THIS DOCUMENT IS FOR INFORMATION ONLY AND REQUIRES NO ACTION ON YOUR PART. If you are in any doubt about the contents of this document, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services Act 1986 immediately.

A copy of this document, which comprises listing particulars relating to Manchester & London Investment Trust plc in accordance with the listing rules of the London Stock Exchange made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

The Directors of the Company, whose names appear on page 6 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Rea Brothers is acting for the Company in relation to the Introduction, and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Rea Brothers or for advising them on the contents of this document or any matter referred to in it.

Application has been made to the London Stock Exchange for all of the Ordinary Shares currently in issue to be admitted to the Official List. It is expected that admission to the Official List will become effective and that dealings in the Ordinary Shares will commence on 8 December 1997.

MANCHESTER & LONDON INVESTMENT TRUST plc

Admission to the Official List

Introduction sponsored by Rea Brothers Limited

Indebtedness

At the close of business on 28 November 1997, the total indebtedness of M&L was as follows:

	£
Secured loans and overdrafts	74,263,010

Save as disclosed above and apart from intra-group transactions and guarantees, at the close of business on 28 November 1997 M&L had no loan capital outstanding (whether issued or created but unissued), any term loans or other borrowings or indebtedness in the nature of the borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, obligations under finance leases, mortgages, charges, guarantees or other contingent liabilities.

At the close of business on 28 November 1997 M&L had aggregate cash balances of £3,418.

CONTENTS

KEY FEATURES

- M&L is an investment company with a portfolio of equity investments, principally quoted on the London Stock Exchange, valued at approximately £37.10m at 28 November 1997.
- The success of the Company's investment policy is illustrated by the growth in net assets per Ordinary Share from the equivalent of 2.28p at 31 December 1981 to 312.79p at 28 November 1997 (fully diluted and after listing expenses of 5.73p per Ordinary Share), a compound growth rate of 36.23 per cent. per annum, which compares to a growth rate of 13.30 per cent. in the FTSE Actuaries All-Share Index over the same period.
- The last three years have seen rapid growth in the Company's net asset value per share, a performance which has been considerably assisted by the strength of both the UK and overseas stock markets during the period.
- The Company will maintain a relatively small and focused portfolio seeking capital growth by investing the majority of its portfolio in approximately 10 to 20 securities.
- The Board will adopt a policy permitting investment in any particular sector of the stock market both in the UK and overseas. This gives greater freedom of choice in the search for investments which may achieve above average capital growth.
- Under the legislation applicable to investment trusts, no single investment in equities can comprise more than 15 per cent. of the total funds invested. Some of the Company's equity investments, which the Directors believe should be retained in the medium term, would have exceeded this limit. Accordingly, the Company has increased its level of investments so that no single equity investment exceeds the 15 per cent. level.
- The increased level of investments comprises holdings of UK Government Securities valued at £68.89m, funded through borrowings.
- Although it is the Directors' intention to conduct the affairs of the Company in such a manner as to satisfy the conditions for approval as an Investment Trust, such approval is given retrospectively for an accounting period. Whilst the Board believe that, following Admission, the Company will satisfy the criteria necessary to obtain such approval, there is no guarantee that such criteria will not change or that the Company will be in a position to fulfil such criteria in the future.
- Dealings are expected to commence on 8 December 1997.
- Investors' attention is drawn to the risk factors set out on page 13 of this document.

INTRODUCTION STATISTICS

Number of Ordinary Shares in issue following the Introduction	7,500,000
Estimated undiluted net asset value per Ordinary Share after deducting flotation expenses	427.04p
Number of Ordinary Shares in issue following the Introduction on a fully diluted basis	10,477,680
Estimated fully diluted net asset value per Ordinary Share after deducting flotation expenses	312.79p

EXPECTED TIMETABLE

Dealings in the Ordinary Shares expected to commence on	8 December 1997

DEFINITIONS

In this document the following expressions shall have the meanings set out below, save where the context requires otherwise:

"Act"	the Companies Act 1985, as amended
"Admission"	admission of the Ordinary Shares to the Official List
"Beacontree Plaza Transaction"	the acquisition of the entire issued share capital of Beacontree Plaza Limited by the Company, details of which are set out in paragraph 7 of Part III of this document
"Directors" or "Board"	the directors of M&L
"EGM"	the extraordinary general meeting of the Company held on 19 September 1997
"Facilities Agreement"	the agreement dated 27 November 1997 between the Company and Singer & Friedlander Limited, details of which are set out in paragraph 6 of Part III of this document
"Galleon Securities"	Galleon Securities Limited, a company controlled by Mr B S Sheppard and his family interests
"GAM" or the "Investment Manager"	Galleon Assets Management Limited, the investment manager of M&L, a member of, and regulated by The Securities and Futures Authority Limited and a wholly owned subsidiary of Galleon Securities
"Group"	the Company and its subsidiaries
"ICTA"	Income and Corporation Taxes Act 1988
"Investment Trust"	has the meaning as defined in section 842 of ICTA
"London Stock Exchange"	London Stock Exchange Limited
"M&L" or the "Company"	Manchester & London Investment Trust plc
"Management Agreement"	the agreement dated 1 December 1997 between the Company and the Investment Manager relating to the management of the Company's portfolio, details of which are set out in paragraph 6 of Part III of this document
"Official List"	the official list of the London Stock Exchange
"Ordinary Share"	each ordinary share of 25p in the capital of the Company
"Preference Shares"	non-voting, cumulative, convertible, preference shares of £1 each in the capital of the Company
"Rea Brothers"	Rea Brothers Limited, financial adviser to M&L and sponsor to the Admission
"Relationship Agreement"	the agreement dated 1 December 1997 between M&L, Galleon Securities, Mr B S Sheppard, GAM and Mr E Bor, details of which are set out in paragraph 6 of Part III of this document
"Sponsorship Agreement"	the agreement dated 1 December 1997 between Rea Brothers, each of the Directors, GAM and the Company, details of which are set out in paragraph 6 of Part III of this document

DIRECTORS, MANAGERS AND ADVISERS

Directors and registered office	The Rt. Hon. The Lord Carlisle of Bucklow, PC QC DL Brian Stephen Sheppard Ellis Bor Peter Henry Arthur Stanley Maurice Clifford Webb Martin John Wilbraham all of Charlotte House, 10 Charlotte Street, Manchester M1 4FL
Company Secretary	John David Jackson Dibb Lupton Alsop Windsor House Temple Row Birmingham B2 5LF
Investment Manager	Galleon Assets Management Limited Charlotte House 10 Charlotte Street Manchester M1 4FL
Sponsor	Rea Brothers Limited Alderman's House Alderman's Walk London EC2M 3XR
Stockbroker	Gall & Eke Limited Charlotte House 10 Charlotte Street Manchester M1 4FL
Solicitors to the Company	Dibb Lupton Alsop Windsor House Temple Row Birmingham B2 5LF
Auditors of M&L and Reporting Accountants	Cooper Lancaster Brewers Century House 11 St. Peter's Square Manchester M2 3DN
Principal Bankers to the Company	Singer & Friedlander Limited 41-43 Maddox Street London W1R 0BS
Registrars	Galleon Registrars Limited Charlotte House 10 Charlotte Street Manchester M1 4FL
Solicitors to the Sponsor	Lawrence Graham 190 Strand London WC2R 1JN

PART I

THE COMPANY

History

M&L is an investment company with a portfolio of investments principally quoted on the London Stock Exchange. The Company was incorporated in 1971, obtained a Stock Exchange listing in January 1972 and subsequently obtained Inland Revenue approval as an investment trust.

In 1978, an agreed takeover of the Company by an umbrella company, Manchester and Metropolitan Investment Trust Limited ("MMIT") resulted in M&L becoming a 67.32 per cent. owned subsidiary of MMIT.

In 1982, MMIT acquired Pactrol Controls Limited ("Pactrol"), allowing itself to be used as a shell. One of the conditions of the acquisition was that MMIT should divest itself of its holding in M&L. This was achieved by way of a rights issue to MMIT shareholders of the units including shares in M&L, then owned by MMIT. This issue was underwritten by Gall & Eke, who subsequently placed 42.4 per cent. of the M&L shares with Neil Fergusson (Chemist) Limited ("Fergusson"), a company wholly owned by Mr B S Sheppard. Following further acquisitions of shares, Fergusson's holding increased to 72.6 per cent. and was further increased to 72.86 per cent. as a result of the Beacontree Plaza Transaction, details of which are set out in paragraph 7 of Part III of this document. This holding was subsequently transferred to Galleon Securities. Following a capital reconstruction approved at the EGM, Mr B S Sheppard and companies under his control now hold 62.1 per cent. of the Ordinary Shares and 100 per cent. of the Preference Shares.

The Company lost its Investment Trust status at the time of the Pactrol acquisition in 1982 and subsequently allowed its listing to lapse. The Directors of the Company at that time decided that its funds should be concentrated into a small number of selected investments with the objective of achieving above average capital growth. This has been achieved over the longer term and the details of the larger investments within the current portfolio, comprising principally quoted UK securities, are set out on page 9 of this document. The success of this policy is illustrated by the increase in net assets per Ordinary Share, on a fully diluted basis, from the equivalent of 2.28p at 31 December 1981 to 312.79p at 28 November 1997 (the figure for 1981 being adjusted so as to be comparable following the capital reorganisation referred to in paragraph 2 of Part III of this document and calculated on a basis consistent with the Group's accounting policies as set out in the Accountants' Report in Part II of this document). The increase represents a compound growth rate of 36.23 per cent. per annum, which compares with a growth rate of 13.30 per cent. in the FTSE Actuaries All Share Index over the same period. These figures do not include reinvested dividends.

The Board believes that now is an appropriate time to reapply for a listing of the Ordinary Shares on the London Stock Exchange.

