

**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 Act 1986 who specialises in advising on the acquisition of shares and other securities.

Application has been made for the **Ordinary Shares of Legendary Investments plc** in issue and to be issued pursuant to the Placing to be admitted to trading on the **Alternative Investment Market of the London Stock Exchange ("AIM")**. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the **Ordinary Shares** to the **Official List**. Further, the **London Stock Exchange** has not itself approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange and no other such applications have been made.

A copy of this document, which comprises a prospectus drawn up in accordance with The Public Offers of Securities Regulations 1995 as amended ("the Regulations") and the AIM Rules, has been issued in connection with the application for admission to trading of the Ordinary Shares on AIM and has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the Regulations.

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## Legendary Investments plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered No. 3920241)*

### **Placing of 159,375,000 Ordinary Shares at 2p per share and Admission to trading on the Alternative Investment Market**

NOMINATED ADVISER AND NOMINATED BROKER

**Seymour Pierce Limited**

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#### SHARE CAPITAL ON ADMISSION

Authorised			Issued and Fully Paid	
Amount	Number		Amount	Number
£2,000,000	2,000,000,000	Ordinary Shares of 0.1p each	£487,500	487,500,000

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information.

Seymour Pierce Limited, which is regulated by The Securities and Futures Authority Limited, is acting as nominated adviser and nominated broker exclusively for the Company in connection with the admission of the Company's Ordinary Shares to trading on AIM and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Seymour Pierce Limited, or for advising any other person in connection with the Placing. The responsibilities of Seymour Pierce Limited, as nominated adviser, are owed solely to the London Stock Exchange.

Legendary Investments plc is a newly formed company with no existing business record. The attention of investors is drawn to the risk factors set out in Part II of this document.

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## DIRECTORS, SECRETARY AND ADVISERS

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<b>Directors:</b>	Eathasham ("Shami") Ahmed Michael John Ernest Frye Smit Berry	Chief Executive Non-Executive Director Non-Executive Director
	all of whose business address is: 4th Floor, Wembley Point 1 Harrow Road Wembley Middlesex HA9 6DE	
<b>Company Secretary:</b>	Hannah Maria Sutter whose business address is: 63 Queen Victoria Street London EC4N 4ST	
<b>Registered Office:</b>	4th Floor, Wembley Point 1 Harrow Road Wembley Middlesex HA9 6DE	
<b>Nominated Adviser and Nominated Broker:</b>	Seymour Pierce Limited 29-30 Cornhill London EC3V 3NF	
<b>Solicitors to the Company:</b>	McGrigor Donald 63 Queen Victoria Street London EC4N 4ST	
<b>Solicitors to the Placing:</b>	Memery Crystal 31 Southampton Row London WC1B 5HT	
<b>Auditors and Reporting Accountants:</b>	Grant Thornton Grant Thornton House Melton Street Euston Square London NW1 2EP	
<b>Principal Bankers:</b>	HSBC Bank plc 100 King Street Manchester M60 2HD	
	National Westminster Bank plc PO Box 546 100 Barbirolli Square Manchester M60 2FT	
<b>Registrars:</b>	Northern Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	

## DEFINITIONS

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

“Act”	The Companies Act 1985 (as amended)
“Admission”	The admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	The Alternative Investment Market of the London Stock Exchange
“AIM Rules”	The rules of AIM set out in Chapter 16 of the Rules of the London Stock Exchange
“Approved Share Option Scheme”	The Legendary Investments plc Approved Share Option Scheme
“Articles”	The Articles of Association of the Company adopted by the Company on 18 February 2000
“Board” or “Directors”	The directors of the Company whose names are set out on page 3 of this document
“Company” or “Legendary”	Legendary Investments plc
“CREST”	The computerised settlement system to facilitate the transfer of title to shares in uncertificated form, operated by CRESTCo Limited
“Group”	The Company and any company of which the Company has control (within the meaning of Section 840 of the Income and Corporation Taxes Act 1988)
“London Stock Exchange”	London Stock Exchange Limited
“Ordinary Shares”	Ordinary shares of 0.1p each in the Company
“Placing”	The conditional placing by Seymour Pierce, as agent for the Company, of 159,375,000 Ordinary Shares as described in this document
“Placing Agreement”	The conditional agreement dated 24 February 2000 between the Company (1), the Directors (2) and Seymour Pierce (3) relating to the Placing, details of which are set out in paragraph 8.1 of Part V of this document
“Placing Price”	2p per Ordinary Share
“Schemes”	The Approved Share Option Scheme and the Unapproved Share Option Scheme
“Seymour Pierce”	Seymour Pierce Limited
“Shareholders”	Holders of Ordinary Shares
“Unapproved Share Option Scheme”	The Legendary Investments plc Unapproved Share Option Scheme
“Warrants”	The warrants to be issued by the Company, subject to Admission, details of which are set out in Part I and paragraph 9 of Part V of this document

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## GLOSSARY OF TERMS

“e-commerce”	the conduct of commerce over the internet
“internet”	a worldwide network of computers, connected to the telecommunications infrastructure, which exchanges data using protocols
“protocol”	an agreed format for transmitting data between two devices

### PLACING STATISTICS

Placing Price	2p
Number of Ordinary Shares being issued under the Placing	159,375,000
Number of Ordinary Shares in issue following the Placing	487,500,000
Approximate percentage of enlarged issued share capital being placed	32.69 per cent.
Gross proceeds of the Placing	£3,187,500
Net proceeds to be received by the Company	£3,052,500
Market capitalisation following the Placing at the Placing Price	£9,750,000

### EXPECTED TIMETABLE

Admission and dealings commence in the Ordinary Shares on AIM	2 March 2000
CREST accounts credited by	2 March 2000
Despatch of definitive share certificates by	9 March 2000

## **PART I: INFORMATION ON THE COMPANY**

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### **INTRODUCTION**

Legendary has been formed for the purpose of investing in a spread of e-commerce, internet and technology focused businesses. The major driving force behind Legendary is Shami Ahmed who is both chief executive and directly or indirectly the major beneficial shareholder of the Company. Shami Ahmed believes that collectively the Board possesses the skills necessary to identify those investment opportunities which have the potential to achieve significant growth.

Shami Ahmed's intended commitment to Legendary and its future business success is reflected in the terms of his service agreement under which he has agreed to devote the equivalent of four working days in each week to Legendary's business. It is the intention of Shami Ahmed and the other Directors that, wherever possible, all opportunities identified by them to invest in internet, e-commerce and technology focused businesses, which fit within Legendary's investment criteria from time to time, will be directed to the Company for consideration by the Board.

The Board intends to utilise their network of contacts, their commercial experience and market knowledge to identify suitable companies in which to invest. Following any such investment, the Board intends to offer to investee companies advice on strategy and structure as appropriate. The Board believes that such advice will assist the development of investee companies and will optimise the value of the Company's investments.

