

A copy of this document, which comprises a prospectus relating to StatPro Group plc (the “Company”) prepared in accordance with the listing rules made under Part IV of the Financial Services Act 1986, has been delivered to the Registrar of Companies for registration as required by Section 149 of that Act.

The directors of the Company (“Directors”), whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the UK Listing Authority for the whole of the ordinary share capital of the Company, issued and to be issued, to be admitted to the Official List and to the London Stock Exchange for the whole of the ordinary share capital of the Company, issued and to be issued, to be admitted to trading. It is expected that admission to the Official List will become effective, and that dealings in the Ordinary Shares will commence, on 18 May 2000.

---

# StatPro Group plc

*(Registered in England and Wales under the Companies Act 1985 (as amended), number 2910629)*

## Placing of 2,625,000 new ordinary shares of 1p each at 80p per share

Sponsor and financial adviser  
Corporate Synergy PLC

Stockbroker  
Peel Hunt plc

---

### Share capital at Admission

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>£</i>		<i>Number</i>	<i>£</i>
85,000,000	850,000.00	ordinary shares of 1p each	27,003,986	270,039.86

---

Corporate Synergy PLC and Peel Hunt plc who are both regulated by The Securities and Futures Authority Limited, are acting for the Company in relation to the Placing and will not be responsible to any other person for providing the protections afforded to their respective customers or advising any other person on the Placing.

The Ordinary Shares have not been, nor will they be, registered under US Securities Act of 1933, as amended (the “Securities Act”), or under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold or delivered, directly or indirectly, in or into the United States, Australia, Canada or Japan or any person located in the United States. This document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

## CONTENTS

	Page
Placing Statistics	2
Definitions	3
Glossary	4
Directors and Advisers	5
Part I      Information on the Group	6
Part II     Accountants' Report on the Group	16
Part III    Pro Forma Statement of Net Assets of the Group	36
Part IV     Additional Information	38

## PLACING STATISTICS

Placing Price	80p
Number of Ordinary Shares in issue following the Placing	27,003,986
Market capitalisation at the Placing Price at Admission	£21.6m
Percentage of Enlarged Share Capital being placed (all on behalf of the Company)	9.7%
Number of New Ordinary Shares being placed	2,625,000
Net proceeds of the Placing receivable by the Company	£1.5 million

## DEFINITIONS

The following definitions are used throughout this document, unless the context requires otherwise.

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Enlarged Share Capital to the Official List
“AMS”	AMS S.A.
“Approved Scheme”	the StatPro Group plc Approved Share Option Scheme
“Board” or “Directors”	the directors of the Company, details of whom are set out on page 5 of this document
“Company” or “StatPro”	StatPro Group plc
“Convertible Loan Stock”	the £3.4 million nominal of convertible secured loan stock 2005 issued by the Company on 8 May 2000, conditional on Admission, details of which are set out in paragraph 3 of Part IV of this document
“Corporate Synergy”	Corporate Synergy PLC, sponsor and financial adviser to the Company
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following the Placing
“Group”	StatPro and its subsidiaries at the date of this document
“London Stock Exchange”	London Stock Exchange Limited
“New Ordinary Shares”	the 2,625,000 Ordinary Shares to be issued pursuant to the Placing
“No 1 Unapproved Scheme”	the StatPro Group plc Employee Share Option Scheme
“No 2 Unapproved Scheme”	the StatPro Group plc Share Option Scheme
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Peel Hunt”	Peel Hunt plc, stockbroker to the Company
“Placing”	the placing of 2,625,000 New Ordinary Shares, conditional on Admission, details of which are set out in Part I of this document
“Placing Agreement”	the conditional placing agreement dated 15 May 2000 between the Company, the Directors, Corporate Synergy and Peel Hunt, details of which are summarised in paragraph 6(vi) of Part IV of this document
“Placing Price”	80p
“Share Option Schemes”	the No. 1 Unapproved Scheme, the No. 2 Unapproved Scheme, the Approved Scheme and the Unapproved Scheme, details of which are set out in paragraph 4 of Part IV of this document
“Unapproved Scheme”	the StatPro Group plc 2000 Unapproved Share Option Scheme
“UK Listing Authority”	the UK Listing Authority, a division of the Financial Services Authority
“Warrants”	the warrants to subscribe for 4,250,000 Ordinary Shares, details of which are set out in paragraph 4 of Part IV of this document