Investment objectives and policy

In recent years, the Company's investment portfolio has been concentrated in four or five principal investments. Although, as a quoted investment trust, the Company will not have such a tight concentration of investments, it will maintain a relatively small and focused portfolio, seeking capital growth by investing in approximately 10 to 20 securities.

The Board believes that patience is a key element of the Company's successful investment strategy; individual equity investments are likely to be held for not less than two years and often for longer periods.

Under the legislation applicable to investment trusts, no single investment in equities can comprise more than 15 per cent. of the total funds invested. Some of the Company's equity investments, which the Directors believe should be retained in the medium term, would have exceeded this limit. Accordingly, the Company has increased its overall level of investments so that no single equity investment exceeds the 15 per cent. level and to ensure that the Company retains the potential for capital growth in its existing portfolio of equity investments.

The increased level of investments comprises holdings of UK Government securities. Their purchase has been funded through the borrowings obtained under the Facilities Agreement (details of which are set out in paragraph 6 of Part III of this document). It is the Directors' current intention to retain the holdings of UK Government securities for such period as the Directors continue to believe there is a prospect of capital appreciation due to the likelihood of a convergence of interest rates between now and the proposed introduction of the Euro.

The Company's principal investment policies will, in the absence of unforeseen circumstances, be adhered to for at least three years following Admission. Any material change in the policies within that period will only be made with shareholder approval.

Investment criteria

The Directors are responsible for the determination of the Company's investment policy and overseeing its implementation. The portfolio selection process will continue to be based on assessing the merits and prospects of the individual companies and, in particular, seeking:

- *Market dominance.* Whether on a local, national or international scale of the particular market in which a company operates.

- *Profit margins.* These should be capable of improvement, either through the efforts of key management or by increasing domination of the sector in which the company operates through strategic acquisitions.

- *Meaningful incentives for management.* Directors' shareholdings and options, balanced with reasonable (but not excessive) salary levels are an important element in gauging incentives, especially when new management is appointed to a company which is performing below market expectation.

- *Track record.* A company need not necessarily have a consistent or satisfactory record at the time the shares are purchased but it is vital that the conditions are in place to allow a turnaround or recovery in the company's fortunes.

- *Know the management.* This is particularly important in relation to smaller companies or companies within the FTSE 250 Index. It is the Board's policy to assess the management ability and enthusiasm of the directors of a company.

- *Growth stocks.* The Board will consider a company's presence in new areas, for example, technology stocks, where there appears to be scope for above average growth and the achievement of a dominant market position.

- *Cash flow.* The ability of a company to generate cash balances is important, particularly in areas where there is potential for "bolt-on" acquisitions.

- *Portfolio liquidity.* The Board is reluctant for the Company's funds to be concentrated too heavily in companies where there is not, nor is there likely to be, a reasonably liquid market in the shares.

- *General.* The Board adopts a policy permitting investment in any sector of the stock market both in the UK and overseas. This gives greater freedom of choice in the search for investments which may achieve above average capital growth and means the portfolio could become substantially liquid if the Board takes an unfavourable view of the outlook for the markets.

Investment portfolio

As at 28 November 1997, the latest practicable date prior to the publication of this document, the Company's largest investments were as follows:

Security	*Business*	*Proportion of company or class owned*	*Cost (£'000)*	*Market value (£'000)*
Treasury 7¼pc 1998	UK Government security	0.43%	35,479*	35,000
Treasury 7pc 2002	UK Government security	0.13%	12,093*	12,101
Treasury 8pc 2000	UK Government security	0.12%	12,318*	12,326
Treasury 8pc 2003	UK Government security	0.11%	9,441*	9,459
British Aerospace PLC	Engineering	0.21%	4,912	14,751
Powerscreen International PLC	Engineering	1.11%	1,580	6,585
Andrews Sykes Group PLC	Sale and hire of plant	6.73%	639	6,860
AEA Technology PLC	Support services	1.25%	3,081	4,355
CNC Properties PLC	Investment property	6.18%	1,262	1,336

*The cost of the UK Government securities includes accrued interest.

Security	*Last reported EPS*	*Net dividend per share received in year to 31 July 1997*	*Net assets of the company attributable to M&L (£'000)*	*Dividend cover*	*Extra-ordinary items*
British Aerospace PLC	67.1p	15.6p	3,352	4.5	n/a
Powerscreen International PLC	36.1p	2.9p	1,365	3.5	n/a
Andrews Sykes Group PLC	33.8p	10.1p	762	7.1	n/a
AEA Technology PLC	15.5p	2.75p	664	2.1	n/a
CNC Properties PLC	12.3p	3.0p	1,782	3.4	n/a

Further information on the Company's five largest equity investments is provided below:

British Aerospace PLC ("BAe"): At the time the majority of the holding was purchased in January/February 1994, BAe had effected a financial reconstruction as a result of which the shares satisfied several of the Company's investment criteria. In particular, the board changes led to a re-focusing of the company's activities on its core interests. The Directors believed the margin on sales was below what was considered to be an achievable level in the light of management changes.

Powerscreen International PLC ("Powerscreen"): When Powerscreen reversed into British Benzol PLC in 1986, the Directors believed that the price did not reflect its long term potential rating, taking into account the developing requirements of mobile screening equipment and the huge potential for the preservation of natural resources by re-cycling. Powerscreen has achieved impressive returns over the last 5 years and has made several "bolt-on" acquisitions of companies in complementary fields.

Andrews Sykes Group PLC ("AS"): The AS shares were purchased in 1994 when 58 per cent. of the company was acquired by European Fire Protection Holding BV (EFP). At that time, the company had gearing at an unsustainable level in excess of 200 per cent. An investment decision by the Directors was made on the grounds that EFP, having gained management and voting control, would do their utmost to ensure the company would succeed. The assessment of new management by the Directors prior to the purchase of the shares played a key role in the investment decision.

AEA Technology PLC ("AEA"): The company was the last in the previous Government's privatisation programme, being the Commercial section of the United Kingdom Atomic Energy Authority. The offer for sale price of 280p was considered by the Directors to be cheap and a holding of 1 million shares was acquired at an average price of 308p. Apart from the company's wide experience in atomic energy decommissioning, it is rapidly developing its interests in environmental cleansing and is benefiting from promoting awareness and understanding of science and engineering at all levels.

CNC Properties PLC ("CNC"): Since approximately 1993, the secondary property market has benefited from investment returns (mainly from secondary properties) that have been significantly higher than the cost of borrowing. CNC is profitably exploiting this situation and increasing its portfolio, principally by debt financed acquisitions which include some development potential.

Trading record

M&L's earnings, earnings per Ordinary Share and net dividend per Ordinary Share for the three years to 31 July 1997 and its net assets and net assets per Ordinary Share as at 31 July in each of the three years to 1997, are as follows:

	Year ended 31 July			*As at 31 July*		
	1995	*1996*	*1997*	*1995*	*1996*	*1997*
Revenue return £'000	472	410	385	—	—	—
Return per Ordinary Share (Note a)	6.29p	5.47p	5.13p	—	—	—
Net dividend per Ordinary Share	0.95p	0.95p	Note b	—	—	—
Net assets £'000	—	—	—	12,615	20,488	29,349
Fully diluted assets per Ordinary Share (Note a)	—	—	—	120.40p	195.54p	280.11p

Note:

(a) The information relating to return per Ordinary Share has been prepared on the basis disclosed in note 8 the Accountants' Report in Part II. The information relating to assets per Ordinary Share has been prepared on the basis disclosed in note 18 the Accountants' Report in Part II.

(b) A dividend of 1.33p per Ordinary Share in respect of the period from 1 August 1996 to 8 December 1997 is expected to be paid to shareholders in March 1998.

The past three years have seen rapid growth in the Company's net asset value per Ordinary Share, a performance which has been considerably assisted by the strength of both the UK and overseas stock markets during the period. The re-rating by the market of the Company's three largest equity investments has resulted in a superior performance by the Company compared to both the FTSE 100 and FTSE Actuaries All Share Index.

Current trading and prospects

Since 31 July 1997 the Company's portfolio has performed satisfactorily, net assets having increased in value from £29.35m at 31 July to £32.77m at 28 November 1997 (being the latest practicable date before publication of this document). This figure represents an undiluted net asset value per Ordinary Share, after flotation expenses (adjusting for the recent capital reorganisation) of 427.04p and a fully diluted net asset value per Ordinary Share, after flotation expenses (adjusting for the recent capital reorganisation) of 312.79p.

Until 3 October 1997 the UK stock market continued to perform strongly but the Asian currency crisis has taken its toll on share prices leading to a more cautious mood. This has been exacerbated by the recent increase in UK interest rates. At 28 November, the latest practicable date prior to the publication of this document, the FTSE 100 Share Index stood some 9.4 per cent. below its peak of 5,330.8 established on 3 October 1997.

The Directors favour a policy which takes a long term view of the investments within the portfolio and continue to believe that the prospects for these equity investments remain favourable. However, it should not be assumed that the performance over the last three years will necessarily be repeated, particularly against the background of stockmarkets which have recently seen all-time peaks. On this basis and notwithstanding the long term policy, the Directors have adopted a policy designed to produce a greater balance within the portfolio whilst maintaining growth prospects. They are aware that uncertainties on the horizon including the European common currency proposals and uncertainty in emerging markets may result in a continuation of recent stockmarket volatility. Despite these uncertainties the Directors are confident that their investment policy will continue to prove effective and in the long term interests of shareholders who are seeking capital growth.

Directors

The company has 6 Directors, the majority of whom are independent of the Investment Manager, and all of whom are non-executive. The Directors are responsible for overseeing the investment policy of the Company.