### **INVESTMENT CRITERIA**

The Board intends to examine, *inter alia*, the following matters in assessing whether or not a company is a suitable investment opportunity for Legendary:

- the experience of the company's management team
- the size of the projected market for the company's products and/or services
- the potential for growth of that market
- the company's intellectual property rights
- the company's competitive position within its market
- the ease of market entry for the company's products and/or services
- the options available for realisation of the investment into the company
- the possibilities for synergies between the company and existing investments

Being aware that the e-commerce and internet-related business sector is at an early stage of development, the Directors believe that it is vital to adopt a flexible approach to the Company's investment strategy in order to respond swiftly to opportunities in this developing sector.

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## CURRENT INVESTMENT OPPORTUNITIES

Although Legendary has not yet made any investments, it has signed non-legally binding heads of terms with an e-commerce development company which was formed in 1995. This company is a specialist provider of e-commerce solutions mainly for small and medium sized enterprises. The company enables small and medium sized enterprises to configure on-line storefronts incorporating rich media. The company's products have the potential to be priced using an application service provider model. Legendary is currently intending to make an investment of £1,000,000 for which it will receive a minority stake in the equity of the company.

Legendary is also negotiating with a company which is developing an interactive "pay to play" entertainment kiosk with e-commerce applications. Legendary is seeking to invest £400,000 for which it will receive a minority stake in the equity of the company.

Both of these proposed investments are subject, *inter alia*, to the conclusion of satisfactory due diligence and to the execution of legally binding contracts.

Legendary is also currently at an early stage in considering other investment opportunities in internet and e-commerce companies.

## DIRECTORS AND EMPLOYEES

### DIRECTORS

**Shami Ahmed**, aged 37, Chief Executive

Shami Ahmed is the chairman and a major shareholder of Pinwise Limited, which produces a range of branded clothing, including "Joe Bloggs" jeanswear. He has held an executive position with Pinwise Limited since 1980 during which time he has contributed to the development of its brands. Shami has brokered investment into and provided support to a number of companies. In particular he has invested in Reflec plc whose shares are currently traded on AIM and he has also brokered an investment into an on-line investment research service, Sharepages.com Limited. In 1991 Shami was awarded an honorary degree by Lancashire University and in 1998 he won the EMMA Awards for the categories of Best Marketing Campaign and Business Personality of the Year.

**Michael John Ernest Frye CBE**, aged 54, Non-Executive Director

Michael John Ernest Frye is an experienced businessman with varied interests in technology, manufacturing and start-up businesses. Having completed a university apprenticeship in Germany and a degree in management at the Massachusetts Institute of Technology, he has, since 1974, been a director of a number of companies, including serving as chief executive of B Elliott Group Limited between 1988 and 1999 and as a non-executive director of Thorn Lighting Group Limited between 1993 and 1998. In addition, between 1997 and 1999, Michael was the chairman of the London CBI and he continues to serve on the council of that body. He was also the chairman of the Royal Society of Arts between 1991 and 1993 and is currently a vice-president of that organisation. Michael is also currently a deputy chairman of London First and sits on the council of the London Development Partnership.

**Smit Berry**, aged 30, Non-Executive Director

Smit Berry obtained a BEng (Hons) in computing science from Imperial College, University of London in 1991. Smit subsequently founded Equitylink Limited, which publishes two investment newsletters. He is

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currently the editor of one of those newsletters, "The Small Company Sharewatch" which provides detailed research on UK small companies. Smit is also a co-founder of Sharepages.com Limited.

## EMPLOYEES

Other than the Directors, the Company has no employees or consultants. However, the Directors intend to recruit a finance director and, when they consider it appropriate, other employees.

## SHARE OPTIONS AND WARRANTS

To assist the Company in the recruitment, retention and incentivisation of directors and/or employees, the Company has adopted the Schemes. The Approved Share Option Scheme has been prepared in order to qualify as an approved share option scheme for the purposes of the Income and Corporation Taxes Act 1988 and has been adopted subject to Inland Revenue approval. The Inland Revenue has not yet granted approval in respect of the Approved Share Option Scheme.

On 23 February 2000 the Directors were granted options under the Unapproved Share Option Scheme in respect of 182,500,000 Ordinary Shares (in aggregate), representing approximately 37.44 per cent. of the enlarged issued share capital on Admission. The conditions applicable to the exercise of those particular options are as follows. If the increase in the average quoted price for Ordinary Shares for a period set out below, as compared with the Placing Price, equals or exceeds the relevant percentage increase set against such period, then 25 per cent. of the options granted shall become exercisable at any time thereafter:

Period	Percentage increase
Date of Admission to 31 March 2001	10%
1 April 2001 to 31 March 2002	20%
1 April 2002 to 31 March 2003	40%
1 April 2003 to 31 March 2004	100%

If on 1 April 2004 any of the options have not become exercisable, then 25 per cent. of the options originally granted shall nevertheless become exercisable if, at the end of any particular financial year of the Company, the increase in the average quoted price for Ordinary Shares during that financial year equalled or exceeded 100 per cent. of the Placing Price. Further details of the options granted to the Directors are set out in paragraph 4.2 of Part V of this document.

The main provisions of the Schemes are summarised in paragraph 7 of Part V of this document.

The Company has agreed, subject to Admission, to issue Warrants in respect of an aggregate of 14,450,000 Ordinary Shares as follows:

Name	Number of Ordinary Shares
Seymour Pierce	13,700,000
McGrigor Donald	750,000

In the event that the Warrants are exercised in full, the Ordinary Shares issued on such exercise will, in aggregate, represent approximately 2.96 per cent. of the enlarged issued share capital on Admission. The main provisions of the Warrants are set out in paragraph 9 of Part V of this document.

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## **DETAILS OF THE PLACING**

The Company will raise £3,187,500 (before expenses) by the placing by Seymour Pierce of 159,375,000 Ordinary Shares at the Placing Price, representing approximately 32.69 per cent. of the enlarged issued share capital of the Company at Admission. The Directors are also participating in the Placing, whether personally or through trusts of which they are beneficiaries or through companies which they control, and will subscribe for 65,625,000 Ordinary Shares in aggregate at the Placing Price. The Placing is conditional, *inter alia*, upon Admission.

Further details of the Placing Agreement are set out in paragraph 8.1 of Part V of this document.

## **REASONS FOR THE PLACING AND ADMISSION**

The Directors intend that the proceeds of the Placing will be used to provide the funds needed by the Company to make its investments.

The Directors believe that the benefits of the Placing and Admission are as follows:

### **1. Corporate profile**

The Board believes that Admission will increase the public profile of the Company which may increase the number and spread of investment opportunities for Legendary.

### **2. Acquisition consideration**

The Directors believe that the issue of publicly traded shares as consideration is potentially more attractive to vendors of companies or businesses than the issue of shares in an equivalent private company for which no regulated market exists.

### **3. Access to capital markets**

The Company may wish to raise further funds in the future to make further investments into existing investee companies and/or to make new investments. In the opinion of the Directors, the cost of capital for a publicly traded company may be lower and capital may be more freely available than for an equivalent private company.

### **4. Incentives for staff**

The Directors consider that the recruitment and retention of additional directors and employees through the use of share options will be important to the Company's development. The Board considers that the ability to grant options over publicly traded shares is potentially more attractive to additional directors and employees than the grant of options over unquoted shares.

