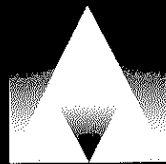
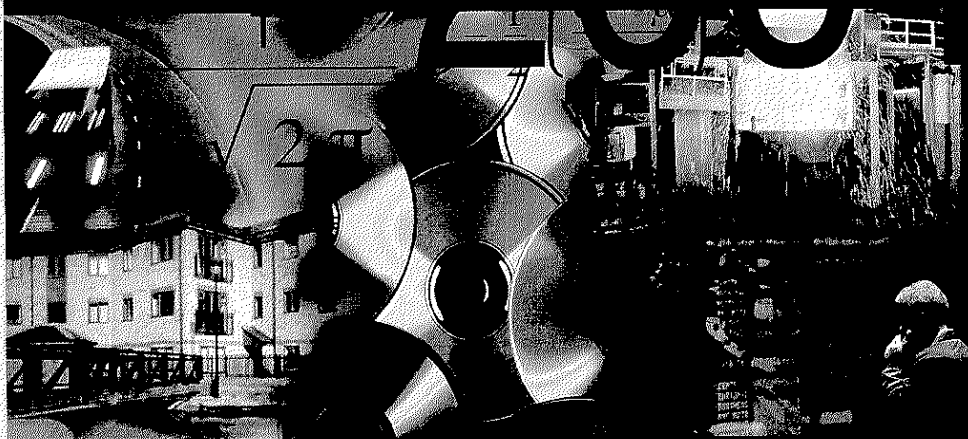


# First Derivatives



DELOITTE & TOUCHE

Ireland's Technology **Fast 50** Winner



OFFER FOR SUBSCRIPTION UNDER THE  
ENTERPRISE INVESTMENT SCHEME

CGT DEFERRAL RELIEF ALSO AVAILABLE



SPONSORED BY

**MERCHANT  
PLACE**

CORPORATE FINANCE LIMITED

Regulated by  
The Financial Services Authority Limited

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## *Offer Statistics*

### **Assuming full subscription**

Offer Price	50p
Market capitalisation at Offer Price	£7,000,000
Ordinary Shares available under the Offer	4,000,000
Percentage of Enlarged Share Capital being offered	28.57%
Proceeds of Offer (before expenses)	£2,000,000

### *Timetable of Events*

Subscription list opens	11th February 2002
Initial closing date	19th March 2002
Initial issue of shares	20th March 2002
Despatch of share certificates from	22nd March 2002
Dealings expected to commence on AIM	25th March 2002
Anticipated despatch of EIS certificates	31st May 2002

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services & Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Application will be made for the Enlarged Issued Share Capital to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ('AIM'). AIM is a market designed primarily for emerging or small companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not Officially Listed.

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

It is expected that dealing will commence on 25th March 2002. The Offer is conditional, amongst other things, on First Derivatives plc receiving the subscription proceeds of all of the subscription Shares applied for in full and admission of the Enlarged Issued Share Capital to trading on AIM taking place on or before 30th April 2002 (or such later date as First Derivatives plc and JM Finn & Co. may agree but in any event not later than 31st May 2002.).

This document, which comprises a Prospectus, is drawn up in accordance with the Public Offers of Securities Regulations 1995 (the 'POS Regulations'). A copy of this Prospectus has been delivered to the Registrar of Companies in Northern Ireland in accordance with Regulations 4 (2) of the POS Regulations. To the best of the knowledge and belief of the Directors (who have taken all reasonable care 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. The Directors, whose names are set out on page 4, accept responsibility accordingly, including individual and collective responsibility for compliance with the AIM Rules. In connection with this Prospectus, no person is authorised to give any information or make any representations other than is contained in this Prospectus.

The whole of the text of this Prospectus should be read and your attention is drawn to the section entitled 'Risk Factors', on page 12 of this Prospectus.

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# FIRST DERIVATIVES PLC

(incorporated in Northern Ireland under the Companies (Northern Ireland) Order 1986 with company number NI 30731)

## OFFER FOR SUBSCRIPTION OF UP TO 4,000,000 ORDINARY SHARES AT A PRICE OF 50p PER ORDINARY SHARE and

### ADMISSION TO THE ALTERNATIVE INVESTMENT MARKET

Nominated Adviser  
Sponsor  
Broker

Grant Thornton  
Merchant Place Corporate Finance Ltd  
J. M. Finn & Co

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#### Share Capital on Admission

The following table shows the authorised and issued share capital of the Company assuming full subscription

Authorised			Issued	
Number	Amount		Number	Amount
20,000,000	£100,000	Ordinary Shares of 0.5 pence each	14,000,000	£70,000

Copies of this document will be available to the public free of charge at the offices of Merchant Place Corporate Finance Limited and Mills Selig during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document until the fourteenth day after Admission of the Ordinary Shares to trading on AIM.

The new Ordinary Shares will rank pari passu in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared or paid on the Ordinary Shares after the date of this document.

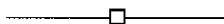
Grant Thornton, which is regulated by the Financial Services Authority, is the Company's Nominated Adviser for the purposes of the AIM Rules, and is acting exclusively for the Company and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Grant Thornton or for advising any other person on the Offer and other arrangements described in this document.

J. M. Finn & Co., which is regulated by the Financial Services Authority and is a member of the London Stock Exchange, is acting as broker to the Company and no one else. J. M. Finn & Co. will not be responsible to anyone other than the Company for providing the protections afforded to customers of J. M. Finn & Co. or for advising any other person on the Offer and the transactions and other arrangements described in this document.

Merchant Place Corporate Finance Limited, which is regulated by the Financial Services Authority is acting as financial adviser to the Company and no one else. Merchant Place Corporate Finance Limited will not be responsible to anyone other than the Company for providing protections afforded to customers of Merchant Place Corporate Finance Limited or for advising any other persons on the Offer and other arrangements described in this document.



## DEFINITIONS



In this Prospectus, where the context permits, the expressions set out below shall bear the following meanings:

'Act'	the Companies (Northern Ireland) Order 1986 (as amended)
'ACT'	Advance Corporation Tax
'Admission'	admission of the Enlarged Issued Share Capital to trading on AIM
'AIM'	the Alternative Investment Market of the London Stock Exchange
'AIM Rules'	the AIM Rules published by the London Stock Exchange
'Application Form'	the application form relating to the Offer
'Board' or 'Directors'	the board of directors of the Company
'Broker' or 'J. M. Finn'	J. M. Finn & Co. which is regulated by the Financial Services Authority
'CGT'	Capital Gains Tax
'Company' or 'FD plc'	First Derivatives plc
'CREST'	the system for paperless settlement of trades and the holding of uncertificated shares administered by CRESTCo. Limited
'Enlarged Issued Share Capital'	the Existing Ordinary Shares and the Offer Shares
'EIS' or 'Enterprise Investment Scheme'	the Enterprise Investment Scheme introduced by the Finance Act 1994 (as amended)
'Existing Ordinary Shares'	the Ordinary Shares in issue at the date of this document
'Issue Price' or 'Offer Price'	50p per Ordinary Share
'London Stock Exchange'	London Stock Exchange plc
'New Ordinary Shares'	4,000,000 new Ordinary Shares of 0.5p to be issued at the Issue Price pursuant to the Offer
'Offer'	the Offer or the issue of Shares pursuant to this Prospectus
'Offer Price'	50p
'Offer Shares'	up to 4,000,000 New Ordinary Shares
'Official List'	the Official List of the UK Listing Authority
'Ordinary Shares'	Ordinary Shares of 0.5p each in the Capital of the Company
'POS Regulations'	the Public Offers of Securities Regulations 1995, as amended
'Share Option Scheme'	the FD plc unapproved share option scheme
'UK'	United Kingdom of Great Britain and Northern Ireland

# KEY POINTS



The following must be read in the context of the whole of this Prospectus from which it is derived, including particularly the section headed Risk Factors on page 12.

- The Issue** The Company intends to raise up to £2.0 million by way of 4 million shares at 50p each. At maximum subscription this would represent 28.57% of enlarged share capital.
- AIM Admission** It is intended that the shares be admitted to the Alternative Investment Market.
- Business** First Derivatives plc was incorporated in 1996 and has established itself as a profitable provider of bespoke software development in the banking market, and is now expanding both in this market and also in differing industry sectors by using its development expertise and knowledge base.
- Clients** Typically US software houses and European banks. Customers are generally blue chip and include several of the largest investment banks in Germany, Holland, France, Sweden, Austria and the UK.
- Over the last 12 months, the Company has also developed, with e-hub.com plc ('E-hub') a range of business support tools (viewable on [www.project-hub.net](http://www.project-hub.net)). The Company has recently signed an agreement with E-hub for the ongoing development and implementation of this software.
- Together with E-Hub the Company is already in discussions on a number of potential contracts in a range of new industries, outside the finance industries.
- Award** The Company has recently been recognised as Ireland's fastest growing technology company having been awarded the inaugural 2001 Deloitte & Touche Technology Fast 50 award.
- Financial** Summary of audited figures for the last three years are:
- |                   | 1999 (12 months) | 2000 (12 months) | 2001 (11 months) |
|-------------------|------------------|------------------|------------------|
|                   | £                | £                | £                |
| Turnover          | 1,352,391        | 1,144,437        | 1,852,046        |
| Profit before Tax | 474,495          | 536,695          | 605,422          |
- Tax Relief** The Directors have obtained provisional clearances from the Inland Revenue that the issue of new shares in the Company will represent a qualifying holding for EIS, Venture Capital Trust purposes and Corporate Venturing Schemes.
- Proceeds** The proceeds will be used as additional working capital in expanding the business.
- Closing Date** 19th March 2002 unless extended, or, if the maximum subscription is reached by then, closed earlier.
- Assistance** Please contact Scott Arnot of Merchant Place Corporate Finance Limited by telephone on (020) 7292 8810, or by fax on: (020) 7494 0944, or by e-mail on [scott@merchantplace.co.uk](mailto:scott@merchantplace.co.uk).



# DIRECTORS, SECRETARY & ADVISERS

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## **Directors**

Robert David Anderson (Non-Executive Chairman)  
Brian Gerard Conlon (Managing Director)  
Michael George O'Neill (Operations Director)  
Michael John Chicken (Non-executive Director)

all of First Derivatives House  
Kilmorey Business Park, Kilmorey Street  
Newry, Co. Down BT34 2DH

## **Company Secretary and Registered Office**

Richard Fulton  
21 Arthur Street  
Belfast BT1 4GA

## **Nominated Adviser**

Grant Thornton  
Grant Thornton House,  
Melton Street, Euston Square  
London NW1 2EP

## **Broker**

J. M. Finn & Co  
Salisbury House, London Wall  
London EC2M 5TA

## **Auditors, Reporting Accountants and Tax Advisers to the Company**

KPMG  
Stokes House, 17-25 College Square East  
Belfast BT1 6DH

## **Solicitors to the Company and the Offer**

Mills Selig  
21 Arthur Street  
Belfast BT1 4GA

## **Sponsor to the Offer**

Merchant Place Corporate Finance Limited  
4 Newburgh Street  
London W1F 7RF

## **Registrars**

Melton Registrars Limited  
PO Box 30, Cresta House, Alma Street  
Luton LU1 2PU



First Derivatives plc has established itself as a profitable provider of bespoke software development in the Banking market and is now expanding by using its developed expertise and knowledge base in new industry sectors.