The Rt. Hon. The Lord Carlisle of Bucklow, PC QC DL (aged 68) (Chairman) was Secretary of State for Education and Science between 1979 and 1981. He was a Conservative Member of Parliament between 1964 and 1987 and was made a life peer in 1987. He joined the Board of M&L in November 1997 as Chairman.

Brian Stephen Sheppard, (aged 63) became a member of the Manchester Stock Exchange (which was absorbed into the London Stock Exchange in 1973) in 1962 and in the same year became senior partner of Gall & Eke. He was a founder director of M&L and was Chairman until November 1997. He is executive chairman of GAM and is also a director of Galleon Securities.

Ellis Bor (aged 68) practised at the Chancery Bar of Lincoln's Inn between 1951 and 1955, since when he has been a director of a number of private companies including Tige Properties Limited and Pleasant Hotels Limited, specialising as an adviser on corporate and legal matters. He is on the board of GAM. He joined the Board of M&L in 1977.

Peter Henry Arthur Stanley (aged 64) has been chairman of BWD Securities PLC since April 1995. His previous experience includes his role as Chairman of Firms Accounts Committee of the London Stock Exchange and the Chairman of Capital Committee and a member of The Enforcement Committee of The Securities Association. He joined the Board of M&L in November 1997.

Maurice Clifford Webb (aged 71). After an initial period as an Inspector of Taxes and then as a Chartered Accountant both in public practice and industry, he was responsible for the establishment of the private bank now known as Matlock Bank Limited. He was a director of Derby Trust plc (a split level Inland Revenue Approved Investment Trust) and other investment companies between 1966 and 1986 and is currently a director of several public and private companies, including the BES Assured Tenancy Companies, London's Third City PLC and six Hunter BES Companies. He joined the Board of M&L in 1985.

Martin John Wilbraham, (aged 66) is a member of the Securities Institute and a Member of the London Stock Exchange (into which the Manchester Stock Exchange, of which he was originally a member, was absorbed in 1973). He has been a Director of M&L since 1972. He has also been involved with a number of public and private companies including Euro Centre Time Traveller Parks Limited and Ealing Studios Productions Plc.

Further information on the Directors and their interests can be found in paragraph 4 of Part III of this document.

Accounts and dividend policy

The Company's accounting reference date has, until this year, been 31 July. For the financial year ending in 1997, it has been changed to 8 December 1997. Following Admission, it is intended that the year end will revert to 31 July. The Company will issue accounts for the period ended 8 December 1997 in due course. The AGM will be held in March next year.

A dividend of 1.33p per Ordinary Share in respect of the period from 1 August 1996 to 8 December 1997 is expected to be paid to shareholders in March 1998.

Dividends will be paid only to the extent that they are covered by accumulated net revenue received on investments after expenses and taxation. In order to obtain approval as an Investment Trust, the Company may not retain, in any accounting period, more than 15 per cent. of the gross income arising from shares and securities. Surpluses arising from the realisation of investments are not capable of distribution by way of dividend under the Company's Articles of Association.

The investment manager

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for ensuring that the Company achieves its objectives.

The Company's assets will be managed by GAM which has the responsibility for implementing the Board's investment policy. GAM will be paid a fee for its investment management and investment advisory services which is calculated by reference to the value of the portfolio.

GAM, which is a member of the Securities and Futures Authority Limited, was incorporated in 1982 as Charlotte House Financial Services Limited. Mr B S Sheppard is the executive chairman and became a Stock Exchange Member in 1962. He has extensive experience in investment management and has managed the investment portfolio of M&L since the Company's foundation. Mr N C Randall, who has been a stockbroker since 1981, is senior executive officer of GAM.

Mr B S Sheppard and the Board are aware that due to the interests of Mr B S Sheppard and his family in Galleon Securities and the relationship between Galleon Securities and the Investment Manager, potential conflicts could arise between the interests of the Company and its shareholders in general and the interests of Mr B S Sheppard and his family. Accordingly, in order to avoid such conflicts arising, Galleon Securities and Mr B S Sheppard have entered into the Relationship Agreement, further details of which are set out in paragraph 6 of Part III of this document.

Further details of the agreement appointing GAM as Investment Manager (which is an agreement required by the Listing Rules of the Stock Exchange) are also set out in paragraph 6 of Part III of this document.

Taxation

The Directors intend that the Company should conduct its affairs so that it will meet all the requirements for qualification as an approved Investment Trust under section 842 ICTA, as amended. Approval of Investment Trust status is granted retrospectively for each accounting period. There can be no guarantee in advance of any accounting period that approval will be given. Under current tax law, the realised capital gains of an approved Investment Trust are not liable to UK Corporation Tax.

Information concerning the status of the Company as an approved Investment Trust, capital gains tax liabilities of shareholders on disposal of shares, and the taxation of dividends and distributions of the Company is contained in paragraph 8 of Part III of this document.

Risk factors

Prospective investors should be aware that the value of and the income arising from the Ordinary Shares can fluctuate. In addition, there is no guarantee that the market prices of shares in investment trusts will fully reflect their underlying net asset value and it is not uncommon for the market price of such shares to trade at a significant discount to their net asset value. Potential investors may not recover the full amount invested.

Past performance is not necessarily indicative of the future performance of the Company.

Potential investors should note that the levels and bases of reliefs from taxation may change and that such changes may alter the benefits of investment in the Company. The tax reliefs referred to in this document are those currently available. While investment through an Investment Trust, such as M&L, may generally be expected to reduce the risk of investing in particular companies, given the limited number of shareholdings within the M&L portfolio, the share price of M&L may be particularly subject to changes in one or two key holdings.

Although it is the Directors' intention to conduct the affairs of the Company in such a manner as to satisfy the conditions for approval as an Investment Trust, such approval is given retrospectively for an accounting period. Whilst the Board believe that, following Admission, the Company will satisfy the criteria necessary to obtain such approval, there is no guarantee that such criteria will not change or that the Company will be in a position to fulfil such criteria in the future.

PART II
ACCOUNTANTS' REPORT ON M&L

Cooper Lancaster Brewers
Century House
11 St. Peter's Square
Manchester
M2 3DN

The Directors
Manchester & London Investment Trust plc
Charlotte House
10 Charlotte Street
Manchester
M1 4FL

The Directors
Rea Brothers Limited
Alderman's House
Alderman's Walk
London
EC2M 3XR

2 December 1997

Dear Sirs,

We report in connection with the listing particulars of Manchester & London Investment Trust plc dated 2 December 1997.

We have examined the audited financial statements of Manchester & London Investment Trust plc ("M&L") for the two years ended 31 July 1996 and the audited interim financial statements for the year ended 31 July 1997. These financial statements were audited by ourselves and we have issued unqualified reports thereon.

Audited financial statements of M&L have not been made up for any period subsequent to 31 July 1997. Published financial statements will be produced for the period from 1 August 1996 to 8 December 1997.

The financial information set out in this report is based on the audited financial statements of M&L and its subsidiaries, after making such adjustments as we consider necessary.

Our work has been carried out in accordance with the Auditing Guideline; "Prospectuses and the reporting accountant". In our opinion, the financial information set out below, gives, for the purposes of the listing particulars, a true and fair view of the profits and cash flows of the Group for each of the three years ended 31 July 1997 and the state of affairs of the Group at the end of each of those years.

Principal accounting policies

The financial information contained in this report has been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. The principal accounting policies, which have been applied consistently for all the periods covered by this report, are set out below:

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and have been restated to comply with the Statement of Recommended Practice "Financial statements of investment trust companies".

Basis of consolidation

The consolidated statement of total return and balance sheet include the financial statements of the Company and its subsidiary undertakings for the three years ended 31 July 1997.

The results of subsidiaries sold or acquired are included in the consolidated statement of total return up to, or from, the date control passes.

Goodwill arising on consolidation is written off against reserves on acquisition.

Valuation of investments

Quoted investments held by the investment holding companies are valued at middle market prices.

Unlisted investments are valued at the Directors' valuation.

The investments of the investment dealing subsidiaries are valued at the lower of cost or middle market value.

Realised gains or losses on the disposal of investments and permanent impairments in the value of investments are taken to the capital reserve-realised, and unrealised gains or losses on the revaluation of investments are taken to the capital reserve-unrealised as explained below.

Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Group's right to receive payment is established.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares. Other returns on non-equity shares are recognised when the right to the return is established.

The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income and any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

— expenses which are incidental to the acquisition of an investment are included within the cost of the investment

— expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investments

— expenses are charged to capital reserve-realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 65 per cent. to capital reserve-realised and 35 per cent. to revenue account, in line with the Directors' expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Group.

Finance costs

Finance costs, including dividends and other finance costs of non-equity shares are accounted for on an accruals basis, and in accordance with the provisions of Financial Reporting Standard 4 "Capital Instruments". Finance costs of debt, insofar as they relate to the financing of the Group's investments or to financing activities aimed at maintaining or enhancing the value of the Group's investments, are allocated 65 per cent. to capital reserve-realised and 35 per cent. to the revenue account, in line with the Directors' expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Group.

Taxation

Advance corporation tax ('ACT') payable on dividends paid or provided for in the year is written off, except when recoverability is considered to be reasonably certain and foreseeable. In considering recoverability, debit balances arising in respect of ACT on dividends payable or proposed at the balance sheet date are carried forward only to the extent that it is foreseen that they will be recovered against the tax liability of the current year or the subsequent year, having regard to projected dividend payments out of income for that subsequent year and the amount of any ACT likely to be paid, without being replaced by equivalent debit balances. Irrecoverable ACT is charged to the revenue account except to the extent that it arises because of the allocation of expenses to capital leading to a higher distribution.

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

The tax effect of different items of income or gain and expenditure or loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the individual company's effective rate of tax for the accounting period.