### **5. Benefits for shareholders**

The Directors believe that Shareholders will have the opportunity, through an investment in the Company, to more conveniently benefit from the spread, size and number of investments into internet, e-commerce and technology focused businesses made by the Company than they would be able to do by investing directly into such businesses on their own.

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## **ADMISSION TO TRADING ON AIM**

The Company has applied for the issued Ordinary Shares following the Placing to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 2 March 2000.

**In accordance with Rule 16.13 of the AIM Rules, each of the Directors has, under the terms of the Placing Agreement, agreed that he will not (and will procure, insofar as he is able, that any person with whom he is connected for the purposes of section 346 of the Act will not) dispose of any interest in Ordinary Shares held by him on the date of Admission for a period of one year from Admission, save as permitted under the AIM Rules.**

## **CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

The Directors intend, following Admission, where practicable and appropriate for a company of Legendary's size and nature, to apply procedures to ensure that the Company complies with the main provisions of the principles of good governance and code of best practice published by the Committee on Corporate Governance chaired by Sir Ronald Hampel in June 1998. In this connection, the Board will consider the appointment of further non-executive directors and of a non-executive chairman as and when they are of the view that the size and growth of the Company warrants such further appointments.

The Company has appointed Michael Frye and Smit Berry as non-executive directors. The Board has established an audit committee and a remuneration committee, both with formally delegated powers and responsibilities, chaired by Michael Frye and also comprising Smit Berry.

The remuneration committee will review the scale and structure of the terms and conditions of service of executive directors of the Company and will generally administer the Schemes. The Board will determine the terms and conditions of appointment, including the remuneration of and grant of options to non-executive directors of the Company.

Following the receipt of professional advice from the Company's auditors, the audit committee will oversee the monitoring of the quality of the Company's internal controls and will ensure that the financial performance of the Company is properly measured and reported on. It will also receive and review reports from management and the Company's auditors relating to Legendary's annual and interim accounts and its accounting and internal controls. The audit committee will have unrestricted access to the Company's external auditors.

Both committees currently intend to take professional advice on at least an annual basis.

The Company will adopt the Model Code for directors' dealings as applicable to AIM companies and will take all reasonable steps to ensure compliance by directors and relevant employees.

## **DIVIDENDS**

It is the current intention of the Directors to aim for capital growth and to re-invest the majority of future profits of the Company. Accordingly, the Board does not currently expect that the Company will declare a dividend in the short term.

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## **TAXATION**

Information regarding taxation in relation to the Placing and Admission is set out in paragraph 12 of Part V of this document. If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

## PART II: RISK FACTORS

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The Directors consider the following risks and other factors to be the most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Company and the risks listed are not set out in any particular order of priority:

### **General**

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. Investment in the Company is speculative and the Ordinary Shares will not be quoted on the Official List of the London Stock Exchange. There is no present intention that the Ordinary Shares be admitted to the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List.

### **The Company's objectives may not be fulfilled**

The Company does not presently carry on any trading activities. The value of an investment in the Company is dependent, *inter alia*, upon the Company making investments in companies or businesses that meet the Company's investment strategy. There can be no guarantee that the Company will invest in any companies or businesses meeting the Company's investment criteria or that any companies or businesses invested in will achieve above average growth.

### **The investments**

The Company is likely to have a minority interest in many of the private companies in which it invests, and whilst the Company will seek to obtain contractual safeguards (where appropriate) in respect of management and operational matters, there can be no guarantee that these will be obtained or that any safeguards which are obtained will cover every eventuality.

The Company may invest in the shares of smaller companies and in unquoted securities. Such investments may be difficult to realise and, in addition, such companies frequently lack the financial strength, diversity and resources of larger companies and may find it more difficult to overcome or survive periods of economic slowdown or recession.

The Company has no operating history and has been established to invest primarily in companies in the e-commerce, internet and technology sectors which may not have an established track record. The prospects of the Company should therefore be considered in light of the risks associated with early stage companies operating in technology, e-commerce and internet-related markets. It should also be noted that such early stage companies may be particularly vulnerable to changes in technology and/or the regulatory environment in which they operate.

### **Valuation of internet stocks**

Currently, related to revenues, the market capitalisations of e-commerce and internet-related companies are generally higher than quoted companies in most other sectors. In the future, there may be a general reduction in the market capitalisations of e-commerce and internet-related companies which may have a materially adverse effect on the market value of the Ordinary Shares.

### **Potentially volatile share price**

The share prices of public companies operating in the e-commerce and internet sectors are often subject to significant fluctuations. Following Admission, the market price of the Ordinary Shares may be volatile.

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**Market capitalisation**

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets.

**Requirement for further funds**

It is possible that the Company will need to raise further funds in the future either to take on new opportunities or to make further investments into existing investee companies.

**Spread of investments**

There is no limit on the power of the Company to invest in any company or business and accordingly there is no certainty that the Company will make a spread of investments which would mitigate investment risk.

**Acceptability of Ordinary Shares as consideration**

Although it is the Company's intention to issue Ordinary Shares to satisfy all or part of any consideration payable for acquisitions or investments, vendors, businesses and companies may not be prepared to accept shares traded on AIM or may not be prepared to accept shares at the quoted market price.

**Attraction and retention of key executives**

The Company's success will depend, *inter alia*, on its current and future management team. While it has entered into contractual arrangements with the aim of securing the services of the Directors, the retention of their services cannot be guaranteed.

**Competition**

The Directors believe that the Company's activities are likely to face intense competition from numerous entities seeking to fund internet, e-commerce or technology-related businesses. Many of those competitors may have significantly greater resources than the Company.

**Future investment opportunities**

Consolidation within the internet, e-commerce and technology sectors could in due course adversely affect the flow and availability of investment opportunities for the Company.

**The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are strongly advised to consult an investment adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.**

## PART III: ACCOUNTANTS' REPORT

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Chartered Accountants  
The UK Member Firm of  
Grant Thornton International

Grant Thornton 

Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

Authorised by The Institute of  
Chartered Accountants in England  
and Wales to carry on investment  
business. A list of partners may be  
inspected at the above address.

The Directors  
Legendary Investments plc  
4th Floor  
Wembley Point  
1 Harrow Road  
Wembley  
Middlesex HA9 6DE  
and  
The Directors  
Seymour Pierce Limited  
29-30 Cornhill  
London EC3V 3NF

24 February 2000

Dear Sirs

**Legendary Investments plc ("the Company")**

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus of the Company dated 24 February 2000 relating to the Admission of the Company to the Alternative Investment Market ("the Prospectus").

**Introduction**

The Company was incorporated on 1 February 2000 under the name of Legendary Investments Limited and re-registered as a public limited company on 21 February 2000.

On 18 February 2000 the total authorised share capital of the Company was increased to £2,000,000 comprising 2,000,000,000 ordinary shares of 0.1p each. At the same time 328,124,998 ordinary shares of 0.1p each were issued for cash at a premium of 0.3p per share.