## Range of Services

The Company's services range from the straightforward to the highly sophisticated, including:

### General Services

- Systems integration - integrating third party software into customers' existing systems
- Software development
- Web design and ongoing maintenance
- Systems audit and design
- Testing of development work pre-release to speed up the development cycles
- Systems training on behalf of software vendors
- Selling of software products and providing ongoing product support

### Banking Market services

- Calibration and implementation of interest rate models
- Modelling exotic derivative structures
- Development and implementation of exotic pricing software
- Advice on hedging of exotic structures
- Measuring, modelling and limiting market and credit risk
- VAR analysis
- Cash management
- Reviews of operational, liquidity and model risk
- Training in derivatives theory, financial theory and technology

## Case Study

A large Swedish bank has worked with FD plc since 1997 to implement a third party software package trading a portfolio of 10,000 bonds, FX and interest derivative transactions. FD plc:-

- developed bespoke software allowing the bank to trade and manage structured products such as index-linked bonds and complex interest rate options.
- designed and implemented a framework allowing the straight through processing of trades following dealer entry to various accounting, settlement and risk systems, incorporating security and authorisation checks; automatic interfaces, and generation of legal documents and settlement instructions to third party banks.
- developed a series of reports enabling the bank to measure, manage and monitor interest rate risk, FX risk and credit risk.
- supported the bank in various database designs, networking, training and migration issues.

On page 33 is a sample of FD plc's projects undertaken over the last four years. This demonstrates how the Company regularly generates repeat business from the same client.

## **Clients**

Typical FD plc clients are (primarily US) software houses and large (primarily European) banks.

FD plc has worked for a number of software companies in the capital markets sector. The services provided for these clients tend to be sales & marketing, product implementations. The company has also begun to enter into joint software development agreements with specific clients. These agreements involve FD plc performing development on behalf of the client at a reduced consultancy rate but with a participation in any sales of the resultant software. FD plc sees this type of contract as a growth area and expects to generate substantially increased revenue from such contracts.

Bank customers are generally blue chip and include several of the largest investment banks in Germany, Holland, France, Sweden, Austria and the UK. FD plc generally provides capital markets consultancy and IT consultancy services to these organisations along with short and long term product support agreements.

Over the last twelve months, the Company has also developed, with E-hub, a suite of on-line e-commerce business efficiency tools. The Company has recently signed an agreement with E-hub for the ongoing development and implementation of this software. The software offers users access to a range of trading, sourcing and collaborative tools all of which are applicable to any industry sector. FD plc believes that this contract with E-hub is an important step in its planned diversification into multi-industries outside the financial sectors.

In November 2001, E-hub working with FD plc was awarded by Cork and Kerry County Councils the pilot scheme for its on-line tendering solution 'tender-hub'. If successful the directors understand that the software may be rolled out to a total of 88 councils in the Republic of Ireland.

## **Expertise**

Based in Northern Ireland, the Company is able to draw on the indigenous pool of high quality graduates. FD plc presently has access to approximately 38 consultants who have extensive industry experience in derivatives, banking, fund management, insurance and financial/mathematical modelling, and have expertise in C, C++, Java, VB, XML, SQL, HTML, Corba, Unix, Sybase, Oracle and Microsoft technologies. Senior personnel have worked with names such as Morgan Stanley, SunGard, KPMG, SBC, Shell, Lloyds TSB, Bosch Telecom, Digital, IBM, Siemens, Mysis and EDS.

## **Awards**

In 2001, the Company was recognised as Ireland's fastest growing technology company having been awarded the inaugural Deloitte & Touche Technology Fast 50 Award.

In 1998 the Company won the Trade International Northern Ireland 'Tradeable Services Exporter of the Year' award.





## 1.2 – FINANCIALS

Detailed figures are provided in the Accountant's Report in Part 2 - this sets out the audited results for FD plc for the three and half years ended 31st August 2001. Summary annual figures for the four years to 28th February 2001 are shown below:

	Year to/as at 31 March 1998	Year to/as at 31 March 1999	Year to/as at 31 March 2000	11 months to/as at 28 February 2001
	£	£	£	£
Turnover	395,963	1,352,391	1,144,437	1,852,046
Operating profit	222,436	433,273	414,463	541,283
Profit before tax	256,149	474,495	536,695	605,422
Profit after tax	202,368	344,177	401,019	418,978
Net assets	235,721	517,698	845,318	502,296

Notes: The turnover figure for the year to 31 March 1999 includes £230,000 from a client who defaulted and therefore this amount was treated as a bad debt charge.

The six months audited figures to 31 August 2001 show:-

	6 months to 31 August 2001
	£
Turnover	740,454
Operating profit	256,038
Profit before tax	284,426
Profit after tax	161,077
Net assets	88,373

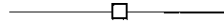
### Current Trading and Future Prospects

Whilst the company is currently incurring expenditure relating to its expansion plans (£146,000 in the above six months), the benefit of this investment will not be received until after the end of the current financial year.

Otherwise, the current year's trading is in line with management's expectations and provides confidence for the outcome of the year as a whole.



## 1.3 – COMPETITIVE ADVANTAGES



First Derivatives plc benefits from a number of advantages:

### **Strong Relationships**

FD plc has built strong business relationships with a range of banks and software companies particularly in the capital markets sector. The directors believe that these relationships should provide a good flow of business introductions, directly and by word of mouth.

### **Personnel**

All consultants are of a high academic calibre, most with a university degree in mathematics or finance.

### **Location**

FD plc's location in Newry, Co. Down, Northern Ireland, offers a number of advantages:

- Technical and well-educated staff are available
- Staff turnover is low
- Wage levels are lower

### **Geographical Spread**

FD plc has undertaken assignments for a wide range of clients worldwide. FD plc expects the geographical spread of its business to be maintained and further enhanced as it begins to attack market share more aggressively.

### **Large Potential Market**

Whilst FD plc specialises in the financial sector the level of technological expertise of its consultants allows the company to pitch for business in the general technology market. This means the company is not wholly reliant on the financial sector and is well diversified in terms of revenue potential having developed software packages which are already being used in such areas as construction, waste management and public sector procurement.

### **Joint Developments**

The company has entered into joint software development agreements with specific clients. These agreements involve FD plc carrying out development on behalf of the client at a reduced consultancy rate but with a participation in any sales of the resultant software. FD plc believes that increased business risk in this manner will ultimately result in substantially increased revenue from the upside potential of such contracts.

## 1.4 – DIRECTORS AND SENIOR MANAGEMENT

---



### **Robert David Anderson** (58) FCA - *Non-executive Chairman*

David joined First Derivatives plc in December 2001. David was similarly appointed non-executive director of Downtex plc on its admission to AIM in 1998. He is also non-executive chairman of Pirton Grange Limited. David qualified as a chartered accountant in 1966. He has over 20 years experience in corporate advisory work, latterly as Manchester Director of The British Linen Bank Limited from which he retired in 1998. His salary is to be £15,000 p.a. He has been granted options on 30,000 Shares.

### **Brian Conlon** (35) BSc (Hons) Dip (Acc) FCCA - *Managing Director*

Brian founded First Derivatives plc in 1996. Brian trained with KPMG before joining the risk management team in Morgan Stanley International, London. He then joined SunGard, a NASDAQ-quoted derivative software house, as a capital markets consultant. During his time with SunGard, he worked with more than 60 financial institutions worldwide. He left in 1996 to set up FD plc. His salary is to be £55,000 p.a., and pension benefits. Assuming maximum subscription, he will have 10,000,000 shares representing 71.43% of the company's share capital.

### **Michael O'Neill** (35) BSc MSc - *Operations Director*

Michael has responsibility for all operational aspects of FD plc. Prior to joining First Derivatives in 1997, Michael spent 6 years in the actuarial industry with Lloyds Abbey Life, latterly involved in designing, marketing and managing derivative-based investment products and overseeing the development of his departmental IT infrastructure. Michael will receive a salary of £55,000 p.a., and pension benefits.

### **Michael Chicken** (41) BA (Hons) - *Non-executive Director*

Following University he started a Merchant Banking career in 1981. By 1991 he was Head of Structured Finance at British & Commonwealth Merchant Bank. He then joined Terrace Hill Capital (re-named Neill Clerk Capital Limited). He left in September 1998 to set-up Merchant Place Corporate Finance Limited which, to date, has raised over £180 million for property and tax efficient investment products. Michael joined First Derivatives plc in December 2001. He will receive an annual fee of 0.4% of the monies raised under this Offer.

### **Finance Director**

Within six months of admission, the Company intends to appoint a finance director.

### **Victoria Shanks** (26) MBA BSc (Hons) Finance - *Business Development Manager*

Victoria joined the company in 1998. She is responsible for sales and marketing.

### **Sharon Cowan** (31) BSc (Hons) Finance- *Office Manager*

Sharon joined the Company in 1998. She is responsible for financials, credit control and general corporate operations.

### **Senior Project Managers**

Dan Wray (25) MSc Physics; Glen McConnell (27) BSc (Hons) Finance; Patrick Dooher (25) BSc (Hons) Law & Accounting; and Paul Mullan (25) BSc (Hons) Mathematics.

These four senior personnel are responsible for all operational, personnel, technical and financial issues for projects under their control.



## 1.5 – TAX RELIEF FOR INVESTORS

### Introduction

To obtain the Enterprise Investment Scheme (EIS) tax reliefs described below it is necessary to subscribe for Ordinary Shares in a qualifying company and claim the relief. On the basis of the information provided, including a draft of this document, the Inland Revenue has given provisional confirmation that the Company is a qualifying company.

The summary below gives only a brief outline of how the tax reliefs are given assuming the investor is a 40% tax payer. It does not set out all the rules which must be met for periods of between three and five years by the investor and the Company. The summary is not a substitute for the investor obtaining professional advice before applying for Shares.

### New EIS Relief

On 6 April 1998, the re-investment rollover relief scheme (Chapter I of Part V of the Taxation of Chargeable Gains Act 1992) merged with the EIS. The new EIS relief has four elements:

#### 1. Income Tax Relief (up to £150,000)

Individuals can obtain income tax relief on the amount subscribed for Shares (up to £150,000 in the tax year 2001/2002) in one or more qualifying companies provided they are not connected with the issuing company. Husbands and wives can each invest up to £150,000. To calculate the relief, the lower rate of tax (currently 20%) is multiplied by the amount subscribed. The relief is given against the individual's income tax liability for the tax year in which the shares are issued unless the individual makes a carry-back claim.

#### *Example*

	£
Gross investments in Shares	10,000
Less income tax relief at 20%	(2,000)
Net cost of investment	<u>8,000</u>

#### 2. Capital Gains Tax Deferral (unlimited and in addition to income tax relief)

To the extent to which a UK-resident investor (includes individuals and certain trustees) subscribes for qualifying shares, he can claim to defer paying tax on all or part of a chargeable gain arising on the disposal of any asset. Although there is a limit of £150,000 for income tax relief and the exemption from CGT (see 1. above and 3. below), there is no limit on the amount of gains that can be deferred.

The subscription must be made and the shares issued within one year before or three years after the date of the disposal which gives rise to the gain or the date when a previously deferred gain crystallises. The gain is deferred until there is a chargeable event such as disposal of shares or an earlier breach of the EIS rules.

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

### 3. Exemption from CGT

Any capital gains realised on the disposal of the Shares on which EIS income tax relief has been given and not withdrawn are tax free, providing the shares have been held for at least 3 years.

#### *Example*

	£
Realised value of Shares	22,000
Less original gross investment in Shares	(10,000)
	<hr/>
Tax free gain	12,000

### 4. Loss Relief against Income or Gains

Tax relief is available where there is a loss on a disposal at any time of Shares on which EIS income tax relief (see 1 above) has been given and not withdrawn. The amount of the loss (after taking account of the income tax relief initially obtained) can be set against the individual's gains or taxable income in the tax year in which the disposal occurs, or taxable income in the preceding year or carried forward as a capital loss for set-off against future capital gains.