Capital Reserve

Capital reserve – realised

The following are accounted for in this reserve:

— Gains and losses on the realisation of investments.

— expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies

Capital reserve – unrealised

The following are accounted for in this reserve :

— increases and decreases in the valuation of investments held at the year-end

Consolidated Statements of Total Return (incorporating the Revenue Account*)

						Years ended 31 July				
			1997			*1996*			*1995*	
	Note	*Revenue £'000*	*Capital £'000*	*Total £'000*	*Revenue £'000*	*Capital £'000*	*Total £'000*	*Revenue £'000*	*Capital £'000*	*Total £'000*
Gain on investments	9	—	8,899	8,899	—	7,574	7,574	—	4,099	4,099
Income	1	728	—	728	662	—	662	797	—	797
Investment management fee	2	(70)	(130)	(200)	(44)	(82)	(126)	(32)	(59)	(91)
Other expenses	3	(132)	—	(132)	(77)	—	(77)	(60)	—	(60)
Net return before finance costs and taxation		526	8,769	9,295	541	7,492	8,033	705	4,040	4,745
Interest payable and similar charges	5	(148)	(274)	(422)	(125)	(233)	(358)	(166)	(307)	(473)
Return on ordinary activities before taxation		378	8,495	8,873	416	7,259	7,675	539	3,733	4,272
Taxation on ordinary activities	6	7	(19)	(12)	(6)	(11)	(17)	(132)	(63)	(195)
Return on ordinary activities after taxation for the financial year		385	8,476	8,861	410	7,248	7,658	407	3,670	4,077
Minority interests		—	—	—	—	—	—	65	(455)	(390)
		385	8,476	8,861	410	7,248	7,658	472	3,215	3,687
Dividends and other appropriations in respect of non-equity shares	7	—	—	—	—	—	—	—	—	—
Return attributable to equity shareholders		385	8,476	8,861	410	7,248	7,658	472	3,215	3,687
Dividends in respect of equity shares	7	—	—	—	(100)	—	(100)	(95)	—	(95)
Transfer to reserves		385	8,476	8,861	310	7,248	7,558	377	3,215	3,592
Return per ordinary share (pence)										
Basic	8	5.13	113.01	118.15	5.47	96.64	102.11	6.29	42.87	49.16
Fully diluted	8	3.67	80.90	84.57	3.91	69.18	73.09	4.50	30.68	35.18

* The revenue column of this statement is the consolidated profit and loss account of the Group.

All revenue and capital items in the above statement derive from continuing operations.

No material operations were acquired or discontinued in any year.

Consolidated Balance Sheets

	Note	1997	1996	1995
		As at 31 July		
		£'000	*£'000*	*£'000*
Fixed Assets				
Investments	9	35,879	21,465	18,043
Current assets				
Investments	10	127	283	218
Debtors	11	1	30	25
Taxation recoverable		170	74	76
Cash at bank and in hand		4	76	3
		302	463	322
Creditors				
Amounts falling due within one year	12	(6,832)	(1,440)	(5,360)
Net current liabilities		(6,530)	(977)	(5,038)
Total assets less current liabilities		29,349	20,488	13,005
Minority interests		—	—	(390)
Net assets		29,349	20,488	12,615
Capital and reserves				
Called up share capital	13	524	524	501
Share premium account	14	207	207	226
Other reserves				
Capital reserve — realised	15	6,545	7,086	3,638
Capital reserve — unrealised	15	20,120	11,103	6,848
Goodwill reserve	15	(79)	(79)	—
Revenue reserve	16	2,032	1,647	1,402
Total shareholders' funds	17	29,349	20,488	12,615
Net asset value per ordinary share				
Basic	18	381.39p	263.25p	158.27p
Fully diluted	18	280.11p	195.54p	120.40p

Consolidated Cash Flow Statements

	Note	*Year ended 31 July* 1997 £'000	1996 £'000	1995 £'000
Operating activities				
Investment income received		425	314	334
Deposit interest received		—	3	3
Other income		359	194	356
Investment management fees paid		(179)	(122)	(83)
Other cash payments		(79)	(158)	—
Net cash inflow from operating activities	19	526	231	610
Servicing of finance				
Interest paid		(422)	(358)	(473)
Dividends paid on ordinary shares		(100)	(95)	(95)
Net cash outflow from servicing of finance		(522)	(453)	(568)
		4	(222)	42
Taxation				
UK corporation tax (paid)/received		(13)	(107)	27
		(9)	(329)	69
Investing activities				
Purchase of investments		(6,869)	(2,246)	(1,480)
Disposal of investments		1,354	6,398	1,186
Purchase of shares in subsidiary undertaking		—	(76)	—
Net cash (outflow)/inflow from investing activities		(5,515)	4,076	(294)
Net cash (outflow)/inflow before financing		(5,524)	3,747	(225)
Financing				
New short term loan		—	—	301
Repayment of short term loan		—	(301)	—
Net cash (outflow)/inflow from financing		—	(301)	—
(Decrease)/increase in cash and cash equivalents	20	(5,524)	3,446	76

Notes to the Financial Information

1. Income

	1997 £'000	1996 £'000	1995 £'000
Income from investments			
Franked investment income	525	398	417
	525	398	417
Other income			
Interest received	—	3	3
Profit on sale of investments	203	261	377
	203	264	380
Total income	728	662	797
Total income comprises			
Dividends	525	398	417
Interest	—	3	3
Other income	203	261	377
	728	662	797
Income from investments			
Listed UK	525	398	417
Unlisted	—	—	—
	525	398	417

2. Investment management fee (see note 24)

	1997			1996			1995		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	60	111	171	37	70	107	27	50	77
Irrecoverable VAT thereon	10	19	29	7	12	19	5	9	14
	70	130	200	44	82	126	32	59	91

3. Other expenses

	1997 £'000	1996 £'000	1995 £'000
Secretarial services	8	8	8
Directors' fees (note 4)	15	14	14
Auditors' remuneration for			
— audit	11	12	11
— other services for the Group	31	8	10
Professional fees	45	—	—
General expenses	22	35	17
	132	77	60

4. Staff costs

The Directors and company secretary were the only employees of the Company.

	No. of Directors	No. of Directors	No. of Directors
The Directors' fees fell within the following bands:			
£0 – £5,000	4	4	4

5. Interest payable and similar charges

	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000	1995 Revenue £'000	1995 Capital £'000	1995 Total £'000
Interest payable on bank loans and overdrafts:									
Repayable within 5 years, not by instalments	148	274	422	125	233	358	166	307	473

6. Taxation on ordinary activities

	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000	1995 Revenue £'000	1995 Capital £'000	1995 Total £'000
UK Corporation Tax	(14)	14	—	1	11	12	124	63	187
Tax attributable to franked investment income	105	—	105	80	—	80	83	—	83
Tax on interest received	—	—	—	—	—	—	1	—	1
ACT recoverable	(95)	—	(95)	(75)	—	(75)	(76)	—	(76)
Prior year	(3)	5	2	—	—	—	—	—	—
	(7)	19	12	6	11	17	132	63	195

At 31 July 1997, the potential liability to taxation on the realisation of the Group's portfolio at balance sheet values after taking into account capital losses and excess charges amounted to £4,900,000 (1996 – £2,290,000, 1995 – £101,000).

7. Dividends and other appropriations

	1997	*1996*	*1995*
Dividends on equity shares:			
Dividends per Ordinary Share declared and paid	—	0.95p	0.95p

Based on the number of Ordinary Shares in issue at the time of Admission, the dividend per Ordinary Share would be equivalent to 1.33p in 1996 (1.27p in 1995).

At 31 July 1997 the Directors had not proposed the payment of a dividend in respect of the accounting period then ended.

There were no non-equity shares in issue at the balance sheet date.

8. Return per Ordinary Share

Basic revenue return

Revenue return per share is based on the consolidated revenue return attributable to equity shareholders of £385,000 (1996 – £410,000, 1995 – £472,000).

Basic capital return

Capital return per share is based on the consolidated capital return attributable to equity shareholders of £8,476,000 (1996 – £7,248,000, 1995 – £3,215,000).

Both the revenue and capital return are based on 7,500,000 Ordinary Shares, being the number of shares of the company in issue on Admission.

Fully diluted return

The fully diluted returns per Ordinary Share have been calculated on the assumption that the 744,420 Preference Shares in issue on Admission are converted into 4 Ordinary Shares each, creating a further 2,977,680 Ordinary Shares.