Other than entering into agreements to pay certain expenses and costs in respect of the preparation of the Prospectus, no material contracts or transactions have been entered into save for those detailed in paragraph 8 of Part V of this document.

No dividends have been declared or paid by the Company.

**Basis of preparation**

The Company has not yet completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation.

The financial information set out below constitutes non-statutory audited financial statements prepared by the Directors for the purpose of this Prospectus and covers the period from 1 February 2000 to 18 February 2000.

**Responsibility**

The financial information in this report is the responsibility of the Directors and has been approved by them.

The Directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the financial information set out in our report from the Company's underlying records, to form an opinion on the financial information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the

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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 set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company at 18 February 2000.

**Balance sheet of the Company at 18 February 2000**

	£'000
<hr/>	
<b>Current assets</b>	
Cash at bank and in hand	1,313
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<b>Shareholder funds</b>	
Called up and fully paid share capital	328
Share premium account	985
<hr/>	
	1,313
<hr/>	

**Consent**

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 15(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995, as amended.

Yours faithfully

Grant Thornton  
Chartered Accountants

## PART IV: PRO FORMA STATEMENT OF NET ASSETS

The pro forma statement of net assets of the Company following the Placing set out below has been prepared to show the effects of the Placing. It has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Company. It is based on the financial information of the Company as at 24 February 2000.

	Company at 24 February 2000 £000	Placing adjustments <sup>(1)</sup> £000	Pro forma Net assets £000
<b>Current assets</b>			
Cash at bank and in hand	1,313	3,053	4,366

Note:

(1) The adjustment represents the gross proceeds of the Placing of £3,187,500 net of estimated expenses of £135,000, being £3,052,500.

## PART V: ADDITIONAL INFORMATION

### I. INCORPORATION AND STATUS OF THE COMPANY

- 1.1 The Company was incorporated and registered in England and Wales on 1 February 2000 as a private limited company under the Act with the name "Legendary Investments Limited" and with registered number 3920241.
- 1.2 The Company was re-registered as a public company on 21 February 2000 under the name "Legendary Investments plc".
- 1.3 The Company's registered office is located at 4th Floor, Wembley Point, 1 Harrow Road, Wembley, Middlesex HA9 6DE.
- 1.4 The liability of the members of the Company is limited.

### 2. SHARE CAPITAL OF THE COMPANY

- 2.1 The authorised and issued share capital of the Company at the date of this document is and following Admission is expected to be as follows:

	Existing		Following Admission	
	Number of Ordinary Shares	Nominal Value £	Number of Ordinary Shares	Nominal Value £
Authorised share capital	2,000,000,000	2,000,000	2,000,000,000	2,000,000
Issued and fully paid up share capital	328,125,000	328,125	487,500,000	487,500

- 2.2 The Company was incorporated with an authorised share capital of £1,000,000 divided into 1,000,000,000 ordinary shares of 0.1p each of which two Ordinary Shares were issued, nil paid, to the subscribers to the Memorandum of Association. Since the date of incorporation, the following alterations to the Company's share capital have occurred:

- (i) on 18 February 2000, the authorised share capital of the Company was increased by £1,000,000 to £2,000,000 by the creation of an additional 1,000,000,000 Ordinary Shares;
- (ii) on 18 February 2000, the two Ordinary Shares issued to the subscribers were fully paid up; and
- (iii) on 18 February 2000 the Company allotted and issued a total of 328,124,998 Ordinary Shares for cash at 0.4p per Ordinary Share.

- 2.3 On 18 February 2000, ordinary and special resolutions were passed to the following effect:

- (i) the rules of the Schemes were approved and the Directors were authorised to make such alterations to the rules of the Approved Share Option Scheme as may be required to obtain Inland Revenue approval of that Scheme;
- (ii) the authorised share capital of the Company was increased by £1,000,000 to £2,000,000 by the creation of an additional 1,000,000,000 Ordinary Shares;
- (iii) the Company be re-registered as a public company;
- (iv) the Company altered its Memorandum of Association to incorporate objects of a holding, general trading and/or investment company; and
- (v) the Company adopted the Articles.

- 2.4 The Articles generally and unconditionally authorise the Directors, in accordance with Section 80 of the Act, to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount equal to the maximum of the Company's authorised but unissued share capital as at the date of adoption of the Articles. Such authority expires, unless sooner revoked or varied by the Company, on the expiry of the period of five years from the date of adoption of the Articles. The Directors may at any time before the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in accordance with such offers or agreements as if such authority had not expired.

- 2.5 The Articles empower the Directors pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash or otherwise pursuant to the authority referred to in paragraph 2.4 above as if Section 89(1) of the Act did not apply to such allotment. Such power expires, unless sooner revoked or varied by the Company, on the earlier of either the date of the annual general meeting of the Company in 2001 or the date falling fifteen months after the date of

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adoption of the Articles. The Directors may at any time before the expiry of such period make an offer or agreement which would or might require equity or other relevant securities to be allotted after the expiry of such period and the Directors may allot such securities in accordance with such offers or agreements as if such authority had not expired.

- 2.6 The Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.
- 2.7 Save in connection with the Placing, the proposed issue of the Warrants, the grant of options under the Unapproved Share Option Scheme, no share or loan capital of the Company is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.

### 3. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum of Association of the Company provides that its principal object is to carry on business, in any part of the world, as a holding, general trading and/or investment company. Its objects are set out in full in clause 4 of the Memorandum of Association of the Company.

The Articles include, *inter alia*, provisions to the following effect:

#### 3.1 **Notes of members**

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who is present in person has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder. Unless the directors determine otherwise, no member is entitled to receive notice of, attend or vote at a general meeting either personally or by proxy if he or any person appearing to be interested in shares held by him has been duly served with a notice under section 212 of the Act and fails to supply within 14 days from the date of the notice to the Company the information required thereby or if any moneys presently payable by him in respect of that share have not been paid.

#### 3.2 **Transfer of shares**

All transfers of shares in certificated form may be effected by transfer in writing in any usual form or in any other form acceptable to the directors and shall be executed by or on behalf of the transferor and, if the share is partly paid, the transferee. In the case of shares for the time being in uncertificated form transfers shall be registered only in accordance with the terms of the Uncertificated Securities Regulations 1995. The directors may refuse to register any transfer of a share which is not fully paid or over which the Company has a lien. The Articles do not contain any restriction on the transferability of fully paid shares, provided that the Company has no lien over the shares, the instrument of transfer is in favour of not more than four joint transferees and is in respect of only one class of shares and is duly stamped (if so required), the provisions in the Articles relating to the deposit of instruments of transfer have been complied with and the member is not in default of any notice duly served under section 212 of the Act as referred to in the Articles.