#### *Example*

	£
Realised value of Shares	Nil
Gross investment in Shares	(10,000)
Less income tax relief at 20%	2,000
	<hr/>
Loss before tax relief	(8,000)
Tax relief at 40%	3,200
	<hr/>
Net loss	(4,800)

## **Inheritance Tax - Business Property Relief**

Provided a shareholder has owned shares in a qualifying unquoted trading company for at least two years and certain conditions are met at the time of the transfer, 100% business property relief is available, which reduces the inheritance tax liability on the transfer to nil.

## **Tax Relief Certificates**

Provisional EIS clearance in respect of the Offer has been received from the Inland Revenue. The Directors anticipate that EIS 3 Certificates, which Investors need to claim the tax relief, should be made available by the end of May 2002, subject to Inland Revenue working practices.

## **Dividends**

For dividends paid, no ACT is payable by the Company. Shareholders receive a notional tax credit, such that basic rate tax payers have no further tax to pay on the dividend received and higher rate tax payers have a liability to pay higher rate equivalent to 25% of the amount of the dividend received.

**THE FIGURES IN THIS SECTION ARE EXAMPLES ONLY. THEY ARE NOT, AND SHOULD NOT BE CONSTRUED AS, FORECASTS OF THE LIKELY PERFORMANCE OF THE INVESTMENT DESCRIBED IN THIS PROSPECTUS. PLEASE NOTE THAT THIS IS ONLY A CONDENSED SUMMARY AND SHOULD NOT BE CONSTRUED AS CONSTITUTING ADVICE WHICH A POTENTIAL INVESTOR SHOULD OBTAIN FROM HIS OR HER OWN INVESTMENT OR TAXATION ADVISER BEFORE APPLYING FOR SHARES.**



## 1.6 – RISK FACTORS

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### **1. Suitability**

This investment may not be suitable for all recipients of this document. No offer is made to any person in any territory other than the UK. Please refer to terms and conditions of application. Applicants are advised not to proceed unless they have taken independent advice from an adviser authorised under the Financial Services & Markets Act 2000, who specialises in investment of this kind.

### **2. Business Risks**

FD plc is subject to usual business risks, including that of new technology, changing commercial circumstances and new entrants to the market may adversely affect the Company's business. In any one year the Company can be reliant on a small number of substantial contracts.

### **3. Personnel Risk**

The future success of the Company depends largely on the expertise of the executive Directors and key employees. Whilst the Company has entered into contractual arrangement with the aim of securing the services of the current Director and of the employees the retention of their services cannot be guaranteed.

### **4. Value**

The value of the Shares, and of the Company's assets, may go down as well as up and an investor may not get back the full amount he has invested. An investment in a share to be traded on AIM is likely to be less realisable and is likely to carry a higher degree of risk than an investment in a share quoted on the Official List. The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets.

### **5. The Future**

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these do not guide the future. Aims, targets, plans, intentions and projections referred to are no more than that and do not imply forecasts. Legislation may change and its interpretation may not be correct.

### **6. Taxation**

This document is prepared in accordance with current legislation, Inland Revenue practice and its interpretation by the Company's advisers. Legislation and Inland Revenue practice may change and its interpretation may not be correct. The rates of tax reliefs may be altered. The rates, bases of and levels of reliefs from taxation may change. Tax reliefs referred to are those currently available and are personal to the investor. Their value depends on the individual circumstances of the investor.

Failure to hold EIS investments for three years will, and using them to obtain or improve the terms of credit may, result in a loss of tax relief obtained initially with a requirement for repayment of such tax relief with interest.

The availability of tax reliefs described in this document depends on the Group achieving and maintaining EIS status. No guarantee can be given that the Group will achieve and maintain such status.

## **7. Illiquidity**

It may be difficult for an investor to sell his or her Ordinary Shares and he or she may receive less than the amount paid by him or her for them. The Ordinary Shares may not be suitable for short term investment. The Ordinary Shares will not be quoted on the Official List. Investments in shares traded on AIM traditionally carry a higher degree of risk than investments in shares quoted on the Official List.



## 1.7 – GENERAL INFORMATION

### Reasons for the Offer; Admission, and use of Proceeds of the Placing

The principal reasons for the Offer and Admission include:

- establishing the company as a public company to assist with brand recognition for its services and to facilitate the marketing of partners' products
- facilitating the recruitment of senior management and retention of key personnel
- providing the increased working capital necessary to finance organic growth.

### Details of the Offer

The Company is issuing up to 4,000,000 New Ordinary Shares under the Offer at a price of 50p per share. Assuming full subscription, the Offer will raise approximately £1,562,000 after expenses, and the New Ordinary Shares so issued will represent approximately 28.57 per cent of the enlarged issued share capital of the Company. The Offer Shares will, following allotment, rank *pari passu* in all respects with the Ordinary Shares and will have the right to receive all dividends and other distributions hereafter declared, made or paid in respect of the issued ordinary share capital of the Company.

The Directors will hold in aggregate approximately 71.43 per cent of the issued ordinary share capital of the Company following the Offer (assuming full subscription).

The Minimum Amount which must be subscribed under the Offer is £1,000,000 (approximately £602,000 net of expenses and commissions but excluding VAT).

The Offer has not been underwritten.

Applications must be made on the Application Form. Details of the terms and conditions of applications are set out on page 47 of this document. The Directors reserve the right to reject applications in whole or in part or to scale down any application.

### Lock-in Arrangements

Brian Conlon the only director who is a shareholder has undertaken that he will not (and will procure, in so far as he is able, that any person with whom he is connected for the purposes of article 354 of the Act will not) dispose of any interest in Ordinary Shares held by him or his associates on the date of Admission for a period terminating upon the publication of the accounts of the Company for the year ending 28th February 2003, save in certain limited circumstances, through and with the agreement of J. M. Finn & Co.

### Dividend Policy

The New Ordinary Shares will, following allotment, rank *pari passu* in all respects with the existing Ordinary Shares and will rank in full for all dividends, and other distributions declared, paid or made in respect of the ordinary share capital of the Company. The Directors will pursue a dividend policy, which reflects the Company's profitability, subject to the funds required to finance future growth.

### Corporate Governance

The Directors acknowledge the importance of the Combined Code on Corporate Governance and intend, following Admission, to apply its principles so far as is practicable and appropriate to a company of the size and nature of the Company.



The audit committee, to be chaired by Robert David Anderson, will receive and review reports from management and the company's auditors relating to the annual and interim accounts and the accounting and internal controls systems of the company. The audit committee will have unrestricted access to the company's auditors.

The remuneration committee, to be chaired by Robert David Anderson, will review the performance of the executive directors; set their remuneration, determine the payment of bonuses to executive directors and consider the allocation of share options to directors and employees.

The directors recognise that a system of internal controls and reporting procedures is vital and will focus their efforts in implementing such systems as are required to control revenues, costs and quality thresholds at each of the company's locations.

The company has adopted the Model Code for directors' dealings applicable to AIM companies and will take all reasonable steps to ensure compliance for directors and any relevant employees.

## **CREST**

The Company intends to join CREST, the computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form although a shareholder can continue dealing based on share certificates and CREST transfer forms. For private investors who do not trade frequently, this latter course is likely to be more cost effective. For more information concerning CREST, potential investors and shareholders should contact their broker or alternatively, CRESTCo Limited at 33 Cannon Street, London EC4M 5SB.

Application will be made to CRESTCo Limited for permission for the Ordinary Shares to be transferred by means of the CREST system. Permission is anticipated to be given for trading through CREST to begin on 27th March 2002.

Application will be made for the Ordinary Shares to be admitted to AIM and it is anticipated that Admission will become effective and that dealing will become effective on 25th March 2002. It is expected that CREST accounts will be credited on 27th March 2002 and that certificates in respect of the New Ordinary Shares will be dispatched on the same day.

## **Minimum Investment**

The minimum investment from each investor is £5,000 and thereafter in multiples of £500.

## **Initial Closing Date**

The closing date of this Offer is 5pm on 19th March 2002. The Offer may close earlier if fully subscribed before than date, and the Directors reserve the power to extend the closing date, subject to receipt of the minimum subscription by then.

## **Further Assistance**

For further information in relation to this Prospectus, a prospective investor should consult their own professional adviser, or Scott Arnot of Merchant Place Corporate Finance Limited, by telephone on: 020 7292 8810, or by fax: 020 7494 0944, or by e-mail on: [scott@merchantplace.co.uk](mailto:scott@merchantplace.co.uk).

For information on the processing of submitted applications, contact Melton Registrars by telephone: 01582 405333, or by fax: 01582 458908.

### **Applications**

Applications for Shares may only be made and accepted on the Application Form on page 45 herein and subject to the terms and conditions of this Prospectus.



## 1.8 – OTHER INFORMATION



### **Commission**

Commission at the rate of 3% of subscriptions accepted, will be paid by Merchant Place Corporate Finance Limited, out of its costs, to authorised (in terms of the Financial Services & Markets Act 2000) agents introducing such subscriptions.

### **The Right to Invest**

The Directors and advisers other than the auditors (as set out on page 4), any of their directors, partners or employees have the right to invest in the Company.

### **Share Certificates**

Definitive Share Certificates should be sent out from 22nd March 2002.

### **EIS Certificates**

EIS Certificates are expected to be issued by 31st May 2002.

### **Report and Accounts**

The next audited accounts available for investors will be for the period ending 28th February 2002. The Report and Accounts will be sent out within six months thereof and annually thereafter. As required under the AIM Rules, the Company also intends to announce interim and annual results within 3 months and 6 months respectively of the end of the period to which they relate.

### **Sponsor Fee**

Merchant Place Corporate Finance Limited will receive a fee of £45,000 plus 4% of gross subscription raised under the Offer (further details of which are set out on page 41).

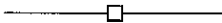
### **Subscription Level**

The minimum subscription is £1,000,000 and the maximum subscription is £2,000,000.



# PART 2

# ACCOUNTANTS' REPORT



## Chartered Accountants

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Merchant Place Corporate Finance Ltd  
4 Newburgh Street  
London  
W1F 7RF

J M Finn & Co  
Salisbury House  
London Wall  
London  
EC2M 5TA

7 February 2002

Dear Sirs

### First Derivatives plc

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 7 February 2002 of First Derivatives plc ('the company').

#### *Basis of preparation*

The financial information set out in pages 19 to 32 of the Admission Document (and as attached for reference purposes) is based on the audited financial statements of First Derivatives plc (formerly First Derivatives Limited) for the two years ended 31 March 1999 and 31 March 2000, the eleven month period ended 28 February 2001 and the six month period ended 31 August 2001 to which no adjustments were considered necessary.

#### *Responsibility*

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

The directors of the company are responsible for the contents of the Admission Document dated 7 February 2002 in which this report is included.

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

#### *Basis of opinion*

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

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

#### *Opinion*

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of First Derivatives plc as at the dates stated and of its profit and cash flows for the periods then ended.

We consent to the inclusion in the Admission Document dated 7 February 2002 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

Yours faithfully

KPMG  
Chartered Accountants



Member Firm of  
KPMG International

KPMG is authorised by  
The Institute of  
Chartered Accountants in  
Ireland to carry on  
investment business.

A list of Partners' names  
is available for inspection  
at the above address.