9. Fixed asset investments

	1997 UK Listed £'000	1997 Unlisted £'000	1997 Total £'000	1996 UK Listed £'000	1996 Unlisted £'000	1996 Total £'000	1995 UK Listed £'000	1995 Unlisted £'000	1995 Total £'000
Opening book cost	10,312	50	10,362	10,659	62	10,721	10,003	48	10,051
Opening unrealised appreciation	11,092	11	11,103	7,345	(23)	7,322	3,625	(26)	3,599
Opening valuation	21,404	61	21,465	18,004	39	18,043	13,628	22	13,650
Movement in the year:									
Purchases at cost	6,855	14	6,869	2,224	22	2,246	1,466	14	1,480
Sale proceeds	(1,354)	—	(1,354)	(6,394)	(4)	(6,398)	(1,186)	—	(1,186)
Realised (losses)/gains on sales	(118)	—	(118)	3,823	(30)	3,793	376	—	376
Increase/(decrease) in unrealised appreciation	9,032	(15)	9,017	3,747	34	3,781	3,720	3	3,723
Closing valuation	35,819	60	35,879	21,404	61	21,465	18,004	39	18,043
Closing book cost	15,695	64	15,759	10,312	50	10,362	10,659	62	10,721
Closing unrealised appreciation	20,124	(4)	20,120	11,092	11	11,103	7,345	(23)	7,322
	35,819	60	35,879	21,404	61	21,465	18,004	39	18,043

Included within the movements of the fixed assets investments are the following transactions in respect of the five largest investments held by the Group:

	1997 Purchased £'000	1997 Sold £'000	1996 Purchased £'000	1996 Sold £'000	1995 Purchased £'000	1995 Sold £'000
British Aerospace PLC	—	—	829	171	587	158
Powerscreen International PLC	—	—	—	6,091	—	201
Andrew Sykes Group PLC	—	—	—	—	652	38
AEA Technology PLC	3,081	—	—	—	—	—
CNC Properties PLC	1,262	1,165	1,334	—	—	—
	4,343	1,165	2,163	6,262	1,239	397

	1997 £'000	1996 £'000	1995 £'000
Realised (losses)/gains on sales	(118)	3,793	376
Increase in unrealised appreciation	9,017	3,781	3,723
Gains on investments	8,899	7,574	4,099

10. Current asset investments

	1997 £'000	1996 £'000	1995 £'000
Quoted securities at the lower of cost or market value	127	283	218
Market value	127	311	235

11. Debtors

	1997 £'000	1996 £'000	1995 £'000
Advance corporation tax recoverable	—	25	24
Other debtors	1	5	1
	1	30	25

12. Creditors

	1997 £'000	1996 £'000	1995 £'000
Amounts falling due within one year:			
Bank overdraft	6,683	1,230	4,604
Short term loan due to fellow subsidiary undertakings	—	—	301
Advance corporation tax payable	—	25	24
Other amounts due to fellow subsidiary undertakings	—	—	54
Corporation tax	—	11	183
Proposed dividend	—	100	95
Other creditors	3	3	3
Accruals	146	71	96
	6,832	1,440	5,360

The bank overdraft is secured by a charge on certain listed investments held by the Group.

13. Share Capital

	1997	1996	1995
Authorised:			
2,000,000 ordinary shares of 50p each	£1,000,000	£1,000,000	£1,000,000
Allotted, called up and fully paid ordinary shares of 50p each:			
Number	1,047,769	1,047,769	1,001,740
Value — £'000	524	524	501

During the year ended 31 July 1996, 46,029 shares of 50p each were issued in consideration of the transfer to M&L of an equivalent number of ordinary shares in Beacontree Plaza Limited.

Under the terms of the offer to acquire the share capital not owned by M&L, a cash alternative was offered which resulted in M&L purchasing 4,084 shares at a consideration of £56,651.

On 19 September 1997:

(i) The authorised share capital of M&L was increased by the creation of 6,000,000 ordinary shares of 50p each and 1,000,000 non-voting convertible preference shares of £1 each.

(ii) Each existing ordinary share of 50p each was sub-divided into 2 ordinary shares of 25p each.

(iii) 595,538 ordinary shares of 25p each were converted into 148,884 non-voting convertible preference shares of £1 each.

(iv) 6,000,000 ordinary shares of 25p each were issued and allotted and credited as fully paid by way of bonus issue on the basis of 4 new ordinary shares for every one ordinary share then held.

(v) 595,536 non-voting convertible preference shares of £1 each were issued and allotted and credited as fully paid by way of a bonus issue on the basis of 4 new non-voting convertible preference shares for each non-voting convertible preference share then held.

14. Share Premium Account

	1997 *£'000*	*1996* *£'000*	*1995* *£'000*
Balance brought forward	207	226	226
Legal costs relating to shares issued	—	(19)	—
Balance carried forward	207	207	226

On 19 September 1997, the Share Premium account was utilised by way of the capitalisation issue (note 13).

15. Other Reserves

	1997 £'000	1996 £'000	1995 £'000
Capital reserve-realised			
Balance brought forward	7,086	3,638	3,672
(Losses)/gains on realisation of investments	(118)	3,793	395
Minorities share of opening balance	—	(19)	—
Costs charged to capital	(404)	(315)	(366)
Tax effect of capital items	(19)	(11)	(63)
Balance carried forward	6,545	7,086	3,638
Capital reserve-unrealised			
Balance brought forward	11,103	6,848	3,599
Minorities share of opening balance	—	474	—
Increase in unrealised appreciation of investments	9,017	3,781	3,249
Balance carried forward	20,120	11,103	6,848
Goodwill reserve			
Balance brought forward	(79)	—	—
Goodwill arising on acquisition of subsidiary (note 21)	—	(79)	—
Balance carried forward	(79)	(79)	—

On 19 September 1997, £1,888,536 of the Capital reserve-realised was utilised by way of the capitalisation issue (note 13).

16. Revenue Reserve

	1997 £'000	1996 £'000	1995 £'000
Balance brought forward	1,647	1,402	1,025
Net revenue after taxation and dividend	385	310	377
	2,032	1,712	1,402
Minorities share of opening balance	—	(65)	—
Balance carried forward	2,032	1,647	1,402

17. Reconciliation of movements in shareholders' funds

	1997 *£'000*	*1996* *£'000*	*1995* *£'000*
Opening shareholders' funds	20,488	12,615	9,023
Minorities share of opening balance	—	390	—
Movements during the year:			
Total recognised gains and losses	8,861	7,658	3,687
Dividends appropriated	—	(100)	(95)
New shares issued	—	23	—
Goodwill arising on acquisition	—	(79)	—
Legal costs relating to shares issued	—	(19)	—
Closing shareholders' funds	29,349	20,488	12,615

18. Net asset value per share

Basic net asset value per share

The net assets per share are based on the equity shareholders' funds and on 7,500,000 Ordinary Shares, being the number of shares of M&L in issue on Admission.

The equity shareholders' funds are £28,604,580 (1996 – £19,743,580, 1995 – £11,870,580) having been adjusted for the £744,420 which relates to the proportion of assets attributable to preference shareholders on Admission.

Fully diluted net asset value per share

The fully diluted net asset value per Ordinary Share has been calculated on the assumption that the 744,420 Preference Shares in issue on Admission have been fully converted into 4 Ordinary Shares each, thus creating a further 2,977,680 Ordinary Shares.

The equity shareholders funds are £29,349,000 (1996 – £20,488,000, 1995 – £12,615,000).

19. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	1997 *£'000*	*1996* *£'000*	*1995* *£'000*
Net revenue before finance costs and taxation	526	541	705
Investment management fee charged to capital	(130)	(82)	(59)
Decrease/(increase) in current asset investments	156	(65)	(22)
Decrease/(increase) in debtors	4	(4)	(1)
Increase/(decrease) in other creditors	75	(79)	70
Tax on franked investment income	(105)	(80)	(83)
Net cash inflow from operating activities	526	231	610

20. Analysis of changes in cash and cash equivalents during the year

	1997 *£'000*	*1996* *£'000*	*1995* *£'000*
Opening balance	(1,155)	(4,601)	(4,677)
Net cash (outflow)/inflow	(5,524)	3,446	76
Closing balance	(6,679)	(1,155)	(4,601)
Analysis of balances:			
Cash at bank and in hand	4	75	3
Bank overdraft	(6,683)	(1,230)	(4,604)
	(6,679)	(1,155)	(4,601)

21. Acquisitions of subsidiaries and goodwill

	1996 *£'000*
Fair value of assets and liabilities acquired on acquisition	634
Fair value of consideration including costs	(713)
Goodwill arising transferred to goodwill reserve	(79)

22. Subsidiary undertakings

M&L has investments in the following subsidiary undertakings:

	Country of	*Percentage of shares held*	
	incorporation	*Ordinary*	*Preference*
Name of undertaking	*and operation*	*shares (%)*	*shares (%)*
Saintclose Limited	England	100	—
Zealgate Limited	England	100	—
Darethrift Limited	England	100	—
Fileglow Limited	England	100	—
Beacontree Plaza Limited	England	100	100
Beaconbranch Limited	England	100	—

All of the subsidiary undertakings are included in the consolidation. Since 31 July 1997, the Group has been restructured and all investment holdings are held by M&L. Consequently, all the subsidiaries are now non-trading.

23. Contingent Liabilities

M&L has given unlimited guarantees in respect of the indebtedness of its subsidiary undertakings to their bankers.

24. Related Party Transactions

Gall & Eke is wholly owned by Galleon Securities, which is controlled by Mr B S Sheppard and his family. Gall & Eke Limited act as one of the stockbrokers to the Group and received commission at normal commercial rates on transactions in securities which amounted to £4,631 (1996 – £10,906, 1995 – £6,145).

The investment manager of the Group is GAM which receives a quarterly investment management fee for these services in accordance with the provisions of the Management Agreement referred to in paragraph 6 of Part III of this document.

25. Ultimate Control

The holding company is Galleon Securities Limited, a company incorporated in England and which holds 62.1 per cent of the Ordinary Shares of M&L. This company is 100 per cent owned by Mr B S Sheppard and his family.

26. Subsequent events

On 27 November 1997 the Group increased its bank facilities to a level of £75 million, enabling it to further diversify its investment portfolio and ensure that all of the current equity investments represent less than 15 per cent. of the total portfolio value.

Yours faithfully

COOPER LANCASTER BREWERS

PART III

GENERAL INFORMATION

1. Incorporation

The Company was incorporated on 29 April 1971 in England and Wales under the Companies Acts 1948 to 1967 as Clangrove Limited with registered number 1009550. The name was changed to Manchester & London Investment Trust Limited on 13 July 1971. It was re-registered under the Companies Acts 1948 to 1981 as a public limited company on 7 October 1983 with the name of Manchester & London Investment Trust public limited company.

