneration of the members of the Board of Directors. This policy must be adopted by the General Meeting. The policy will include all aspects of remuneration (including bonuses, stock options, and severance payments).

Option and share plans for members of the Board of Directors must be adopted by the General Meeting, unless the articles of association designate another body to do so. The plan must contain a maximum limit on the number of shares and options that may be granted to members of the Board of Directors and must include all applicable criteria.

#### **Right of putting items on agenda of General Meeting**

Persons holding 1 per cent. of issued share capital (either shares or DIs) or holding shares (or DIs) representing a market value of at least €50 million have the right to put items on the agenda for a General Meeting, on the condition that the Company has received the request not later than the thirtieth day prior to the day of the meeting. The Board of Directors may refuse such request to put an item on the agenda if this would prejudice the vital interest of the Company.

#### **Inquiry procedure (*Enquêteprocedure*)**

Dutch Company law provides for a special court procedure that allows a specialised business court (the Enterprise Chamber at the Amsterdam Court of Appeal) to order an inquiry into the affairs of the company (“Inquiry Procedure”). A request to commence such an Inquiry Procedure must be based on an allegation that there would be substantive reasons to doubt the correctness of the Company’s management policies. The request may be filed by, *inter alia*, shareholders holding, whether individually or jointly (i) 10 per cent. of

the issued and outstanding share capital of the Company or (ii) €225,000 of the nominal value of the Company's share capital. If the Enterprise Chamber were to determine that there are substantive reasons to doubt the Company's management policies, it will appoint investigators to assess the relevant policies of the Company in detail. Pending such investigation, the Enterprise Chamber may order a wide range of provisional measures in order to address any urgent issues. In addition, if the Enterprise Chamber were to ultimately establish that mismanagement would have occurred, it may order certain measures, including, among other things, the suspension or nullification of one or more board or shareholders' resolutions, or the suspension or dismissal of one or more Directors.