Offices: Dublin, Belfast, Cork and Galway



**Accountants' Report**

**First Derivatives plc**

**(formerly First Derivatives Limited)**

**Profit and Loss Account**

		6 month period ended 31 August 2001 £	11 month period ended 28 February 2001 £	Year ended 31 March 2000 £	Year ended 31 March 1999 £
	<i>Note</i>				
<b>Turnover</b> - continuing operations	2	740,454	1,852,046	1,144,437	1,352,391
Cost of sales		(465,775)	(1,189,815)	(565,583)	(564,353)
<b>Gross profit</b>		274,679	662,231	578,854	788,038
Administrative expenses - normal		(18,641)	(120,948)	(164,391)	(102,765)
- exceptional		-	-	-	(252,000)
<b>Operating profit</b> - continuing operations		256,038	541,283	414,463	433,273
Other income - grant received		34,664	49,001	100,902	28,396
Interest receivable		3,665	33,600	31,643	16,518
Interest payable and other similar charges	5	(9,941)	(18,462)	(10,313)	(3,692)
<b>Profit on ordinary activities before taxation</b>	3	284,426	605,422	536,695	474,495
Taxation on profit on ordinary activities	6	(123,349)	(186,444)	(135,676)	(130,318)
<b>Profit on ordinary activities after taxation</b>		161,077	418,978	401,019	344,177
Retained profit brought forward		492,296	835,318	507,698	225,721
		653,373	1,254,296	908,717	569,898
Dividends paid on equity shares		(575,000)	(762,000)	(73,399)	(62,200)
<b>Retained profit carried forward</b>		78,373	492,296	835,318	507,698

The company has no recognised gains or losses other than those included above. The turnover and operating profit amounts as stated above are derived solely from continuing operations.



## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

### Balance Sheets

		At 31 August 2001	At 28 February 2001	At 31 March 2000	At 31 March 1999
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9	32,918	41,180	23,621	17,361
<b>Current assets</b>					
Debtors	10	1,565,979	1,579,806	1,409,701	677,598
Cash at bank and in hand		–	–	2,727	187,674
		1,669,817	1,579,806	1,412,428	865,272
<b>Creditors - amounts falling due within one year</b>	11	(1,383,535)	(1,111,178)	(568,575)	(358,139)
<b>Net current assets</b>		182,444	468,628	843,853	507,133
<b>Total assets less current liabilities</b>		215,362	509,808	867,474	524,494
<b>Creditors - amounts falling due after more than one year</b>	12	(118,696)	(3,872)	(22,156)	(6,796)
<b>Provisions for liabilities and charges</b>	13	(8,293)	(3,640)	–	–
<b>Net assets</b>		88,373	502,296	845,318	517,698
<b>Share capital and reserves</b>					
Called-up share capital	14	10,000	10,000	10,000	10,000
Profit and loss account	15	78,373	492,296	835,318	507,698
Equity shareholders' funds	16	88,373	502,296	845,318	517,698



**Accountants' Report**  
**First Derivatives plc**  
**(formerly First Derivatives Limited)**

**Cashflow Statements**

		6 month period ended 31 August 2001 £	11 month period ended 28 February 2001 £	Year ended 31 March 2000 £	Year ended 31 March 1999 £
	<i>Note</i>				
<b>Cash inflow/(outflow) from operating activities</b>	22	179,454	619,921	(117,973)	249,476
Returns on investment and servicing of finance	23a	(6,276)	15,138	21,330	12,826
Taxation	23b	(98,345)	(122,685)	(56,562)	(23,194)
Capital expenditure	23c	–	(35,965)	(31,962)	(11,516)
Equity dividend	23d	–	(762,000)	(73,399)	(62,200)
Financing	23e	(9,752)	(13,431)	15,443	(18,449)
<b>Increase/(decrease) in cash in the period</b>		<u>65,081</u>	<u>(299,022)</u>	<u>(243,123)</u>	<u>146,943</u>

**Reconciliation of net cash flow to movement in net debt**

		6 month period ended 31 August 2001 £	11 month period ended 28 February 2001 £	Year ended 31 March 2000 £	Year ended 31 March 1999 £
	<i>Note</i>				
Increase/(decrease) in cash in the period		65,081	(299,022)	(243,123)	146,943
Decrease/(increase) in debt		9,752	13,431	(20,648)	18,449
Change in net debt resulting from cash flows		<u>74,833</u>	<u>(285,591)</u>	<u>(263,771)</u>	<u>165,392</u>
Non cash movements	24	–	–	–	–
<b>Movement in net debt in the period</b>		74,833	(285,591)	(263,771)	165,392
<b>Net (debt)/funds at start of the period</b>		<u>(374,013)</u>	<u>(88,422)</u>	<u>175,349</u>	<u>9,957</u>
<b>Net (debt)/funds at end of the period</b>	24	<u>(299,180)</u>	<u>(374,013)</u>	<u>(88,422)</u>	<u>175,349</u>



## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

##### *Basis of accounting*

The financial statements have been prepared under the historical cost accounting rules.

##### *Basis of preparing the financial statements*

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

##### *Cash flow statement*

The company is exempt by virtue of paragraph 5 of Financial Reporting Standard 1 (Revised 1996) from the requirement to prepare a cash flow statement.

##### *Depreciation of fixed assets*

Tangible assets are stated at historical cost, less accumulated depreciation. Depreciation is calculated to write off the original cost less the expected residual value of fixed assets over their anticipated useful lives at the following annual rates:

Motor vehicles	-	25% straight line
Office furniture and equipment	-	25% straight line
Plant and equipment	-	25-50% straight line

##### *Taxation*

Corporation tax is calculated on the results of the period.

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

##### *Pension plans*

The company operates "Personal Pension Plans" whereby the company agrees to pay, for eligible employees, a defined contribution into the employee's own personal pension scheme. The pension charge represents contributions payable by the company for the period. The company's liability is limited to the amount of the contribution. The liability for meeting future pension payments rests solely with the employee's personal pension scheme.

##### *Research and development*

Expenditure on research and development is written off against profits in the period in which it is incurred.

#### 2 Turnover

Turnover represents the invoiced value of services to third parties exclusive of value added tax and trade discounts and includes expenses recharged to customers. The company's turnover for the period resulted from carrying on its principal activity outside the United Kingdom and Republic of Ireland.

The directors are of the opinion that disclosure of the analysis of turnover and profit by geographical market would be prejudicial to the interests of the company.





## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 3 Profit on ordinary activities before taxation

	6 month period ended 31 August 2001 £	11 month period ended 28 February 2001 £	Year ended 31 March 2000 £	Year ended 31 March 1999 £
Profit on ordinary activities before taxation has been arrived at after charging				
Depreciation	8,262	18,406	25,920	17,249
Auditors' remuneration - audit	-	5,000	4,250	4,000
- other services	-	11,875	10,825	-
Hire of premises - rentals payable under operating lease	6,756	11,000	6,000	-
	<u>6,756</u>	<u>11,000</u>	<u>6,000</u>	<u>-</u>

#### 4 Exceptional item

	6 month period ended 31 August 2001 £	11 month period ended 28 February 2001 £	Year ended 31 March 2000 £	Year ended 31 March 1999 £
Bad debt provision	-	-	-	252,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,000</u>

The above item, exceptional by its size, was charged to administration costs in arriving at the operating profit in the year ended 31 March 1999.

#### 5 Interest payable and other similar charges

	6 month period ended 31 August 2001 £	11 month period ended 28 February 2001 £	Year ended 31 March 2000 £	Year ended 31 March 1999 £
On bank loans and overdrafts	9,247	10,537	5,893	1,185
On other loans	694	2,617	3,565	1,624
Interest due on late payment of tax	-	5,308	855	883
	<u>9,941</u>	<u>18,462</u>	<u>10,313</u>	<u>3,692</u>



## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 6 Taxation on profit on ordinary activities

	6 month period ended 31 August 2001 £	11 month period ended 28 February 2001 £	Year ended 31 March 2000 £	Year ended 31 March 1999 £
UK corporation tax for the period	118,696	183,321	144,880	130,265
Adjustments relating to earlier years	-	(517)	(9,204)	53
Deferred tax (see note 13)	4,653	3,640	-	-
	<u>123,349</u>	<u>186,444</u>	<u>135,676</u>	<u>130,318</u>

The basis by which taxation is calculated is stated in Note 1.

#### 7 Staff numbers and costs

The average weekly number of persons (including the directors) employed by the company during the period end is set out below. The company employed 22 people at the 28 February 2001.

	6 month period ended 31 August 2001 Average No.	11 month period ended 28 February 2001 Average No.	Year ended 31 March 2000 Average No.	Year ended 31 March 1999 Average No.
Administration	1	1	2	2
Technical	23	17	14	9
	<u>24</u>	<u>18</u>	<u>16</u>	<u>11</u>
<b>Their total remuneration was</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wages and salaries	333,081	487,492	321,063	300,648
Social security costs	32,714	49,030	30,546	31,740
Other pension costs	32,734	16,042	17,136	16,556
	<u>398,529</u>	<u>552,564</u>	<u>368,745</u>	<u>348,944</u>



**Accountants' Report**

**First Derivatives plc**

**(formerly First Derivatives Limited)**

Notes - (forming part of the short form report)

**8 Directors' emoluments**

Directors' emoluments (excluding employer's national insurance contributions) for the period is as follows:

	<b>6 month period ended 31 August 2001 £</b>	<b>11 month period ended 28 February 2001 £</b>	<b>Year ended 31 March 2000 £</b>	<b>Year ended 31 March 1999 £</b>
Emoluments	12,044	22,000	26,029	90,133
Company contributions to money purchase pension schemes	8,028	1,338	–	15,330
	<u>20,072</u>	<u>23,338</u>	<u>26,029</u>	<u>105,463</u>

**9 Tangible fixed assets**

*Year ended 31 March 1999*

	<b>Plant and equipment £</b>	<b>Office furniture and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<i>Cost</i>				
At 1 April 1998	22,115	6,716	8,700	37,531
Additions	11,516	–	–	11,516
<b>At 31 March 1999</b>	<u><b>33,631</b></u>	<u><b>6,716</b></u>	<u><b>8,700</b></u>	<u><b>49,047</b></u>
<i>Depreciation</i>				
At 1 April 1998	7,768	3,044	3,625	14,437
Charged during period	14,621	815	1,813	17,249
<b>At 31 March 1999</b>	<u><b>22,389</b></u>	<u><b>3,859</b></u>	<u><b>5,438</b></u>	<u><b>31,686</b></u>
<i>Net book value</i>				
<b>At 31 March 1999</b>	<u><u><b>11,242</b></u></u>	<u><u><b>2,857</b></u></u>	<u><u><b>3,262</b></u></u>	<u><u><b>17,361</b></u></u>



## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 9 Tangible fixed assets (continued)

*Year ended 31 March 2000*

	Plant and equipment £	Office furniture and equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 April 1999	33,631	6,716	8,700	49,047
Additions	18,610	9,852	33,500	61,962
Disposals	-	-	(42,200)	(42,200)
<b>At 31 March 2000</b>	<b>52,241</b>	<b>16,568</b>	<b>-</b>	<b>68,809</b>
<i>Depreciation</i>				
At 1 April 1999	22,389	3,859	5,438	31,686
Charged during period	14,927	4,013	6,979	25,919
Disposals	-	-	(12,417)	(12,417)
<b>At 31 March 2000</b>	<b>37,316</b>	<b>7,872</b>	<b>-</b>	<b>45,188</b>
<i>Net book value</i>				
<b>At 31 March 2000</b>	<b>14,925</b>	<b>8,696</b>	<b>-</b>	<b>23,621</b>

*Period ended 28 February 2001*

	Plant and equipment £	Office furniture and equipment £	Total £
<i>Cost</i>			
At 1 April 2000	52,241	16,568	68,809
Additions	28,365	7,600	35,965
<b>At 28 February 2001</b>	<b>80,606</b>	<b>24,168</b>	<b>104,774</b>
<i>Depreciation</i>			
At 1 April 2000	37,316	7,872	45,188
Charged during period	12,917	5,489	18,406
<b>At 28 February 2001</b>	<b>50,233</b>	<b>13,361</b>	<b>63,594</b>
<i>Net book value</i>			
<b>At 28 February 2001</b>	<b>30,373</b>	<b>10,807</b>	<b>41,180</b>



**Accountants' Report**

**First Derivatives plc**

**(formerly First Derivatives Limited)**

**Notes - (forming part of the short form report)**

**9 Tangible fixed assets (continued)**

*Period ended 31 August 2001*

	<b>Plant and equipment £</b>	<b>Office furniture and equipment £</b>	<b>Total £</b>
<i>Cost</i>			
At 1 March 2001	80,606	24,168	104,774
Additions	—	—	—
<b>At 31 August 2001</b>	<b>80,606</b>	<b>24,168</b>	<b>104,774</b>
<i>Depreciation</i>			
At 1 March 2001	50,233	13,361	63,594
Charged during period	5,358	2,904	8,262
<b>At 31 August 2001</b>	<b>55,591</b>	<b>16,265</b>	<b>71,856</b>
Net book value			
<b>At 31 August 2001</b>	<b>25,015</b>	<b>7,903</b>	<b>32,918</b>

The bases by which depreciation is calculated are stated in Note 1.