2. Share capital

(a) Set out below are details of the authorised and issued share capital of the Company:

Authorised			*Issued fully paid*	
£	*Number*		*£*	*Number*
4,000,000	16,000,000	Ordinary Shares	1,875,000	7,500,000
1,000,000	1,000,000	Preference Shares	744,420	744,420

(b) The following changes to the share capital of the Company have taken place during the three years prior to the date of publication of the document:

(i) The Company allotted the following shares in consideration of the transfer to the Company of an equivalent number of ordinary shares in Beacontree Plaza Limited:

(a) 45,506 ordinary shares of 50 pence each allotted on 14 December 1995.

(b) 523 ordinary shares of 50 pence each allotted on 7 February 1996.

(ii) On 19 September 1997 resolutions were passed making the following changes to the authorised and issued share capital:

(a) The authorised share capital was increased from £1,000,000 to £5,000,000 by the creation of an additional 6,000,000 ordinary shares of 50 pence each and 1,000,000 Preference Shares.

(b) Each existing ordinary share of 50 pence each was sub-divided into 2 Ordinary Shares.

(c) 595,538 Ordinary Shares were converted into 148,884 Preference Shares.

(d) 6,000,000 Ordinary Shares were issued and allotted credited as fully paid by way of bonus issue on the basis of 4 new Ordinary Shares for each Ordinary Share then held.

(e) 595,536 Preference Shares were issued and allotted credited as fully paid by way of a bonus issue on the basis of 4 new Preference Shares for each Preference Share then held.

(c) On 19 September 1997 resolutions were passed:

(i) authorising directors generally and unconditionally for the purposes of section 80 of the Act, to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) of the Company up to an aggregate nominal amount of £5,000,000. Such authority to expire at the conclusion of the next annual general meeting of the Company after the passing of the resolution;

(ii) to empower the directors to allot equity securities (as defined in Section 94 of the Act) as if section 89(1) of the Act did not apply to any such allotment and provided that the power is limited to:

(a) the allotment of equity securities in connection with rights issues in favour of or general offer or open offer to holders of shares in the capital of the Company where the equity securities respectively attributable to the interest of such holders are proportionate (as nearly as may be) to the respected number of shares held by them; and

(b) the allotment (otherwise pursuant to sub paragraph a above) of equity securities up to an aggregate nominal amount of £93,750,

such power to expire on the conclusion of the next annual general meeting of the Company, provided that the Company may before such expiry make an offer or an agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as in the power confirmed by the resolution had not expired.

(d) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid-up in cash) apply to the authorised but unissued share capital of the Company, except to the extent disapplied as in paragraph (c) above.

(e) On 27 November 1997, authority was given to the Board pursuant to an ordinary resolution, allowing it the right to exercise borrowing powers up to four times the adjusted total of capital and reserves.

3. Memorandum and Articles of Association

(a) The Company's principal objects which are contained in its Memorandum of Association include the carrying on of the business of a holding company and the business of an investment trust company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association which is available for inspection at the registered office of the Company.

(b) The Articles of Association of the Company contain, amongst others, provisions to the following effect:

(i) Rights attaching to Ordinary Shares

(a) *Voting Rights*

(1) Subject to any restrictions placed on shares in the event of non-compliance with a notice given requiring disclosure of interests in voting shares, on a show of hands every member (being a holder of

Ordinary Shares and not being a member who has failed to pay any call or other sum payable by him to a company in respect of Ordinary Shares held by him) who is present in person or by proxy shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder.

(b) *Dividends/Income*

(1) The profits of the Company available for distribution by way of dividend and resolved to be distributed shall be applied in the payment of dividends to members in accordance with their respective rights and priorities.

(2) The Company in general meeting may declare dividends provided that no dividend shall be payable except in accordance with the provisions of the Act and no dividends shall exceed the amount recommended by the Board. Unless the terms of issue of any shares provide otherwise, all dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares during the period in respect of which the dividend is paid. The Board may, if it thinks fit, from time to time pay the members such interim dividends as appear to the Board to be justified by the profits of the Company. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividends shall be forfeited and shall cease to remain owing by the Company.

(3) The Directors shall establish a reserve called the Capital Reserve and shall, to the extent not used in providing for depreciation or contingencies, carry to the credit of such reserve from time to time all monies realised on or derived from the sale, realisation or payment off of other dealings with any capital assets of the Company in excess of the book value of the same. There shall also be carried to the credit of such Capital Reserve any receipts of a capital nature.

(4) The Capital Reserve shall not be available for distribution by way of dividend.

(c) *Capital*

(1) On a winding up of the Company the assets and retained profits available for distribution shall be applied first in paying to the holders of the Preference Shares all amounts credited as paid up together with all accruals and arrears of the preference dividend up to the date on which the return of capital is made. Thereafter any balance will be distributed amongst the holders of Ordinary Shares in proportion to the amounts paid up or credited as paid up on the Ordinary Shares as held by them respectively.

(ii) Rights attaching to the Preference Shares

(a) *Voting*

The Preference Shares entitle the holders thereof to receive notice of general meetings but do not entitle them to attend and vote at any general meeting of the Company unless (a) the business of the meeting includes the consideration of a voluntary arrangement or a resolution for the winding-up of the company or the presentation of a petition for the making of an administration order or a resolution for a reduction of a share capital or (b) any dividend due to the preference shareholders is more than six months in arrears; in which case the preference shareholders shall be entitled to receive notice of and to attend and vote at any general meeting and on a show of hands every preference shareholder who is present in person or by proxy shall have one vote and on a poll each preference shareholder shall have four votes for each Preference Share of which he is the holder.

(b) *Income*

The holders of the Preference Shares are entitled to receive, in priority to the holders of any other class of shares, a fixed cumulative preferential dividend at the rate of 7.6 per cent. per annum (exclusive of any associated tax credit) which is payable half yearly on 15 January and 15 July each year in respect of the immediately preceding six month period ending on 31 December and 30 June. The preference dividend shall be cumulative to the extent that if the dividend is not paid in respect of any period it shall be carried forward until payment in full has been made.

(c) *Capital*

The Preference Shares shall rank ahead of other classes of shares on a winding-up in respect of the amount paid up on those Preference Shares and all arrears of dividends. A preference shareholder shall have no further right to participate in the profits or assets of the Company.

(d) *Conversion*

(1) The Preference Shares shall be converted automatically into Ordinary Shares on the basis of four Ordinary Shares for each Preference Share on the earlier of the following events:

(a) any person or group of persons making a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition that if satisfied would result in such person obtaining control of the Company;

(b) any person becoming entitled or bound to acquire shares in the Company under Sections 428 to 430 of the Act;

(c) the Court sanctioning a compromise or arrangement in connection with a reconstruction of the Company under Section 425 of the Act;

(d) the Company issues in excess of 50 per cent. of its issued share capital in any three month period by way of consideration for assets acquired by the Company;

(e) any order is made, petition presented or resolution passed for the making of any order in relation to the administration, administrative receivership, receivership, liquidation or management of any part of the assets of the Company;

(f) 19 September 2007, being the tenth anniversary of the adoption of the Articles of Association.

(2) In the event of the Company issuing further Ordinary Shares by way of capitalisation of profits or reserves or by rights issue or upon any sub-division or consolidation or reduction of Ordinary Shares then the auditors shall determine that either:

(a) there should be allotted to the preference shareholders a further number of Preference Shares (as determined by the auditor); or

(b) the number of Ordinary Shares arising on conversion of the Preference Shares shall be adjusted as the auditors shall determine

provided that the overriding principle in making such determination is that the Ordinary Shares arising on conversion will represent the same percentage of the enlarged issued share capital as would have been the case prior to any adjustment to the ordinary share capital.

(e) *Protection of Class Rights*

So long as any Preference Shares remain in issue the consent of the holders of three fourths of the nominal value of the Preference Shares or the sanction of an extraordinary resolution passed at a separate meeting of the holders of the Preference Shares shall be required before there is any variation of the rights or privileges attaching to the Preference Shares.

(iii) Rights attaching to Ordinary and Preference Shares

(a) *Changes in Share Capital*

(1) Subject to the provisions of the Act and to the rights attached to any existing shares, any new shares may be issued with such rights or restrictions as the Company may from time to time by ordinary resolution determine, or if no such determination is made as the Board may determine.

(2) Subject to the provisions of the Act the Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide its shares or any of them into shares of a smaller amount or cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(3) Subject to the provisions of the Act the Company may by special resolution reduce its authorised and issued share capital, any capital redemption reserve and any share premium account.

(b) *Variation of Rights*

Whenever the share capital of the Company is divided into different classes of shares the special rights attached to any class may, subject to the provisions of the Act, be varied or abrogated either with the consent in writing of the holders of three fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of that class of shares.

(c) *Transfer of Shares*

The shares of the Company are in registered form. The instrument of transfer of a share shall be any usual form or any form approved by the Board and shall be executed by or on behalf of the transferor (and in the case of a share which is not fully paid up by or on behalf of the transferee). The Board may decline to register any transfer of shares unless this is in respect of fully or partly paid shares over which the Company has no lien, is in respect of only one class of shares, is in favour of no more than four joint transferees, is duly stamped (if required) and is delivered to such place as the Board may from time to time determine accompanied (if applicable) by the share certificate.

(iv) Directors

(1) At any board meeting any Director shall not vote on or be counted in the quorum in relation to a resolution concerning any contract, arrangement, transaction or proposal in which he or any person connected with him is materially interested (including fixing or altering his remuneration) unless such interest arises by virtue of any the following:

(a) the giving to the Director of a guarantee, security or indemnity in respect of either money lent or obligations incurred by him at the request of or for the benefit of the Company or its subsidiaries or in respect of a debt or obligation of the Company or subsidiary for which he has assumed responsibility;

(b) by virtue of his participation in an offer of securities or underwriting of such offer;

(c) if his interest arises in relation to another company in which he holds less than 1 per cent. of the voting rights;

(d) the interest is in relation to arrangements for the benefits of employees generally not offering him any enhanced rights;

(e) the interest relates to insurance which the Company proposes to maintain for the Directors or for persons including Directors.