#### 3.3 **Dividends and distributions**

- (i) *Amount of dividends* – Subject to applicable law, the Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the directors.
- (ii) *Payment of dividends* – Except as otherwise provided by the rights attached to or the terms of issue of shares, all dividends shall be declared and paid on the ordinary share capital according to the amounts paid up on such shares (otherwise than in advance of calls) on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares (otherwise than in advance of calls) during any portion or portions of the period in respect of which the dividend is paid.
- (iii) *Interim dividends* – Subject to the provisions of the Acts and of the Articles, the directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- (iv) *Retention of dividends* – The directors may deduct from any dividend or other moneys payable to any member or in respect of any share any moneys presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company. No member holding shares representing 0.25 per cent or more in nominal value

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of the issued shares of any class of capital in the Company shall, unless the directors otherwise determine, be entitled to receive payment of any dividend (including shares in lieu of dividend) or other distribution payable in respect of any such shares if he or any person appearing to be interested in such shares has been given a Section 212 notice and has failed to give the Company the information thereby required.

- (v) *Distributions in specie* – A general meeting declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied wholly or partly by the distribution of specific assets and in particular of paid-up shares or debentures of any other company. The directors may, with the sanction of an ordinary resolution of the Company, offer holders of ordinary shares the right to elect to receive in respect of all or part of their holdings of ordinary shares additional ordinary shares in the Company, credited as fully paid, instead of cash in respect of all or part of such dividend or dividends whether interim or final.
- (vi) *Distributions in specie on a winding up* – If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Acts, divide among the members in specie the whole or any part of the assets of the Company and, whether or not the assets consist of property of one kind or of properties of different kinds, may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members.
- (vii) *Unclaimed dividends* – Any dividend unclaimed after a period of 12 years from the date of its declaration shall, if the directors so resolve, be forfeited and shall revert to the Company.

#### 3.4 Capitalisation of profits and reserves

- (i) The directors may, with the authority of an ordinary resolution of the Company, resolve to capitalise any undistributed profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of the Company's share premium account or capital redemption reserve.
- (ii) Such capitalisation shall be effected by appropriating such sum to the members in proportion to the nominal amounts of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if it were then distributable and it were distributed by way of dividend and by applying such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum.

#### 3.5 Variation of class rights and changes of capital

- (i) *Variation of class rights* – If the share capital is divided into different classes of shares, the special rights attached to any class of shares may, subject to any applicable law, be varied or abrogated in such manner (if any) as may be provided by such rights or in the absence of any such provision, either with the consent in writing of the holders of three fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class. The provisions of the Articles applicable to general meetings apply *mutatis mutandis* to every class meeting but the necessary quorum is two persons holding or representing by proxy one third in nominal amount of the issued shares of the class except where there is only one holder of the relevant class of shares in which case the quorum shall be that holder.
- (ii) *Variation of capital* – The Company may by ordinary resolution increase its authorised share capital, consolidate and divide all or any of its shares into shares of a larger amount, cancel any shares not taken or agreed to be taken by any person and, subject to any applicable law, sub-divide its shares into shares of a smaller amount and may by resolution determine that, as between the holders of the shares resulting from the sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred qualified rights or be subject to any such restrictions as compared with others.
- (iii) *Reduction of capital* – Subject to any applicable law, the Company may by special resolution reduce its authorised or issued share capital or any capital redemption reserve and any share premium account in any way. Subject to applicable law, the Company may purchase its own shares (including any redeemable shares) and may enter into any contract under which it may, subject to any conditions, become entitled or obliged to purchase all or any of its shares. Subject to applicable law, the directors have full power to determine or approve the terms of any such purchase or contract.

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### 3.6 Forfeiture and lien

- (i) If a call or instalment of a call remains unpaid after it has become due and payable the directors may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made or instalment is payable will be liable to be forfeited.
- (ii) If the notice is not complied with any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the directors and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture. Where any share has been forfeited in accordance with the Articles, the Company will serve a notice of forfeiture on the person who was the holder of the share before forfeiture. The accidental omission to give notice or the non-receipt of notice will not invalidate the forfeiture.
- (iii) The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) payable at a fixed time or called in respect of that share. The directors may at any time declare any share to be wholly or in part exempt from this lien. The Company's lien on a share shall extend to all moneys payable in respect of it.
- (iv) The Company may sell in such manner as the directors determine any shares on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen days after notice has been given to the holder of the share or the person entitled to it by reason of the death or bankruptcy of the holder demanding payment of the sum presently payable and stating that if the notice is not complied with the shares may be sold.

### 3.7 Directors

- (i) *Conflicts of interest* – Subject to the Act and to the provisions of the Articles and provided that he has disclosed to the directors the nature of his interest in accordance with the Articles, no director shall be disqualified by his office from contracting with the Company, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any director is in any way, whether directly or indirectly, interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any remuneration, profit or other benefit realised by any such contract or arrangement, by reason of such director holding that office or of the fiduciary relationship thereby established. Any director may continue to be or become a director or other officer or member of or otherwise interested in any other company promoted by the Company or in which the Company may be interested, as a member or otherwise, or which is a holding company of the Company or a subsidiary of any such holding company, and no such director shall be accountable for any remuneration or other benefits received by him as a director or other officer or member of, or from his interest in, any such other company. The directors may exercise the voting power conferred by the shares of any other company held or owned by the Company or exercisable by them as directors of any such holding company or subsidiary in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors or other officers of such company, or voting or providing for the payment of remuneration to the directors or other officers of such company).
- (ii) *Restrictions on voting* – Save as specifically provided in the Articles, a director may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A director will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (iii) Subject to applicable law, a director is (in the absence of some material interest other than as is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
  - (1) the giving of any guarantee, security or indemnity to that director in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiary undertakings;
  - (2) the giving by the Company of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings which that director has himself guaranteed or secured in whole or in part;

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- (3) any contract or arrangement by that director to subscribe for shares, debentures or other securities of the Company issued or to be issued pursuant to any offer or invitation to members or debenture holders of the Company or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of the Company;
  - (4) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
  - (5) any contract or arrangement concerning any other company (not being a company in which the director and any persons connected with him do to his knowledge hold an interest in shares, as that term is used in sections 198 to 211 Companies Act 1985, representing one per cent. or more of any class of the equity share capital of, or the voting rights in, such company) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
  - (6) any proposal concerning the adoption, modification or operation of a pension fund or retirement death or disability benefits scheme which relates both to directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates;
  - (7) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the director benefits in a similar manner as the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom such arrangement relates; and/or
  - (8) any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of the directors or for the benefit of persons who include directors.
- (iv) Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under sub-paragraphs (ii) and (iii) above either generally or in relation to any particular matter, or ratify any transactions not duly authorised by reason of a contravention of such provision.

### 3.8 **Borrowing powers**

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and, subject to applicable law, to issue debentures and other securities.

### 3.9 **CREST**

The Company's Articles of Association permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 1995.

#### 4. DIRECTORS' AND OTHER INTERESTS

- 4.1 The interests of the Directors and the persons connected with them (within the meaning of Section 346 of the Act), all of which are beneficial, which have been notified to the Company pursuant to Section 324 and 328 of the Act or are required to be disclosed in the Register of Directors' interests pursuant to Section 325 of the Act, as at the date of this document and as they are expected to be immediately following the Placing and Admission, are as follows:

Name	Number of Ordinary Shares prior to the Placing	Approximate Percentage of issued share capital prior to the Placing	Number of Ordinary Shares following the Placing	Approximate Percentage of issued share capital following the Placing
Shami Ahmed*	187,500,000	57.14	225,000,000	46.15
Smit Berry	46,875,000	14.29	56,250,000	11.54
Michael John**	93,750,000	28.57	112,500,000	23.08
Ernest Frye				

Notes:

\* Shami Ahmed's beneficial interest in the share capital of the Company prior to and immediately following the Placing is held through the Bachmann Trust Company Limited, the sole trustee of the S.E.A. Trust, of which Shami Ahmed is a beneficiary.