**10 Debtors**

	<b>31 August 2001 £</b>	<b>28 February 2001 £</b>	<b>31 March 2000 £</b>	<b>31 March 1999 £</b>
Trade debtors	1,096,700	1,102,023	621,243	286,424
Sundry debtors	22,350	—	559,015	—
Prepayments	5,700	1,200	1,200	2,371
S.419 recoverable	14,649	95,317	139,649	71,345
Director's loan	414,696	381,266	58,594	285,379
Accrued grant income	11,884	—	30,000	—
ACT recoverable	—	—	—	23,400
VAT recoverable	—	—	—	2,144
Employee loans	—	—	—	4,145
Income tax recoverable	—	—	—	2,390
	<b>1,565,979</b>	<b>1,579,806</b>	<b>1,409,701</b>	<b>677,598</b>



## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 11 Creditors - amounts falling due within one year

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
Bank overdraft	289,390	354,471	58,176	-
Trade creditors	49,180	61,317	29,943	18,046
Other taxation and social security	16,529	16,529	13,680	44,793
Accruals and deferred income	205,723	257,023	17,023	31,784
Loan - equipment	9,790	12,555	8,313	-
Loan - IFI	-	3,115	2,504	3,029
Corporation tax	216,389	323,084	248,270	184,046
ACT payable	-	-	4,600	15,500
S.419 payable	-	72,318	126,745	58,441
VAT payable	21,534	5,706	59,321	-
Employees' loans	-	5,060	-	-
Hire purchase	-	-	-	2,500
Proposed dividends	575,000	-	-	-
	<u>1,383,535</u>	<u>1,111,178</u>	<u>568,575</u>	<u>358,139</u>

The bank overdraft is secured by way of a fixed and floating charge over the assets of the company together with a letter of guarantee in the amount of £300,000 from a director.

#### 12 Creditors - amounts falling due after more than one year

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
Equipment loan	-	3,280	17,865	-
Loan - IFI	-	592	4,291	6,796
Corporation tax	118,696	-	-	-
	<u>118,696</u>	<u>3,872</u>	<u>22,156</u>	<u>6,796</u>

The loan from IFI is repayable over five years from the date the loan was drawn down. The loan is secured by an all monies assignment over the company's plant and machinery.



## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 13 Provisions for liabilities and charges

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
Deferred taxation				
At beginning of period	3,640	–	–	–
Charge for the period (see note 6)	4,653	3,640	–	–
	<u>8,293</u>	<u>3,640</u>	<u>–</u>	<u>–</u>
At end of period	<u>8,293</u>	<u>3,640</u>	<u>–</u>	<u>–</u>

The basis by which taxation is calculated is stated in Note 1. There is no unprovided deferred tax.

#### 14 Share capital

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
Ordinary shares of £1 each	100,000	100,000	100,000	100,000
Issued, allotted and fully paid Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

#### 15 Profit and loss account

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
Retained profit brought forward	492,296	835,318	507,698	225,721
Profit on ordinary activities after taxation	161,077	418,978	401,019	281,977
Dividends paid and proposed	(575,000)	(762,000)	(73,399)	–
	<u>78,373</u>	<u>492,296</u>	<u>835,318</u>	<u>507,698</u>
At end of period	<u>78,373</u>	<u>492,296</u>	<u>835,318</u>	<u>507,698</u>

#### 16 Equity shareholders' funds

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
At beginning of period	502,296	845,318	517,698	235,721
Profit on ordinary activities after taxation	161,077	418,978	401,019	281,977
Dividends paid and proposed	(575,000)	(762,000)	(73,399)	–
	<u>88,373</u>	<u>502,296</u>	<u>845,318</u>	<u>517,698</u>
At end of period	<u>88,373</u>	<u>502,296</u>	<u>845,318</u>	<u>517,698</u>



## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 17 Capital commitments

There were no capital commitments at any of the three period ends.

#### 18 Leasing commitments

Annual commitments under non-cancellable operating leases are as follows:

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
Operating leases which expire:				
Within one year	—	—	—	—
In the second to fifth years inclusive	12,000	12,000	12,000	12,000
Over five years	—	—	—	—
	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

#### 19 Contingent liabilities

Contingent liabilities exist in respect of the LEDU grant and the IFI loan received by the company, whereby, in the event of the company failing to meet one or more of the conditions contained in the letters of offer to the company, the company would be liable to repay either the LEDU grant and/or the IFI loan.

#### 20 Related party transactions

Sundry debtors at 31 March 2000 consisted of an amount of £559,015 due to the company from an unincorporated property development venture in which Brian Conlon, director, has an interest. These monies had been advanced on an interest bearing basis at normal commercial rates. During the period ended 28 February 2001 these monies were repaid to the company.

Brian Conlon is a shareholder in E-hub.com plc. During the period ended 31 August 2001, the company traded with E-hub.com plc on a normal commercial basis resulting in sales of £Nil (28 February 2001: £458,359, 2000: £310,000, 1999: £Nil). The amount due by E-hub.com plc to the company at 28 February 2001 amounted to £589,566. It is considered by the directors that whilst there is some uncertainty regarding the timing of the repayment of this debt, there is no significant uncertainty regarding its ultimate recoverability.

During the period ended 31 August 2001 the company incurred expenditure on behalf of E-hub.com plc amounting to approximately £146,000. This expenditure has not been recharged to E-hub.com plc. due to the uncertainty associated with the ultimate recovery of all monies owed by this company. An agreement has been reached between the two companies whereby this expenditure will be recovered whenever E-hub.com plc. becomes cash positive.

As of 31 August 2001 trade debtors included an amount due by Brian Conlon to the company of £414,696 (28 February 2001: £381,266, 31 March 2000: £58,594, 31 March 1999: £Nil). This debt has been repaid to the company as of the date of these financial statements.

Brian Conlon is the sole shareholder of k-hub.com Limited. During the period ended 31 August 2001 the company incurred expenditure and performed services amounting to £110,347 (28 February 2001: £Nil) on behalf of k-hub.com Limited. This amount has been recharged to k-hub.com Limited and is outstanding as at 31 August 2001 (28 February 2001: £Nil).





## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 21 Ultimate controlling party

As of each period end, the company was controlled by Brian Conlon, director and only shareholder.

#### 22 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
Operating profit	256,038	541,283	414,463	433,273
Depreciation on tangible fixed assets	8,262	18,406	25,920	17,249
Grants receivable	22,780	49,001	100,902	28,396
Decrease/(increase) in debtors	48,881	(214,437)	(684,602)	(288,913)
(Decrease)/ increase in creditors	(156,507)	225,668	25,344	59,471
<b>Net cash inflow/(outflow) from operating activities</b>	<b>179,454</b>	<b>619,921</b>	<b>(117,973)</b>	<b>249,476</b>

#### 23 Analysis of cash flows for headings in the cash flow statement

	31 August 2001 £	28 February 2001 £	31 March 2000 £	31 March 1999 £
<b>a) Returns on investment and servicing of finance</b>				
Interest paid	(9,941)	(18,462)	(10,313)	(3,692)
Interest received	3,665	33,600	31,643	16,518
Net cash (outflow)/inflow from returns on investment and servicing of finance	(6,276)	15,138	21,330	12,826
<b>b) Taxation</b>				
Corporation tax paid	(98,345)	(122,685)	(56,562)	(23,194)
<b>c) Capital expenditure</b>				
Purchase of tangible fixed assets	–	(35,965)	(31,962)	(11,516)
<b>d) Equity dividends paid</b>				
Dividends on equity shares	–	(762,000)	(73,399)	(62,200)
<b>e) Financing</b>				
(Repayment)/receipt of long term loan	(9,752)	(13,431)	23,148	(10,254)
Capital element of hire purchase repayment	–	–	(7,705)	(8,194)
Net cash (outflow)/inflow from financing	(9,752)	(13,431)	15,443	(18,449)



## Accountants' Report

### First Derivatives plc

(formerly First Derivatives Limited)

Notes - (forming part of the short form report)

#### 24 Analysis of changes in net debt during the period

	Cash in hand £	Bank overdrafts £	Debt due within one year £	Debt due after one year £	Total £
Balance at 1 April 1998	40,731	-	(13,429)	(17,345)	9,957
Cash flow	146,943	-	10,449	8,000	165,392
Other non cash change	-	-	(2,549)	2,549	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 April 1999	187,674	-	(5,529)	(6,796)	175,349
Cash flow	(184,947)	(58,176)	(5,288)	(15,360)	(263,771)
Other non cash change	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 April 2000	2,727	(58,176)	(10,817)	(22,156)	(88,422)
Cash flow	(2,727)	(296,295)	10,817	2,614	(285,591)
Other non cash change	-	-	(15,670)	15,670	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 March 2001	-	(354,471)	(15,670)	(3,872)	(374,013)
Cash flow	-	65,081	5,880	3,872	74,833
Other non cash change	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 August 2001	-	(289,390)	(9,790)	-	(299,180)

#### 25 Post balance sheet event

Subsequent to 31 August 2001, the company declared a dividend (payable to Brian Conlon, director and sole shareholder) and then settled this liability by way of setting off the debt due. As a result, the debt owed to the company by Brian Conlon of £414,696 as at 31 August 2001, has now been settled in full.

Subsequent to 31 August 2001, the company made a four for one bonus issue thereby increasing the company's issued share capital to 50,000 ordinary shares of £1 each. Following this, the company's share structure was amended by way of a share split converting each ordinary share of £1 each into two hundred ordinary shares of 0.5 pence each. This results in the company now having an authorised share capital of 20 million ordinary shares of 0.5 pence each and an issued share capital of 10 million ordinary shares of 0.5 pence each.



### Swedish Bank, Stockholm

- development of several interface files to provide an automatic data-feed of data from one source system to several other legacy systems
- development of exotic options pricing tools
- development of interest rate and volatility risk management engine for all derivatives and fixed income products
- workflow systems and control audit and implementation of recommendations
- development of automatic generation of legal confirmations for derivatives products
- development of a bond P&L reporting system.