(2) The Directors shall exercise the borrowing powers of the Company provided that the borrowing shall not (unless otherwise authorised by ordinary resolution of the Company) exceed a sum equal to two times the adjusted total of capital and reserves.

(3) At each annual general meeting of the Company a third of the Directors as required to retire by rotation and shall be eligible for re-election. In addition any director who attains the age of 70 shall be required to be reelected at the next annual general meeting. He shall then be deemed to

retire when next due to retire by way of rotation and shall not be required to be reelected each year.

(v) Management Expenses

The Board may determine whether any cost, liability or expense (including any costs or expenses incurred in connection with the management of the company's assets) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly to one and partly to the other and to the extent that the Board determine any such costs may be debited to the Capital Reserve.

4. Directors' and others' interests

(a) Mr B S Sheppard and companies under his control hold a controlling interest in the Company.

(b) No share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

(c) As at 28 November 1997 (the latest practicable date prior to the publication of this document) the Directors named below and connected persons (as defined by Section 346 of the Act) held the following number of shares:

Name	*Number of Preference Shares*	*Percentage of Preference Share Capital*	*Number of Ordinary Shares*	*Percentage of Ordinary Share Capital*
Mr M C Webb	—	—	63,530	0.85%
Mr B S Sheppard	744,420	100%	4,660,690	62.14%
Mr E Bor	—	—	10,500	0.14%
Mr M J Wilbraham	—	—	10,500	0.14%

Save as disclosed in this paragraph, neither the Directors nor any connected persons have any interest in any Ordinary Shares or Preference Shares in the Company which is required to be notified to the Company pursuant to Sections 324 or 328 of the Act or is required, pursuant to Section 325 of the Act, to be entered in the register referred to therein.

(d) The Company is aware of the following persons who may, directly or indirectly, be interested in 3 per cent. or more of the issued share capital of the Company:

Name	*Number of Ordinary Shares*	*Per cent. of Ordinary Share capital*
B L Davis	370,000	4.93

(e) Mr B S Sheppard and Mr E Bor are both directors of GAM.

(f) The Company's assets are managed by GAM which is indirectly controlled by Mr B S Sheppard and his family interests. In the year ended 31 July 1997, GAM received commissions of £200,000 (inclusive of irrecoverable VAT). Gall & Eke, one of the stockbrokers to the Company, is controlled indirectly by Mr B S Sheppard and his family. Gall & Eke received commission at normal commercial rates on transactions in securities which amounted to £4,631 in the year ended 31

July 1997. Save for these and other than by reason of the changes which came about following the holding of the EGM as explained in paragraph 2 of this section, there were no transactions during the current or immediately preceding financial year and no such transactions remain outstanding for which the Directors' interests, are or were, unusual in their nature or conditions or significant to the business of the Group.

(g) Since 1962, Mr B S Sheppard has been at all material times a stockbroker and member of the London Stock Exchange and a partner of Gall & Eke in Manchester. As a result of various allegations, Mr B S Sheppard was censured and fined a total of £50,000 by the Disciplinary Appeals Committee of the London Stock Exchange in August 1987. The Professional Standards Panel had instituted disciplinary proceedings against Mr B S Sheppard and Gall & Eke alleging minor, ordinary and gross misconduct. The above penalties related to charges of promoting a false market, the incorrect allocation of shares acquired in an offer for sale and the late entering of cheques to support new issue applications.

Mr B S Sheppard chose not to appeal to the courts against the ruling of the London Stock Exchange on the grounds of the time and cost that would be involved and also taking into account that consequent to the disciplinary proceedings he was deemed by the London Stock Exchange to be a fit and proper person to conduct investment business. In 1988, the London Stock Exchange divested its regulatory authority to The Securities Association ("TSA") who required all existing London Stock Exchange members to re-register with them. TSA had determined that Mr B S Sheppard and Gall & Eke were not fit and proper persons to carry on investment business. In 1989, Mr B S Sheppard and Gall & Eke appealed to the TSA Appeals Tribunal who ruled that there was nothing in Mr B S Sheppard's reputation or past to make him unfit to carry on investment business and allowed his appeal to be admitted to the Register of Directors and the Register of Representatives of The Securities Association.

(h) The aggregate remuneration paid and benefits in kind granted to the Directors for the year ended 31 July 1997 amounted to £15,000.

5. Directors' letters of appointment

The Directors have entered into letters of appointment with the Company dated 25 November 1997. Each Director is appointed as a non-executive Director of the Company. Save for Lord Carlisle of Bucklow (the Company's Chairman), whose Director's fee shall be £10,000 per annum, each Directors' fee shall be £8,500 per annum. The fees are payable quarterly in arrears and are to be reviewed annually on 1 November, with the first review on 1 November 1998. The letters of appointment are terminable on at least six months' written notice by either party.

For the financial period ended 31 July 1998, the Chairman will receive an amount of approximately £6,700 and the non-executive Directors will receive approximately £5,700.

6. Material contracts

(a) The Company and the Investment Manager have entered into an agreement dated 1 December 1997 (the "Management Agreement") pursuant to which the Investment Manager will manage the Company's portfolio in accordance with the investment policy determined by the Board from time to time.

The Investment Manager will receive a fee paid quarterly in arrears, based upon the portfolio value as follows;

(i) If the portfolio value, inclusive of any borrowings ("the gross value") does not exceed 120 per cent. of the portfolio value exclusive of any borrowings ("the net value"), a fee of 0.125 per cent. of the total portfolio value is payable.

(ii) If the gross value exceeds 120 per cent. of the net value (the "excess"), the fee payable shall be:

(A) 0.125 per cent. of the net value multiplied by 120 per cent.; and

(B) 0.025 per cent. of the value of the excess.

The portfolio value shall be determined by reference to the quarterly valuation report provided by the Investment Manager which values the portfolio using the following criteria:

(i) publicly traded shares and debentures will be valued at market value;

(ii) non publicly traded shares and debentures will usually be valued at cost subject to adjustments considered necessary by the Investment Manager. Upwards adjustments will require objective evidence.

(b) The Company, Galleon Securities, Mr B S Sheppard, Mr E Bor and GAM have entered into an agreement dated 1 December 1997 (the "Relationship Agreement") pursuant to which Galleon Securities, Mr B S Sheppard and Mr E Bor have given covenants to the following effect:

(i) That any transaction between Mr B S Sheppard or any party connected with Mr B S Sheppard and the Company shall be considered on behalf of the Company by a committee of its Board which shall exclude Mr B S Sheppard and any Director who is also a director of the other party to the transaction.

(ii) Neither Galleon Securities nor any party connected with Mr B S Sheppard shall exercise voting rights in respect of Ordinary Shares in respect of any resolution which involves a transaction with a connected party save where the relevant resolution relates to a transaction or proposed transaction constituting one of the exceptions to the requirements of Chapter 11 of the Listing Rules of London Stock Exchange.

(iii) Galleon Securities and Mr B S Sheppard shall exercise the voting rights in respect of the Ordinary Shares held by them to ensure that if there ceases to be a majority of Directors who are not connected to Mr B S Sheppard on the Board then they shall ensure that there shall be appointed to the Board such number of persons necessary to ensure that such majority is re-established.

(iv) Mr B S Sheppard and connected parties shall not exercise the voting rights attaching to the Ordinary Shares held by them from time to time in support of a resolution to appoint any person as an additional Director of the Company if, following that person's appointment, there would not be a majority of independent directors (the person so appointed being treated as a connected party for this purpose), unless that person's appointment is recommended by the independent directors.

The agreement will remain in effect until such time as Mr B S Sheppard and parties connected with him cease to hold 30 per cent. of the issued ordinary share capital of the Company.

(c) On 27 November 1997 the Company entered into a Facility Agreement and a Deed of Mortgage pursuant to which a total sum of £75m will be made available to the Company by the following institutions in the following amounts:

(i)	Singer & Friedlander Limited	£22.5m
(ii)	Singer & Friedlander (Isle of Man) Limited	£3m
(iii)	J Henry Schroder & Co Limited	£49.5m

for a term of up to 18 months at a rate of 0.75 per cent. above LIBOR.

The purpose of the facility is to enable the Company to purchase various short dated UK Gilts or shares which will be secured pursuant to the terms of the Deed of Mortgage.

(d) On 1 December 1997, the Company, each of the Directors and GAM entered into the Sponsorship Agreement with Rea Brothers in relation to Rea Brothers acting as the sponsor in relation to the Introduction, under which Rea Brothers is to receive a fee of £140,000 (plus VAT) together with legal and other out-of-pocket expenses as set out in the Sponsorship Agreement. Under the Sponsorship Agreement, warranties have been given to Rea Brothers by the Company and the Directors in respect of the Company and its affairs and, in addition, indemnities have been given to Rea Brothers by the Company itself. The Sponsorship Agreement is terminable by Rea Brothers in certain circumstances prior to Admission.

(e) On 25 November 1997, the Company and Beacontree Plaza Limited entered into an agreement pursuant to which Beacontree Plaza Limited transferred the beneficial title of certain investments held by it to the Company for a consideration of £29,336,777.

7. Subsidiaries

The Company has the following subsidiaries each of which is wholly owned:

Subsidiary	*Activity*
Beacontree Plaza Limited	Non-trading
Beaconbranch Limited	Non-trading
Saintclose Limited	Non-trading
Darethrift Limited	Non-trading
Fileglow Limited	Non-trading
Zealgate Limited	Non-trading

All subsidiary undertakings are incorporated in England and Wales and have their registered office at the principal place of business as set out in paragraph 1 of this Part III.