\*\* Michael John Ernest Frye's beneficial interest in the share capital of the Company is held through the following two companies which are controlled by Mr Frye:

Name	Number of Ordinary Shares prior to Placing	Number of Ordinary Shares following the Placing
Lynara (Holdings) Limited	18,750,000	37,500,000
Swiss Digital Technologies S.A.	75,000,000	75,000,000

- 4.2 The Company has granted options under the Unapproved Share Option Scheme to the Directors to acquire the following numbers of Ordinary Shares at the Placing Price:

Name	Number of Ordinary Shares
Shami Ahmed	125,000,000
Smit Berry	38,333,333
Michael John Ernest Frye	19,166,667

- 4.3 As at 23 February 2000 (being the latest practicable date prior to the publication of this document) and save as disclosed in paragraphs 4.1 and 4.2 above the Directors are not aware of any interest (within the meaning of Part VI of the Act) in the Company's Ordinary Share capital which, immediately following the Placing and Admission, would amount to 3 per cent. or more of the Company's issued share capital.
- 4.4 As at 23 February 2000 (being the latest practicable date prior to publication of this document) and save as disclosed in this paragraph 4 the Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 4.5 Save as set out in paragraphs 4.1 and 4.2 above, immediately following the Placing and Admission no Director or any person connected with such a Director (within the meaning of Section 346 of the Act) is expected to have any interest in the share capital of the Company.
- 4.6 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 4.7 Save as disclosed in this paragraph 4 and paragraph 8, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since the date of its incorporation.

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## **5. DIRECTORS' SERVICE AGREEMENT/LETTERS OF APPOINTMENT**

- 5.1 Shami Ahmed entered into a service agreement with the Company on 23 February 2000. In terms of that service agreement he has been employed as a director and chief executive of the Company (working a minimum of 30 hours per week for the Company) and will receive a basic salary of £35,000 per annum. The service agreement is terminable on 3 months' written notice by either party.
- 5.2 Michael John Ernest Frye was appointed as a non-executive director of the Company by letter agreement dated 23 February 2000 between the Company and Lynara (Management) Limited. In terms of that letter agreement, Lynara (Management) Limited will during the first year of Mr Frye's appointment receive £15,000 per annum and will provide his services to the Company for one day per month. During the second year of Mr Frye's appointment, Lynara (Management) Limited will receive £50,000 per annum. The appointment is terminable on three months' written notice by either party.
- 5.3 Smit Berry was appointed as a non-executive director of the Company by letter agreement dated 23 February 2000. In terms of that letter agreement, he will receive £20,000 per annum and will provide his services to the Company for 2.5 days per week. His appointment is terminable on two months' written notice by either party.
- 5.4 Save as disclosed in paragraphs 5.1 to 5.3 above, there are no service contracts, existing or proposed, between any Director and the Company.
- 5.5 It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the period from the date of incorporation of the Company to 31 March 2001 will be approximately £80,000.

## 6. ADDITIONAL INFORMATION ON THE BOARD

6.1 In addition to directorships of the Company, the names of the companies and partnerships of which each Director is currently or has been a director or partner at any time or times in the five years preceding the date of this document are as follows:

Director	Current Directorships	Past Directorships
Shami Ahmed	The Legendary Joe Bloggs plc The Legendary Joe Bloggs Incorporated Company Limited Orange Juice Corporation Limited Juice Clothing Company Limited Pinwise Limited The Assets Finance Corporation Limited Lord Anthony Limited JB Sports Limited JB (GB) Limited Joe Bloggs Sports Limited Joe Bloggs Limited Rugby Mill Storage Limited Major Minor International Limited Gabicci International Limited Graincrown Limited Oakridge Trading Limited Elizabeth Emanuel Hong Kong Limited	Pentask Limited Alphabet Zoo Limited The Branded World Limited London Jean Stores Limited
Smit Berry	Equitylink Limited Sharepages.com Limited Berry Mist Limited	
Michael John Ernest Frye	Lynara (Holdings) Limited Lynara (Management) Limited London First The Energy Efficiency Institute Limited West London Training and Enterprise Council West London Leadership Limited West London Centre Limited West London TEC Charitable Trust London TEC Council Limited Swiss Digital Technologies S.A.	Park Royal Business Support Centre Limited Park Royal Partnership Limited Business Link London Limited Business Link London West Limited OHTA-Philidas Limited Worldaware London Waste Action Integrated Photomatrix Limited PML Flightlink Limited Thorn Lighting Group Limited Addison Saws Limited Addison Tube Forming Limited B Elliott Group Limited B Elliott Limited Elliott Industries Limited Garryson Limited Halifax Rack & Screw Cutting Co. Limited J M Clarke (Electrical Engineers) Limited M.T.E. Limited MTE-Turck Limited Russell Castings Limited Rheodata S.A. Xnae Limited XRT Limited B Elliott Incorporated Consolidated Technologies International Inc. McKee-Addison Tube Forming Inc. Vanner Inc. Weldon Technologies Inc

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- 6.2 As at the date of this document, none of the Directors has:
- (i) any unspent convictions in relation to indictable offences;
  - (ii) had any bankruptcy order made against him or entered into any individual voluntary arrangements with his creditors;
  - (iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
  - (iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (v) been the owner of any assets over which a receiver has been appointed or been a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - (vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

## 7. SHARE OPTION SCHEMES

### 7.1 Introduction

The Company adopted the Schemes on 18 February 2000. The Approved Share Option Scheme has been prepared in order to satisfy the relevant provisions of Schedule 9 to the Income and Corporation Taxes Act 1988 relating to approved share option schemes and has been adopted subject to Inland Revenue approval. The Inland Revenue has not yet granted approval in respect of that Scheme. The Unapproved Share Option Scheme does not conform with those provisions, and options granted under that Scheme will be unapproved options. The Schemes include provisions, *inter alia*, to the following effect:

### 7.2 Administration

The Schemes are governed by their rules and will generally be administered by the remuneration committee of the Company ("the Committee"). However, where a member of the remuneration committee is to be granted an option under the Unapproved Share Option Scheme, or where discretions, rights or powers are to be exercised in respect of such an option, the Board will administer that Scheme.

### 7.3 Eligibility

The Committee may grant options under the Approved Share Option Scheme to any employee of the Group and to any director of the Group who works at least twenty five hours each week. No option may be granted under the Approved Share Option Scheme to any such director or employee within the period of two years prior to his normal retirement date. Options may be granted under the Unapproved Share Option Scheme to any employee or director of the Group.