### Dutch Bank, London

- design, development and support of MQ series infrastructure for trading system integration project
- Infinity Devon system integration via the Alier databridge
- multiple trading system integration to back office accounting system. Systems include Infinity Devon, ARTS, XTAS and Bloomberg
- full time support of a number of trading system integration developments.

### Swedish Bank, London

- user group software product training
- implementation of Front to Back Office derivatives trading system
- development of suite of Back Office reports
- development of customised risk reporting engine for derivatives products.

### US Software Company, Philadelphia

- design and development of the front-end architecture for Java Enterprise based web enabled front-end for existing proprietary trading system
- development of on-line trading facility for FX products.

### Support Contracts

FD plc perform support services on request for several clients. It has signed or is about to sign several long-term support contracts with the following clients:

- Dutch Bank, London
- Swedish Bank, Stockholm
- Swedish Bank, Stockholm
- UK Private Bank, London
- US Software company, Miami



# PART 4 STATUTORY & GENERAL INFORMATION

## 1. The Company and its Share Capital

- 1.1. The Company was incorporated as a private company on the 16th April 1996 limited by shares under the Companies (Northern Ireland) Order 1986 (the 'Order'), with company number NI30731 and re-registered on 31st January 2002 as a public company.
- 1.2. On 3rd December 2001 the Company's authorised share capital of £100,000 represented by 100,000 Ordinary Shares of £1 each was subdivided into 20,000,000 shares of 0.5p.
- 1.3. Between 29th May 1996 and 3rd December 2001, 49,998 Ordinary Shares were allotted for cash at par to the following persons.

Name	Number of Shares
Brian Conlon	49,994
Mrs Josephine Conlon	4

- 1.4. The liability of the members of the Company is limited.
- 1.5. Pursuant to an Ordinary Resolution passed on 31st January 2002 by the Company, the Directors were generally and unconditionally authorised to pursuant to Article 90 of the Order to allot relevant securities (as defined in that Article) up to an aggregate nominal amount of £20,000, such authority to expire on the earlier of the date falling 15 months after the date on which the Ordinary Resolution was passed, and the next annual general meeting of the Company, whichever is the later, but so that the Company may, before such expiry, make an offer or agreement which could or might require relevant securities in pursuance of any such offer or agreement as if such authority had not expired.
- 1.6. The Directors are empowered pursuant to Article 105 of the Order to allot shares pursuant to the authority referred to in paragraph 1.5 above, as if Article 99 (1) of the Order did not apply. This power expires on the earlier of the date falling 15 months after the date on which the relevant Resolution was passed and the next annual general meeting of the Company, which ever is the later, unless previously renewed or extended and is limited to the allotment of Shares up to 10 per cent of the aggregate nominal value of the ordinary shares of the Company. Once this power has expired, unless previously renewed or extended, Article 99 (1) of the Order will apply to any proposed allotment of shares for cash.
- 1.7. As at the date of this document, the Company's authorised and issued share capital is as follows:

### Number of Ordinary Shares at 0.5p each

Authorised	20,000,000
Issued and fully paid	10,000,000

- 1.8. Other than as provided herein, since incorporation no share or loan capital of the Company has been issued, or agreed to be issued, as fully or partly paid-up for cash, or for a consideration other than cash.
- 1.9. Except as provided in paragraph 4 below, no share or loan capital of the Company is under option, or is proposed to be put under option, or agreed conditionally or otherwise to be put under option.

## 2. Accounting Reference Date

The accounting reference date of the Company is 28 February in each year.

## 3. Directors' and Other Interests

- 3.1. Other than their directorships of the Company, the current UK directorships of the Directors, and those held during the previous five years, are set out below:

Name	Current	Past
Robert David Anderson	Downtex plc Pirton Grange Limited Wacky Web Fun Group Limited Wacky Web Fun Limited	Haughton Holdings Ltd Haughton Engineering Insurance Services Limited† Lyne Investments Limited† Haughton Underwriting Services Limited† Synergie.net plc
Brian Gerard Conlon	K-Hub.com Limited	None
Michael George O'Neill	None	None
Michael John Chicken	Central Asset Finance Ltd Claymoss Leisure Ltd Claymoss Productions Ltd Harvest Pictures plc	Patent I plc† Reversionary Recovery 3 Nominees Ltd Patent II plc† City Tenancies Ltd†

Harvest Pictures II Ltd	Neill Clerk Capital Ltd
Marent Ltd	Home Tenancies Ltd <sup>†</sup>
The Inn Company UK Ltd	Park Circus (Secretaries) Ltd
Merchant Inns plc	Home Partners Plus 01 plc <sup>†</sup>
Merchant Place Corporate Finance Ltd	Home Partners Plus 02 plc <sup>†</sup>
Musketeers Pubs Ltd	Manor Court Residents Amenity Co. Ltd <sup>†</sup>
St Mark Homes Capital plc	Norcity Homes plc <sup>†</sup>
St Mark Homes II plc	NC NOM plc <sup>†</sup>
Merchant Place Ltd	NC BRP plc <sup>†</sup>
Random Harvest Managers Ltd	NC (City & Home-Secured) Ltd
Pubs4U Ltd	NC (Norcity-Secured) Ltd
	NC (Norcity-Free) Ltd
	NC (City & Home-Free) Ltd
	NC (Clyde-Free) Ltd
	NC (Clyde-Secured) Ltd
	NC (Res) Ltd
	Accumulus Nominees Ltd <sup>†</sup>
	Accumulus I (Third) Nominees Ltd <sup>†</sup>
	Accumulus II (Third) Nominees Ltd <sup>†</sup>
	AIM Without Tears Ltd <sup>†</sup>
	Terrace Hill Investments Ltd
	Manchester Village Homes plc <sup>†</sup>
	Norhomes plc <sup>†</sup>
	Horton Estates Ltd
	Terrace Hill Properties Ltd
	Short Leasehold plc*
	E-Hub.Com plc
	Peartree Business Centre Ltd
	Mansebridge Care Homes plc <sup>†</sup>
	Park Circus (Management) Ltd
	Terrace Hill Group plc
	Westview Investments Ltd
	LPMS Financial Services Ltd
	Park Circus Registrars Ltd

- 3.2. The Directors of the Company have no past convictions.
- 3.3. The Directors of the Company have no past disqualifications from acting as a director in relation to indictable offences.
- 3.4. None of the Directors have been adjudged bankrupt or entered into an individual voluntary arrangement or been the subject of public criticism by any statutory or regulatory authority, including recognised professional bodies.
- 3.5. There have been no bankruptcies, receiverships, liquidations or dissolutions of any of the companies where the directors were directors at the time of, or within 12 months preceding the date of such event, except those marked \* in Clause 3.1., which are companies that have been placed into members' voluntary liquidation (solvent), or those marked with † in Clause 3.1., which are companies that have been dissolved (solvent) or in the case of Robert David Anderson, he was a director of Barns Nurseries Limited which went into receivership in 1984.
- 3.6. No director has been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such events.
- 3.7. Other than as provided in paragraph 3.12 below, none of the Directors has any interest (whether beneficial or non-beneficial) in the issued share capital of the Company.
- 3.8. Except as provided in paragraph 3.12 the Directors are not aware of any shareholding which, after completion of the Offer, is expected to amount to three per cent or more of each of the Company's issued share capital based on the Minimum Subscription.
- 3.9. There are no outstanding loans granted by the Company to any of the Directors, nor are there any guarantees granted by the Company for their benefit.
- 3.10. Save as disclosed herein, none of the Directors has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to the Company or is proposed to be acquired, leased or disposed of by the Company.

3.11. None of the Directors is aware of any person(s) who could, directly or indirectly, jointly or severally, exercise control over the Company other than Brian Conlon.

3.12. The interests of the Directors in the share capital of the Company (all of which are beneficial) as at the date of this document are as follows:

Name	No. of Ordinary Shares at 0.5 pence	% of shares in issue at 7th February 2002	% of shares assuming maximum subscription raised
Brian Gerard Conlon	10,000,000	100	71.43

3.13. Directors holding options to subscribe for shares are:

Name	No. of options	Exercise Price
Robert David Anderson	30,000	50 pence

3.14. Related party transactions are set out in section 20 of the Accountants' Report in Part 2 of this document. In addition Michael John Chicken, a director of FD plc is also a shareholder of the therein referred to E-hub. Brian Gerard Conlon's and Michael John Chicken's shareholdings in E-hub are 16.15% and 0.71% respectively. In addition Merchant Place Corporate Finance Limited has a 6.40% shareholding in E-hub.

#### 4. Unapproved Share Option Scheme.

The Scheme was adopted by the Board on 21st December 2000. Its principal terms can be summarised as follows:

##### 4.1. Eligibility

All directors and employees of the Company who are required to devote substantially the whole of their working time to their duties will be eligible to participate in the Scheme.

##### 4.2 Grant of Options

The Board or, as appropriate, the trustee of an employee benefit trust ("the EBT") established by the Company may grant options during defined grant periods set out in the rules of the Scheme. These are, broadly, the 42 day periods following adoption of the Scheme by the Company's shareholders and following the announcement of the Company's final and interim results. The exercise price shall be determined by the Board on the date of grant. No payment is required on the grant of an option, but an option may be granted subject to the option holder agreeing to pay any secondary Class 1 national insurance obligation arising on exercise of the option. An option cannot be sold, transferred, assigned or charged.

##### 4.3. Performance Conditions

Options may be granted so that they cannot be exercised unless a performance condition is satisfied. Any performance condition is imposed by the Board at the time of grant of an option and must be based on objective conditions.

##### 4.4. Exercise and Lapse of Options

An option is exercised by the optionholder delivering to the Company an option certificate, notice of exercise and payment of the total exercise price. An option cannot generally be exercised before the expiry of the Minimum Period (being a period specified by the Board on the Date of Grant) or on the optionholder ceasing to be an employee of any Group Company and the Board consenting to the exercise of his Option in whole or in part.

Options will lapse if they have not been exercised within 10 years from their grant, and generally if the optionholder ceases to be a director or employee of a Group Company or any associated company, if the optionholder is declared bankrupt or on the surrender of the option by the optionholder.

Generally, an option will become exercisable on a change of control unless the acquiring company offers the optionholder a new option in exchange for the surrender of his option. It should be noted, however, that if a performance condition has been imposed options will generally be exercisable only if and to the extent that the performance condition has been satisfied.

##### 4.5. Limits on the issue of unissued Shares

Options may only be granted under the Scheme to the extent that the aggregate of the number of new Ordinary Shares which have been issued under the Scheme, those which remain issuable on the exercise of options granted under the Scheme and those which have been issued or remain issuable pursuant to rights granted under any other scheme which provides for the issue of new Ordinary Shares by the Company does not exceed 20% of the Company's issued ordinary share capital from time to time.

4.6. Shares issued or transferred on exercise

Shares will be issued or transferred within 30 days of an option being exercised. All shares issued or transferred under the Scheme will rank *pari passu* in all respects with the existing shares. The Company will apply for the admission of such shares to the Alternative Investment Market. The Company and/or the trustee of any EBT established by the Company will keep available at all times sufficient shares to satisfy all outstanding options. The operation of the Scheme utilising existing Ordinary Shares could have the effect of reducing the Company's distributable reserves.

4.7. Adjustment

In the event of a capitalisation issue, rights issue (including a variation in share capital having an effect similar to a rights issue), or any reduction, sub-division or consolidation of any share capital of the Company, the number of shares the subject of any option and/or any price at which options may be exercised may be adjusted by the Board (or by the trustee of an EBT where the EBT has granted the option) subject to the written confirmation of the Company's auditors that the adjustment is in their opinion fair and reasonable.