On 15 March 1993, the Company acquired the entire issued share capital of Beacontree Plaza Limited ("Beacontree") for £500,000 from Electra Property Finance Limited and Clarke Nickolls and Coombs plc ("the Vendors"), with the Vendors waiving a total indebtedness of £7,615,507 due to them by Beacontree. Following the acquisition of

Beacontree, that company's authorised share capital was increased; the "A" ordinary and "B" ordinary shares were converted into one class of ordinary shares and sub-divided into 1p shares and a new class of £1 preference shares was created.

Following the acquisition of the share capital of Beacontree, the Company transferred the shares held by it in Powerscreen International plc ("Powerscreen") to Beacontree. There was a distribution of ordinary shares of 1p each in Beacontree to M&L's shareholders on the basis of 1 Beacontree share for every 20 ordinary shares in M&L (or fraction thereof). The distribution was on a pro rata basis according to the number of shares then held in M&L. This resulted in 50,113 of Beacontree's ordinary shares of 1p each being distributed directly to shareholders of M&L. M&L then held 74.9 per cent. of the Beacontree shares and the subsequent acquisition of a further 150 Beacontree shares increased its holding above 75 per cent.

In the Beacontree circular issued in July 1993, the Directors expressed their hope that Beacontree shares being distributed would enable shareholders to participate directly in the benefit from further growth in the shares of Powerscreen and other investments which Beacontree made. Having substantially achieved this objective the Directors came to the view towards the end of 1995, that it would be in the best interests of M&L to consolidate Beacontree as a wholly-owned subsidiary and having increased its shareholding to over 75 per cent., the Directors were advised that it was appropriate to acquire the balance of Beacontree's shares not already owned by M&L. A recommended offer of 31 October 1995 by M&L to acquire all the issued ordinary share capital of Beacontree not already owned by M&L was accepted by the shareholders of Beacontree. On 27 December 1995 the shares were repurchased by M&L from those shareholders. The consideration paid by M&L was one new M&L share or £13.86 in cash for each Beacontree share. As a result, M&L now owns 100 per cent. of the ordinary share capital of Beacontree.

8. Taxation

The comments below are of a general and non-exhaustive nature based on the Company's understanding of current law and Inland Revenue practice in the United Kingdom. Such comments relate to the position of persons who are the absolute beneficial owners of Ordinary Shares and may not apply to certain classes of persons, such as dealers and certain insurance companies with overseas business. **Investors who are in doubt as to the tax consequences of acquiring, holding or disposing of Ordinary Shares should consult their professional adviser.**

(a) The Company

The Company will be resident for tax purposes in the United Kingdom. It is the intention of the Directors to ensure that the Company will satisfy the conditions for approval as an investment trust laid down in section 842 of ICTA (as amended) and to apply at the end of each accounting period to the Inland Revenue for such approval. Under current legislation, the Company will be exempt from United Kingdom taxation on capital gains realised during each accounting period for which such approval is obtained.

The Directors consider that, once listed, the Company will not be a close company.

The retention of non-close company status is an essential requirement under section 842 ICTA.

The income of the Company will be derived mainly from shares or other securities. Dividends received from other United Kingdom resident companies (with tax credits attached) will constitute franked investment income and will not be subject to tax in the hands of the Company. Other income will be subject to United Kingdom corporation tax currently at the rate of 31 per cent. after relief for allowable expenses and interest. Income arising from overseas investments may be subject to foreign withholding tax at the relevant country's applicable rate but double taxation relief may be available.

The Company has a liability to account for its advance corporation tax ("ACT") on the excess of its gross dividends payable (franked payments) over its franked investment income. The current rate of ACT is 20 per cent. ACT paid by the Company can be set off against its liability to corporation tax, subject to certain limits and restrictions.

The Company may claim a credit against its United Kingdom corporation tax liability for overseas tax withheld on income arising from overseas investments. This may result in the Company being unable to offset against its corporation tax liability the full amount of advance corporation tax ("ACT") paid in respect of dividends paid to its shareholders, with consequent reduction in the net income available for distribution for any accounting period.

The Government announced proposals on 25 November 1997 to reduce the main rate of corporation tax to 30 per cent. from 1 April 1999. ACT is also to be abolished and substituted by an instalment regime for the payment of corporation tax. Such proposals are at consultation stage and do not have the force of law.

(b) Shareholders

The sale or other disposal (including disposal on a winding-up of the Company) of Ordinary Shares may give rise to the realisation of a gain or loss for the purposes of United Kingdom taxation of capital gains. An investor in the Company who is resident or ordinarily resident in the United Kingdom for taxation purposes (or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which his or its Ordinary Shares are attributable) and who so realises a gain in respect of any Ordinary Share may, subject to the investor's individual circumstances, be liable to United Kingdom capital gains tax or corporation tax on that gain. There is no United Kingdom withholding tax on dividends.

A holder of an Ordinary Share who is an individual resident (for taxation purposes) in the United Kingdom and who receives a dividend paid by the Company will be entitled to a tax credit of an amount currently equal to one-quarter of the dividend. The individual will be taxable on the total of the dividend and the related tax credit, which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the dividend, unless and except to the extent that the dividend and related tax credit fall above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the dividend and related tax credit at a rate equal to the excess of the higher rate (currently 40 per cent.) over the lower rate (currently 20 per cent.). If the tax credit exceeds the individual's liability to income tax on the total of the dividend and the tax credit, he will be able to claim payment of the excess.

Subject to certain exceptions for Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands, individuals who are nationals of a state within the European Economic Area and certain others (as defined in s278

ICTA), the right of a holder of an Ordinary Share who is not resident (for taxation purposes) in the United Kingdom to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existence and terms of any relevant double tax convention concluded by the United Kingdom. Holders who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

As a result of changes enacted in Finance Act (No 2) 1997, after 6 April 1999 it will not be possible for individual shareholders to reclaim any part of the tax credit. The position for UK resident shareholders paying tax at the basic rate or higher rate will remain broadly as present.

A holder of an Ordinary Share that is a company resident (for taxation purposes) in the United Kingdom and that receives a dividend paid by the Company will be entitled to a tax credit in respect of the dividend. The company will not be taxable on the dividend, and the dividend and related tax credit will be treated as franked investment income. The value of the tax credit will be an amount currently equal to one-quarter of the dividend. UK corporate shareholders will not be able to claim a repayment from the Inland Revenue of any part of the tax credit received.

(c) Stamp duty and Stamp duty reserve tax

The transfer of ordinary shares will generally be liable to United Kingdom ad valorem Stamp Duty at the rate of 50 pence for every £100 or part of £100 of the value of the consideration paid for the relevant transfer, or if an unconditional agreement to transfer such Ordinary Shares is not completed by a duly stamped transfer to Stamp Duty Reserve Tax at the rate of 0.5 per cent. of the consideration paid for the relevant transfer. The payment of either Stamp Duty or Stamp Duty Reserve Tax will discharge the liability to pay an equal value of the other duty.

If you are in doubt in relation to these or any other issues, you should consult your own professional advisor.

9. General

(a) Other than the officers of the Company, the Company does not have and does not expect that it will have, nor has it had since its incorporation, any employees. Other than its occupation of the premises at Charlotte House, 10 Charlotte Street, Manchester M1 4FL, the Company neither owns nor occupies any premises.

(b) Save as disclosed in note 26 of the Accountants' report in Part II of this document, there has been no significant change in the financial position of M&L since 31 July 1997, the date to which the last interim financial statements were prepared.

(c) The estimated costs and expenses of, and incidental to, the Admission (inclusive of irrecoverable VAT) will be paid by the Company and will not exceed £600,000.

(d) The Admission has been sponsored by Rea Brothers, a member of The Securities and Futures Authority Limited.

(e) The Ordinary Shares which are in registered certificated form are not being marketed to the public in whole or in part in conjunction with the Admission. They are not at present capable of being held in uncertificated form.

(f) The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 240(5) of the Act. Cooper Lancaster Brewers, the auditors of the Group, have reported upon the statutory accounts of M&L for each of the financial years ended 31 July 1995 and 1996 within the meaning of section 235 of the Act. Each such report was unqualified within the meaning of section 271 of the Act and did not contain a statement under section 237(2) or (3) of the Act. Statutory accounts of M&L for each such financial year have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.

(g) Rea Brothers, which is regulated by the Securities and Futures Authority Limited, has given and not withdrawn its written consent to the inclusion in this document of its name and references thereto in the form and context in which they appear, and has authorised the contents of those parts of this document for the purposes of section 152(1)(e) of the Financial Services Act.

(h) Cooper Lancaster Brewers, Chartered Accountants and Registered Auditors of Century House, St. Peter's Square, Manchester M2 3DN have given and not withdrawn their written consent to the inclusion in this document of their report and of their name and the references to their report in the form and context in which they appear and has authorised the contents of those parts of this document for the purposes of section 152(1)(e) of the Financial Services Act 1986.

(i) No member of the Group is involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document, a significant effect on the financial position of the Group nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

10. Documents Available for Inspection

Copies of the following documents may be inspected during usual business hours on any business day (Saturdays and public holidays excepted) at the offices of Rea Brothers Limited, at Alderman's House, Alderman's Walk, London EC2M 3XR and the Company's registered office at Charlotte House, 10 Charlotte Street, Manchester M1 4FL during the period of fourteen days from the date of this document:

(a) the Memorandum and Articles of Association of the Company;

(b) the audited financial statements for the Company for the financial years ended 31 July 1995 and 31 July 1996 and the audited interim financial statements for the 52 weeks ending 31 July 1997;

(c) the material contracts referred to in paragraph 6 above;

(d) the Directors' appointment letters referred to in paragraph 5 above;

(e) the Accountants' Report on the Company set out in Part II of this document along with the statement of adjustments referred to therein; and

(f) the written consents referred to in paragraphs 9(g) and 9(h) above;

Dated 2 December 1997.