### 7.4 Grant of Options

Options may be granted at any time other than during a close period. No option may be granted after the tenth anniversary of the date of commencement of the Schemes. No option may be assigned or transferred in any way, although the executors or personal representatives of a deceased option holder may in certain circumstances exercise options held by him. No consideration is payable for the grant of an option.

The Committee may where appropriate impose specific objectives or other conditions which will generally have to be satisfied before an option can be exercised.

### 7.5 Acquisition Price

The acquisition price payable for each Ordinary Share on the exercise of an option under the Unapproved Share Option Scheme will be not less than the market value at the date of grant, as determined by the Committee. The acquisition price payable for each Ordinary Share on the exercise of an option under the Approved Share Option Scheme will be not less than the market value as at the date of grant as agreed in advance with the Shares Valuation Division of the Inland Revenue.

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**7.6 Individual Limits**

No person may at any time hold options granted under the Approved Share Option Scheme over Ordinary Shares having a total market value at the time of grant of option of more than £30,000.

**7.7 Company Limits**

At any time the total number of Ordinary Shares issued or which require to be issued upon the exercise of options granted under the Schemes shall not exceed 200,000,000 (such number being adjusted in the event of any capitalisation issue, consolidation, sub-division etc).

**7.8 Exercise and Lapse of Options**

Subject to the satisfaction of any applicable conditions of exercise, options granted under the Approved Share Option Scheme may be exercised in whole or in part at any time and from time to time after the earliest of the third anniversary of the date of grant, the death of the option holder, or the option holder ceasing to be a director or employee of any company within the Group by reason of (a) injury or disability, or (b) retirement, or (c) at the discretion of the Committee, for any other reason. In exceptional circumstances the Committee may resolve that options should become exercisable before the third anniversary of the date of grant. Options granted under the Unapproved Share Option Scheme may be exercised in whole or in part at any time after the date of grant. Again, the exercise of options granted under the Unapproved Share Option Scheme is subject to the satisfaction of any applicable conditions of exercise.

Options granted under the Approved Share Option Scheme usually lapse on the earlier of:

- (i) the tenth anniversary of the date of grant;
- (ii) twelve months after the death of the option holder;
- (iii) the date of cessation of employment or directorship (unless such cessation is for a reason mentioned in (a), (b) or (c) in the foregoing paragraph, in which case they will lapse six months after such cessation, or, in the case of an option which immediately before the cessation is not exercisable, six months after it becomes exercisable. The Committee has a discretion to vary the time of exercise in such cases);
- (iv) six months after any takeover or reconstruction or the passing of a resolution for the voluntary winding up of the Company; and
- (v) the bankruptcy of the option holder.

Options granted under the Unapproved Share Option Scheme usually lapse on the earlier of:

- (i) the tenth anniversary of the date of grant;
- (ii) six months after the option holder ceases to be a director or employee by reason of death, injury, disability or retirement on reaching normal retirement age;
- (iii) six months after any takeover or reconstruction or the passing of a resolution for the voluntary winding up of the Company; and
- (iv) the bankruptcy of the option holder.

**7.9 Takeovers**

In the event of a takeover of the Company, a compromise or arrangement under section 425 of the Act or section 110 of the Insolvency Act 1986 or a voluntary winding up of the Company, options may be exercised within six months.

In the event of a takeover of the Company, options granted under the Approved Share Option Scheme may, with the consent of the acquiring company, be released in consideration for the grant of new options over shares in the acquiring company which have the same value as the options released.

**7.10 Variation of Share Capital**

In the event of any capitalisation, or rights issue, consolidation, sub-division, reduction or other variation of share capital of the Company, the number of shares referred to at paragraph 7.7 above, the number of Ordinary Shares subject to each option and the price payable on exercise shall be adjusted in such manner as the Auditors confirm to be fair and reasonable and, in the case of options granted under the Approved Share Option Scheme, as the Board of Inland Revenue shall approve.

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### 7.11 Alteration

The Committee may from time to time alter or add to all or any of the rules of the Schemes. All alterations to the Approved Share Option Scheme must be approved by the Inland Revenue before becoming effective.

No alteration or addition may be made which would materially and adversely affect the rights of an option holder as regards an option granted prior to the alteration or addition.

### 7.12 General

All Ordinary Shares issued under the Schemes will rank *pari passu* with all other Ordinary Shares other than in relation to dividends which have a record date prior to the date of issue.

## 8. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period from incorporation to the date immediately preceding the date of this document and are, or may be, material:

- 8.1 The Placing Agreement dated 24 February 2000 between Seymour Pierce (1), the Company (2) and the Directors (3) pursuant to which and conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 2 March 2000 (or such later time and or date as the Company and Seymour Pierce may agree being not later than 30 April 2000) Seymour Pierce has, as agent for the Company, agreed to use reasonable endeavours to procure subscribers for 159,375,000 new Ordinary Shares proposed to be issued by the Company at the Placing Price failing which it will itself subscribe for such of those new Ordinary Shares for which it shall not have procured placees.

The Placing Agreement contains indemnities and warranties from the Company and the Directors in favour of Seymour Pierce together with provisions which enable Seymour Pierce to terminate the Placing Agreement in certain circumstances prior to Admission including circumstances where any warranties are found not to be true or accurate in any material respect. The liability of the Directors for breach of warranty is limited. Under the Placing Agreement the Company has agreed to pay Seymour Pierce a fee of £35,000 (plus Value Added Tax (if applicable)) and to issue to Seymour Pierce its Warrant. The Company has also agreed to pay all costs, charges and expenses of or incidental to the Placing and Admission.

The Directors have undertaken to Seymour Pierce in the Placing Agreement that they will not dispose of Ordinary Shares without the consent of Seymour Pierce save in accordance with the AIM Rules until one year from the date of Admission.

- 8.2 Nominated Adviser Agreement dated 24 February 2000 between the Company (1) and Seymour Pierce (2) pursuant to which the Company has appointed Seymour Pierce to act as Nominated Adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay Seymour Pierce a fee of £15,000 per annum (plus Value Added Tax (if applicable)) for its services as Nominated Adviser under this agreement. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of the agreement and thereafter is subject to termination on the giving of three months' notice.
- 8.3 Nominated Broker Agreement dated 24 February 2000 between the Company (1) and Seymour Pierce (2) pursuant to which the Company has appointed Seymour Pierce as its Nominated Broker. The Company has agreed to pay Seymour Pierce a fee of £10,000 per annum (plus Value Added Tax (if applicable)) for its services as Nominated Broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company in favour of Seymour Pierce, *inter alia*, against all proceedings, actions, awards, liabilities, costs, expenses, losses, claims and demands which may arise in connection with the agreement.

## 9. WARRANTS

By a resolution of the Board passed on 23 February 2000, the Company agreed, subject to Admission, to issue the Warrants. No application has been made for any Warrants to be issued to be admitted to trading on AIM. The principal terms of any Warrants to be issued will be as follows:

### 9.1 Exercise of Warrants

Each Warrant will entitle the holder thereof to subscribe for up to such number of new Ordinary Shares as is specified by that Warrant at the Placing Price. The Warrants may be exercised at any time or times between one and five years from the date of their grant. Ordinary Shares allotted pursuant to an exercise of a Warrant will generally rank for dividends and

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other distributions declared after the date of allotment of such Ordinary Shares *pari passu* in all respects with the Ordinary Shares in issue on the date of exercise of the Warrant.