4.8. Alterations to the Scheme

No alteration or addition to the advantage of any existing optionholder or person eligible to participate in the Scheme may be made without the prior approval of the Company by ordinary resolution unless such alteration is a minor amendment to benefit the administration of the Scheme or to take account of any changes in legislation or to obtain or maintain a favourable tax, exchange control or regulatory treatment of the Company, any subsidiary or any optionholder.

4.9. Termination of the Scheme

No option may be granted more than 10 years after adoption of the Scheme.

4.10. Exchange of Options

In the event of a general offer to acquire the whole of the issued share capital of the Company as a result of which the offeror obtains control then, subject to the consent of the acquiring company, an optionholder may, within the period permitted by the rules of the Scheme, release any option which has not lapsed in exchange for a new option equivalent to the old option but relating to shares in a different company (whether the acquiring company or some other company permitted by the rules of the Scheme).

4.11. Pensionability

No benefits received under the Scheme will be pensionable.

4.12. Options granted under the Scheme

In December 2000 the Company granted options over an aggregate of 785 shares at an exercise price of £720 per share under option.

As indicated at 4.7 above, on a variation of the share capital of the Company, the number of shares which are the subject of any option and the price at which options may be exercised may be adjusted by the Board (subject to the written confirmation of the Company's auditors that the adjustment is in their opinion fair and reasonable). If options were to be adjusted in such a way as to keep the employees in the same position after the variation of share capital as they were in prior to the variation of share capital, there would be outstanding options over 785,000 shares at an exercise price of 72 pence per share.

4.13. Proposal to grant new options

The directors were concerned that by simply varying the existing options to take into account the variation of share capital, the exercise price of existing options would be significantly higher than the listing price. For that reason, on the 3rd December 2001 the directors offered employees the opportunity to surrender their existing options in exchange for the grant of new options under the Scheme at an exercise price of 40 pence per share under option.

All option holders completed and returned the required deeds of surrender and were consequently granted new options at 40 pence per share under the Scheme on the 19th December 2001. For each option holder, the new option is granted over the same number of shares as were subject to the option holder's original option (after the variation set out above). The vesting provisions in relation to the new options will be precisely the same as were imposed on the grant of the original options and on that basis, options will vest as to one third on 22 December 2001, one third on 22 December 2002 and one third on 22 December 2003.

5. Directors' Contracts

5.1. The aggregate remuneration paid and benefits in kind granted to the Directors by the Company during the financial year ended 28 February 2001 was £23,338 and it is estimated that the aggregate of such

remuneration and benefits in kind to be granted to the Directors in respect of the financial year ending 28 February 2002 under arrangements in force at the date of this document will be approximately £65,000 for the Company.

- 5.2. Michael Chicken, as director and majority shareholder of Merchant Place Corporate Finance Limited, is interested in the Sponsorship Agreement, the terms of which are summarised in Clause 13.1. below:

## **6. Memorandum and Articles of Association**

- 6.1. The main objects of the Company as set out on the Memorandum of Association are to provide services associated with the sale, purchase and use of software products and to sell and distribute software whether developed by FD plc or otherwise.

- 6.2. The Articles of Association of the Company contains, inter alia, the following provisions:

### **6.2.1. As Regards Voting and General Meetings**

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership and subject to any special terms as to voting upon which the Shares may be held each holder of Ordinary Shares present in person or by proxy shall on a poll have one vote for every Ordinary Share of which he is the holder.

### **6.2.2. Variation of Class Rights and Alteration of Capital**

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by such rights or in the absence of any such provision with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

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

- 6.2.4. The Company may subject to the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including redeemable shares).

### **6.2.5. Transfer of Shares**

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Ordinary Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Act and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form approved by the Directors. Any instrument of transfer of any certified share shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor of any shares shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register of members. The Directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees jointly or which is in respect of more than one class of shares or where the Directors have not received such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under article 220 of the Act, then, provided that the shares concerned represent at least 0.25 per cent, in nominal amount of the issued shares of the relevant class, the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the Directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfer may be suspended by the Directors for any period not exceeding 30 days in a year.

- 6.2.6. Subject to the provisions of the Act the Company may in general meeting declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the Directors. The Directors may pay interim dividends if they think fit and may also pay the fixed dividends payable on any shares half-yearly or on fixed dates. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie. The Directors may, with the sanction of an ordinary resolution, offer



the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividends which are the subject of the Ordinary Resolution.

- 6.2.7. All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and shall revert to the Company.

## 7. Directors

### 7.1 Constitution of Board

The minimum number of Directors shall not be less than two and, unless and until otherwise determined by the Company in general meeting, there shall be no maximum limit on the number of Directors. No shareholder qualification is required of any Director.

### 7.2 Retirement of Directors by rotation

- 7.2.1 The Articles do not contain any provision to exclude the operations of article 301(2) of the Act and, accordingly, special notice will be required of any resolution appointing or approving the appointment of a Director who has attained the age of 70.

- 7.2.2 At every annual general meeting of the Company, one third of the Directors or the number nearest to but not exceeding one third shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or reappointed on the same day, will (unless they otherwise agree) be determined by lot.

### 7.3 Remuneration of Directors

The fees payable to the Directors for their services as Directors shall not exceed £50,000 per annum or such greater amount as may be determined by the Company in general meeting. Each Director may also be paid all traveling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the Directors of the Company or otherwise in the discharge of his duties as a Director. Any Director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, participation in profits or otherwise as the Directors determine.

### 7.4 Permitted Interests of Directors

- 7.4.1 Subject to the provisions of the Act, a Director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any Director who is so interested is not liable to account to the Company for any profit realized by the contract, by reason of the Director holding that office or of the fiduciary relationship thereby established.

- 7.4.2 A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director and may act in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the Directors may determine. A Director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

### 7.5 Restrictions on voting by Directors

- 7.5.1 Save as provided below, a Director shall not vote on or in respect of any contract or arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

- 7.5.2 A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote and vote counted in the quorum in respect of any resolution concerning any of the following matters:

- 7.5.2.1 the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

- 7.5.2.2 the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- 7.5.2.3 any proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- 7.5.2.4 any proposal concerning any other company in which he and persons connected with him do not to his knowledge hold directly or indirectly an interest in shares representing one per cent or more of any class of the equity share capital or voting rights in such company;
- 7.5.2.5 any arrangement for the benefit of employees of the Company and its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- 7.5.2.6 any contract for the purchase or maintenance of insurance for the benefit of Directors or persons including Directors.
- 7.6. Directors' service and other agreements
- 7.6.1. On 3rd December 2001 Brian Gerard Conlon and Michael George O'Neill entered into service agreements (which are conditional on Admission) with the Company. The service agreement for Brian Gerard Conlon may be terminated on 12 month's notice given by either party to the other the earliest termination date being in 24 months from the date of the agreement. The service agreement for Michael George O'Neill may be terminated on 6 months notice given by either party to the other the earliest termination date being in 24 months from the date of the agreement. The service agreements contain provisions for summary termination, inter alia, in the event of material breach or gross misconduct by either of them. The basic annual salary payable to each is £55,000 per annum, to be reviewed annually (without any obligation to increase the same). The Company will, in addition contribute monthly a sum (which is currently £1,338.00 for Brian Gerard Conlon and 10% of salary from the 31st December 2001 for Michael George O'Neill) into a personal pension scheme or schemes of his choice and they are also entitled to private health insurance to be paid for by the Company. In addition, Brian Gerard Conlon is entitled to critical illness insurance to be paid for by the Company.
- 7.6.2. Robert David Anderson entered into an agreement (which is conditional on Admission) with the Company on 3rd December 2001 in respect of his services as a non-executive director. This agreement is for a term of two years from Admission. An annual fee of £15,000 together with reasonable expenses is payable to Robert David Anderson. He has also been granted options on 30,000 Shares.
- 7.6.3. There is no arrangement under which any Director has waived or agreed to waive future emoluments nor did any waiver of emoluments of a director occur during the financial year ended 28 February 2001.
- 7.6.4. Merchant Place Corporate Finance Limited entered into a Consultancy Agreement (which is conditional on admission) with the Company on 3rd December 2001 in respect of provision of services of a non executive director. This agreement is for an indefinite term subject to six months notice on either side such notice to be served no earlier than the first anniversary of the date of the Admission. An annual fee of 0.4% of the amount raised under the Prospectus is payable to Merchant Place Corporate Finance Limited. No additional benefits are provided thereunder.
- 7.6.5. Save as disclosed in this paragraph 7, there are no existing or proposed service agreements between any Director and any member of the Group.

## 8. Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future (including uncalled capital) and, subject to Article 90 of the Order, to issue debenture stock or any other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the relevant Company or any of its subsidiaries from such companies) shall not without the previous sanction of the shareholders in general meeting exceed a sum equal to the greater of £1 million or a sum equal to three times the aggregate of the nominal capital of the relevant Company for the time being paid up and the total of the capital and revenue reserves of the Company and all its subsidiaries.

## 9. Litigation

So far as the Directors are aware, there are no legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company which are having, or may have, a significant effect on the financial position of the Company.

**10. Minimum Subscription and net proceeds of the Issue**

10.1. The minimum amount that must be raised by the issue of Shares pursuant to this Prospectus for the Company to provide for the items specified in paragraph 21 of POS (the 'Minimum Subscription') is made up as follows:

(i) Issue costs, including commission	£398,000
(ii) Repayment of monies borrowed	Nil
(iii) Working Capital	£602,000
Total Minimum Subscription	£1,000,000

This comprises the minimum capital required by the Company to embark on the business described herein and shall comprise 2,000,000 Ordinary Shares of 0.5p each and share premium of 49.5p.

10.2. On the basis of the minimum subscription, the gross proceeds of the Offer will amount to £1,000,000 and, after deduction of the expenses of the Offer, the net proceeds of the Offer will be approximately £602,000.

10.3. On the basis of the maximum subscription, the gross proceeds of the Offer will amount to £2,000,000 and, after deduction of the expenses of the Offer, the net proceeds of the Offer will be approximately £1,562,000.

10.4. The expenses of the Offer will be paid by the Company.

**11. Working Capital**

The Directors are of the opinion that, taking account of existing bank and other available facilities and the net proceeds of the Offer, the Company will have sufficient working capital for its present requirements.

**12. Consent**

KPMG, J. M. Finn & Co., Grant Thornton, Melton Registrars Limited and Merchant Place Corporate Finance Limited, have given and not withdrawn their consent to the issue of this Prospectus, with the inclusion herein of its report and / or the references thereto and to its name, in the form and context in which it appears.

**13. Material Contracts**

The only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company since incorporation, and are or may be material in the context of the Company, are as follows:-

- 13.1. Sponsorship Agreement made between (1) the Company, (2) the Directors and (3) Merchant Place Corporate Finance Limited (the 'Sponsor'), dated 3rd December 2001, whereby the Sponsor has agreed to use its reasonable endeavours to procure subscriptions for the Shares pursuant to the Offer on the terms of this Prospectus in consideration of a fee of £45,000 plus 4% of such subscriptions. Out of that fee the Sponsor will discharge all costs relating to the Issue and commission of 3% of subscriptions to be paid to authorised agents through whom valid applications for Shares are made. The Directors of the Company, and the Company, have granted to the Sponsor certain warranties and indemnities in connection with the Offer. The Sponsor is entitled to terminate its obligations as sponsor if the Company is in default of its obligations or any of the warranties given to the Sponsor are materially incorrect.
- 13.2. An agreement dated 31st January 2002 with Melton Registrars Limited pursuant to which the Company appointed Melton Registrars Limited as its registrar and receiving agent. Melton Registrars Limited will receive a minimum fee of £3,000
- 13.3. An agreement dated 31st January 2002 and made between the Company and E-hub.com plc for the ongoing development and implementation of a range of business support tools.
- 13.4. Brian Gerard Conlon is the owner of a flat at 14 Marloes Road, Kensington, London W8 5LH which FD plc's personnel use from time to time and in respect of which a payment of £40 per day is paid by the Company to Brian Conlon but only when the Company has use of the flat.
- 13.5. An agreement for an indefinite period dated 15 November 2001 made by the Company (1) and k-hub.com Limited (2) whereby FD plc is obliged to provide personnel and administrative resources to k-hub.com Limited.
- 13.6. An agreement for an indefinite period dated 28 September 2001 and made between the Company (1) and k-hub.com Limited whereby FD plc authorised k-hub.com Limited to develop, research, market and licence certain intellectual property rights.