**9.2 Effect of Voluntary Winding Up**

If an order is made or an effective resolution is passed for the voluntary winding up of the Company, before the expiry of the period of five years from the date of grant of the Warrants, a Warrant holder will be entitled, by giving notice to the liquidator of the Company, to be treated as though it had, immediately before the date of the order or the passing of the resolution, exercised all of its Warrant.

**9.3 Effect of Rights Issue**

If at any time whilst the Warrants remain capable of being exercised the Company makes an offer or invitation (whether by rights issue or otherwise) to the holders of Ordinary Shares, then the Company shall at the same time make a like offer to the Warrant holders as if the Warrants had been exercised and as if Ordinary Shares had been issued to the Warrant holders pursuant to such exercise.

**9.4 General Offers**

If at any time whilst the Warrants remain capable of being exercised a general offer is made to the holders of all of the issued Ordinary Shares in the Company to acquire the whole or part of the issued Ordinary Share capital of the Company, then the Company shall, so far as it is able, procure that a like offer is made or extended to the Warrant holders as if the Warrants had been exercised and as if Ordinary Shares had been issued to the Warrant holders pursuant to such exercise.

**9.4 General Restrictions**

So long as any Warrants remain exercisable the Company shall not:

- (i) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares;
- (ii) modify the rights attaching to its existing Ordinary Shares as a class or create any new class of shares with rights which are preferential to the Ordinary Shares; or
- (iii) without Warrant holder consent, reduce by repayment to its shareholders its share capital, share premium account or capital redemption reserve.

**9.5 Variation of Share Capital**

In the event of any capitalisation, sub-division or consolidation of the Ordinary Share capital of the Company, the terms of the Warrants shall be adjusted in such manner as the Auditors shall certify.

**9.6 Transferability**

Each Warrant will be registered. Warrants held by a company may be transferred in whole or in part to other undertakings within the Warrant holder's group. Warrants are not otherwise transferable.

## **10. LITIGATION**

The Company is not involved in any legal or arbitration proceedings which may have or have had since incorporation a significant effect on the Company's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

## **11. WORKING CAPITAL**

The Company is of the opinion that, having made due and careful enquiry and having taken into account the net proceeds of the Placing, the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the next 12 months.

## **12. TAXATION**

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax

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position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

#### 12.1 Taxation of Chargeable Gains

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Offer will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding. The amount paid for the Ordinary Shares subscribed for will be eligible for taper relief.

If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

#### 12.2 Loss Relief

If an Investor is an individual or an investment company, relief for losses incurred by that investor on disposal of the Ordinary Shares may be available under Sections 573 to 576 of the Income and Corporation Taxes Act 1988, against income of the same or prior year.

This relief should be available provided the Company and the investor satisfy the relevant statutory requirements.

#### 12.3 Inheritance Tax

##### *Business Property Relief*

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

#### 12.4 Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax will generally be payable on the allotment and issue of the Ordinary Shares under the Placing. A transfer or sale of Ordinary Shares will generally be subject to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration (with the amount of the duty being rounded up to the nearest £5). Where an agreement to transfer such shares is not completed by a duly stamped instrument of transfer, a charge of stamp duty reserve tax (generally at the same rate) may arise. Special rules in relation to stamp duty and stamp duty reserve tax apply to market-makers, broker-dealers and certain other persons.

#### 12.5 Dividends and other Distributions

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

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

A UK resident (for tax purposes) corporate shareholder will generally not be liable to corporation tax or income tax in respect of dividends received from the Company unless that corporate shareholder is carrying on a trade of dealing in shares.

Trustees of trusts who are liable to account for income tax at the rate applicable to trusts on the trust's income are required to account for tax at the Schedule F trust rate, currently 25 per cent., on dividends.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

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These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

**If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.**

### **13. GENERAL**

- 13.1 The gross proceeds of the Placing are expected to be £3,187,500. The total costs and expenses relating to Admission and the Placing are payable by the Company and are estimated to amount to approximately £135,000 (excluding Value Added Tax). Accordingly it is estimated that the net proceeds (after deduction of the total costs and expenses relating to Admission and the Placing) of the Placing will be £3,052,500.
- 13.2 Grant Thornton has given and not withdrawn its written consent to the inclusion of references to itself herein in the form and context in which they appear and to the inclusion of its report in this document. Grant Thornton accepts responsibility for its report in accordance with paragraph 45 of Schedule 1 of the Regulations.
- 13.3 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any other recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 13.4 The Ordinary Shares are in registered form.
- 13.5 Seymour Pierce has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 13.6 The accounting reference date of the Company is 31 March in each year. The first accounting reference period of the Company will end on 31 March 2001.
- 13.7 For the purposes of paragraph 21(a) of Part IV of Schedule 1 to the Regulations there is no minimum amount which must be raised for the Company pursuant to the Placing.
- 13.8 The Placing Price represents a premium over nominal value of 1.9p per Ordinary Share.
- 13.9 It is expected that definitive share certificates to be issued pursuant to the Placing will be despatched to applicants by hand or first class post at their risk within 14 days of Admission. Temporary documents of title will not be issued in connection with the Placing. In respect of uncertificated shares it is expected that Shareholders' CREST accounts will be credited on 2 March 2000.
- 13.10 The Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 13.11 The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 13.12 Save as set out in Part I of this document there are no investments in progress which are, or may be, significant.
- 13.13 There has been no significant change in the trading or financial position of the Company since 1 February 2000, being the date of incorporation of the Company.
- 13.14 Save as disclosed above, there have been no payments to promoters of the Company in the two years prior to the date of this document. Save as disclosed above, no person has received, directly or indirectly, from the Company within the twelve months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company after the date of this document fees totalling £10,000 or more or securities in the Company worth £10,000 or more (calculated by reference to the Placing Price) or any other benefit with a value of £10,000 or more.
- 13.15 For the purposes of Section 82 of the Act, the time for the opening of the subscription lists is 8.00 am on 29 February 2000 and the lists may be closed at any time thereafter.
- 13.16 Application has been made for the Ordinary Shares to be admitted to CREST on Admission.
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## **14. AVAILABILITY OF PROSPECTUS**

Copies of this prospectus are available free of charge from the offices of Seymour Pierce, 29-30 Cornhill, London, EC3V 3NF, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least 14 days after Admission.

## **15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of McGrigor Donald, 63 Queen Victoria Street, London EC4N 4ST, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for inspection for at least 14 days after Admission:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the material contracts referred to in paragraph 8 above;
- (iii) the service agreement and letters of appointment referred to in paragraph 5 above;
- (iv) the rules of the Schemes;
- (v) the warrant instrument;
- (vi) the accountants' report set out in Part III above; and
- (vii) the consent letters referred to in paragraph 13 above.

Dated: 24 February 2000

**END OF DOCUMENT**