#### 14. General

- 14.1. The amount payable on application and allotment of each Share is 50p including a premium of 49.5p per share.
- 14.2. The auditors of the Company are KPMG.
- 14.3. The Company has no subsidiaries.
- 14.4. Subject to the achievement of the minimum subscription in respect of the Offer, if the Offer is not taken up in full the amount of capital subscribed thereunder may be allotted in any event.
- 14.5. The registered office of the Company is 21 Arthur Street, Belfast, BT1 4GA, and the principal place of business is First Derivatives House, Kilmorey Business Park, Kilmorey Street, Newry, County Down, BT34 2DH.
- 14.6. The Directors, whose names, addresses and functions appear on page 4, accept responsibility for the information contained in this document.
- 14.7. KPMG, whose address is stated on page 4, accept responsibility for their Accountants' Report contained herein.
- 14.8. Other than as provided herein, the Company is not dependent on any patents or other intellectual property rights, licences or particular contracts, which are of fundamental importance to the Company's business.
- 14.9. Other than as provided herein the Company has no investments in progress.
- 14.10. Other than as provided herein no exceptional factors have influenced the Company's activities.
- 14.11. Other than as provided herein, no amount or benefit in the sum of £10,000 or more in cash or in kind has been paid or given by the Company since incorporation to any promoter or to any other person (excluding trade suppliers) immediately preceding the date of this Prospectus, or is intended to be paid or given.
- 14.12. The Company has no indebtedness, no mortgages, charges, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, term loans, other liabilities under acceptance, credit cards, hire purchase commitments or guarantees or other material contingent liabilities other than any trade indebtedness incurred in the usual course of business, overdraft facilities with Bank of Ireland of £250,000 (reducing to £200,000 on 28 February 2002) secured by a debenture dated 22 May 2000 and a personal guarantee issued by Brian Conlon in the sum of £300,000.
- 14.13. Other than as provided herein, since incorporation no commissions, discounts, brokerages or other special terms have been paid or agreed in connection with the issue or sale of any share or loan capital of the Company.

#### 15. Registration

A copy of this document has been delivered to the Register of Companies in Belfast for registration, in accordance with Regulation 4(2) of POS.

#### 16. United Kingdom Taxation of Dividends

When dividends are paid to shareholders the Company no longer has to account to the Inland Revenue for an amount of advance corporation tax ('ACT'). However, a tax credit attaching to the dividends received will be equal to 10 per cent of the aggregate of the dividend and tax credit. No tax will be withheld when the dividend is paid. The tax credit will satisfy the individual's lower and basic rate liability, but cannot be reclaimed, even if it exceeds the individual's liability to income tax. Individual tax payers liable to higher rate tax in respect of dividends will pay 32.5% on the aggregate of the dividend and tax credit, with part of that liability being met by the tax credit.

Corporate Shareholders resident in the United Kingdom for tax purposes will not be liable to United Kingdom corporation tax on any dividend received from the Company and will be able to treat any dividend so received and the related tax credits as franked investment income. Subject to certain exceptions for individuals who are Commonwealth citizens, European Economic Area Nationals; residents of the Isle of Man, or the Channel Islands, and certain others, the right of a holder of a share who is not resident in the United Kingdom (for tax purposes) to any part of the tax credit in respect of dividends on such a share depends in general upon the existence and terms of any double tax treaty which exists in the United Kingdom and the country in which the person is resident. Persons who are not resident in the United Kingdom for tax purposes should consult their own tax advisers concerning their tax liabilities, the possible application of such treaty provisions and what relief or credit may be claimed in the jurisdiction in which they are resident.

**17. No Offer to Overseas Persons**

No person receiving a copy of this Prospectus in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him, nor should he in any event use the application form, unless in the relevant territory such an invitation can lawfully be made to him and the application form can be lawfully used without compliance with any unfulfilled registration or other lawful requirements. Persons resident in, or a citizen of, territories outside the United Kingdom should consult their own professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to subscribe for Shares under this Issue.

**18. Report and Accounts**

Investors will receive copies of the annual report and accounts of the Company and be entitled to attend any meeting of the shareholders.

**19. Available Copies of the Prospectus**

Copies of this document are available free of charge to the public on any weekday (excluding Saturdays and Bank Holidays) at Mills Selig, 21 Arthur Street, Belfast, BT1 4GA, and at Merchant Place Corporate Finance Limited, 4 Newburgh Street, London, W1F 7RF, until the final closing date of the Offer, 19th March 2002.

7th February 2002

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# PART 5

# APPLICATION FORM

This application form should be completed and sent to Melton Registrars Limited, PO Box 30 Cresta House, Alma Street, Luton LU1 2PU.

The subscription list will open at 10.00 am on 11th February 2002.

(Minimum Application £5,000 and thereafter in multiples of £500.)

No. of Ordinary Shares  Amount enclosed (No. of New Ordinary Shares of 50p each) £

To the Directors,

## FIRST DERIVATIVES PLC

Gentlemen,

I/We irrevocably offer to subscribe for the number of fully paid Ordinary Shares of 0.5p each nominal value at 50p per share set out above subject to the Memorandum and Articles of Association of FIRST DERIVATIVES PLC and the Terms and Conditions of Applications set out in the Prospectus.

NOTE: All cheques to be made payable to 'MELTON REGISTRARS LTD A/C - FIRST DERIVATIVES PLC'.

Signature	Date
BLOCK CAPITALS	
Mr/Mrs/Miss or Title	
Forenames in Full	
Surname	
Address in Full	
	Postcode
Tel: Day	Evening
Fax: Day	Evening
e-mail: Day	Evening

Only complete this box if you are a Crest shareholder and you wish any shares that you are allotted to be credited to your Crest Account.

Participant ID

Member Account ID

Staple or pin here your cheque(s)/bankers draft(s) for the amount shown above. If through an Agent, Agent's name, address and authorisation to be stated below. Such signature commits the Agent to fulfil responsibility for the identification procedure necessary under the Money Laundering Regulations 1993 and Guidance Notes issued by the Joint Money Laundering Steering Group.

Name of Agent	Signature
Name of Firm	
Address	
	FSA
Tel. No.	Authorised Code

The Sponsor notifies Investors that it regards them as execution-only customers in respect of their applications for Shares. This means that it is reasonable for the Sponsor to believe that Investors do not expect the Sponsor to be advising them as to the investment merits of the transaction. Accordingly, by completing this Application Form Investors confirm that they simply want a transaction to be carried out and that the Sponsor will not be responsible to them for ensuring that the transaction is a suitable one for them.

PLEASE COMPLETE BELOW FOR ACKNOWLEDGEMENT

Name	<b>FOR OFFICE USE ONLY</b>
	FIRST DERIVATIVES PLC
Address for acknowledgement	An application for £ <input type="text"/> in name of <input type="text"/>
	has been received
	On behalf of Melton Registrars Limited

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# TERMS AND CONDITIONS OF APPLICATIONS

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- 1) Applicants may be individual persons or limited companies provided they are residents of the United Kingdom.
- 2) Applications must be made by completing the Application Form, including the signature and dating thereof. Completed applications must be sent to: Melton Registrars Limited, P O Box 30, Cresta House, Alma Street, Luton LU1 2PU.
- 3) The subscription list will open at 10.00 am on 11th February 2002, and will close at 5.00 pm on 19th March 2002. The Offer may close earlier if fully subscribed before that date, and the Directors reserve the right to extend the closing date.
- 4) Payment must be made by cheque or bankers draft made payable to 'MELTON REGISTRARS LIMITED A/C - FIRST DERIVATIVES PLC' and crossed 'A/C Payee only'. Cheques or banker's drafts must be drawn in sterling on a bank in the UK or the Isle of Man or a branch of such bank, which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of the Committee of Scottish Clearing Houses or which has arranged for cheques and banker's drafts to be cleared through the facilities provided for the members of either of those companies or that committee, and must bear the appropriate sorting code in the top right hand corner.
- 5) The minimum investment is £5,000. Thereafter, investment must be in multiples of £500. The Directors reserve the right to reject any application in whole or in part without giving any reason.

Applications will be dealt with on a first come, first served basis, subject always to the discretion of the Directors to allot shares as they see fit.

- 6) It is a term of the Offer that, to ensure compliance with the Money Laundering Regulations 1993, Melton Registrars Limited may at its absolute discretion require verification of identity from any person lodging an Application Form ('the Applicant') and, without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appear to be acting on behalf of some other person. In the former case, verification of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting maybe required. If within a reasonable period of time following a request for verification of identity and in any case by no later than 12.00 Noon on the relevant date of allotment Melton Registrars Limited has not received evidence satisfactory as aforesaid, the Company with the agreement of Melton Registrars Limited may, at its absolute discretion, reject any such application in which event the remittance submitted in respect of that application will be returned to the Applicant without interest (without prejudice to the rights of the Company) to undertake proceedings to recover any loss suffered by it a result of the failure to produce satisfactory evidence of identity).

Where possible, Applicants should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used, the Applicant should:

- (a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name, and

(b) ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Melton Registrars Limited's right to require verification of identity as indicated above).

- 7) A commission of 3% of the issue price will be paid by Merchant Place Corporate Finance Limited to authorised intermediaries in respect of successful applications to subscribe submitted through them. Due completion of the agent's box on the Application Form warrants that the agent is duly authorised to transact investments of this type under the Financial Services & Markets Act 2000, and that they undertake to fulfil responsibility for the identification procedures necessary under the Money Laundering Regulations 1993, and Guidance Notes issued by the Joint Money Laundering Steering Group.
- 8) No application will be accepted by fax.
- 9) All cheques, certificates and other documents despatched by post will be at the risk of the Applicant.
- 10) Applications will be irrevocable and Applicants will have no right of cancellation.
- 11) No person receiving a copy of this Prospectus or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such form, unless in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other regulatory or legal requirements without any action being required by or on behalf of the Company for the purpose of making such invitation or offer lawful in such territory. It is a condition of any application by the person outside the UK that he must satisfy himself as to the full observance of the laws of any relevant territory in connection with the application including obtaining any requisite or governmental or other consents which may be required and to comply with the requisite formalities, and paying an issue, transfer or other taxes due in any such territory. This Prospectus and the other documents relating to the Offer have not been submitted to the clearance procedures of any European authority. The Company reserves the rights in its absolute discretion to reject application made by any person outside the UK.
- 12) In the case of a joint application, references in these terms and conditions of application to 'you' are to each joint applicant and the liability of joint applicants is joint and several. Joint applicants should fill out one Application Form each and a) mark each form as a 'joint application with [names of other joint applicants]' and b) fix all joint applications together.

# END OF DOCUMENT

PERFECT INFORMATION LTD  
MICHAEL HOUSE  
35 CHISWELL STREET  
LONDON EC1Y 4SE

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