## GLOSSARY

“AIMR”	Association of Investment Management and Research
“AIMR-PPS”	AIMR Performance Presentation Standards
“Asset Management”	the business of managing investments for institutional and retail investors
“Atlas”	StatPro’s reporting software system for retail Asset Managers
“Back Office”	the transactions processing and accounting function of an Asset Manager
“Compass”	StatPro’s reporting software system for institutional Asset Managers
“FEFSI”	Fédération Européene des Fonds et Sociétés d’Investissement (European Federation of Investment Funds and Companies)
“Front Office”	the dealing and trading function of an Asset Manager
“GIPS”	Global Investment Performance Standards – Launched in April 1999 and sponsored by AIMR
“MFSa”	Micropal France S.A.
“Micropal”	Standard & Poor’s Fund Services, formerly known as Standard & Poor’s Micropal
“Micropal SA”	Standard & Poor’s Fund Services’ French subsidiary
“Middle Office”	the marketing, sales, performance measurement, risk control, client reporting and internal reporting functions of an Asset Manager
“TAP”	Technical Analysis Program – a software tool sold and distributed by Micropal, which analyses and presents investments
“UKIPS”	the UK Investment Performance Standards

## DIRECTORS AND ADVISERS

<b>Directors</b>	Carl Rafe Bacon ( <i>Chairman</i> ) Justin Marius Benedict Thomas Wheatley ( <i>Chief Executive</i> ) Michael Charles Fairbairn ACA ( <i>Finance Director</i> ) Nicholas Edward St. John Alexander ( <i>Non-executive director</i> ) Dominic Marius Dennis Anthony Wheatley ( <i>Non-executive director</i> )
<b>Secretary:</b>	Gregory Francis Marius Thomas Wheatley ACA, ATTI, TEP all of:
<b>Registered and Head Office:</b>	The White House 57-63 Church Road Wimbledon Village London SW19 5DQ
<b>Sponsor and Financial Adviser:</b>	Corporate Synergy PLC Piercy House 7/9 Copthall Avenue London EC2R 7NJ
<b>Stockbroker:</b>	Peel Hunt plc 62 Threadneedle Street London EC2R 8HP
<b>Auditors and Reporting Accountants:</b>	PricewaterhouseCoopers 1 Embankment Place London WC2N 6NN
<b>Solicitors to the Company:</b>	Hobson Audley 7 Pilgrim Street London EC4V 6LB
<b>Solicitors to the Placing:</b>	Nabarro Nathanson Lacon House Theobalds Road London WC1X 8RW
<b>Bankers:</b>	Coutts & Co 440 Strand London WC2R 0QS
<b>Registrars:</b>	Connaught St. Michaels Limited PO Box 30 Cresta House Alma Street Luton Bedfordshire LU1 2PU

## PART I

### INFORMATION ON THE GROUP

#### 1. INTRODUCTION

The Group's business is the development and sale of specialist performance measurement software systems for use by the Asset Management industry worldwide.

In the view of the Directors, the Group has the following strengths:

- *Leading products:* StatPro has two core products - Compass and Atlas. Both were the original products in their field and were developed to service different sectors of the Asset Management industry. The Directors believe that Compass and Atlas are amongst the leading brands of performance measurement software for the Asset Management industry;
- *Large market:* it is estimated that the Asset Management industry currently has approximately US\$13 trillion under management worldwide (Source: FEFSI/William M. Mercer);
- *Experienced Management:* StatPro's management team has wide experience of the Asset Management industry and extensive experience of providing technology driven solutions for the Middle Office of Asset Managers; and
- *Organic growth:* founded in 1994, StatPro has grown from a single product company to a leading supplier of performance measurement software to the Asset Management industry.

The Company is raising approximately £1.5 million, net of expenses, by way of the Placing, and has raised approximately £3.4 million through the issue of the Convertible Loan Stock all for the benefit of the Company, and at the same time it is seeking admission of its Enlarged Share Capital to the Official List. These funds will be used to develop the Group's business, through an expansion of its sales force, organic growth and growth by acquisition.

#### 2. THE OPPORTUNITY

##### **The Asset Management Industry**

The Directors believe there to be significant growth prospects for the Asset Management industry. This is due to a combination of organic growth in assets under management, increased wealth, and the success of the industry in attracting money that might previously have been invested directly.

The sources of funds under management fall into two broad types:

- Retail products which include mutual funds, unit trusts, personal pension funds and other products designed for mass marketing; and
- Institutional products which include segregated portfolios to manage pension funds and corporate assets.

The Asset Management industry has traditionally invested heavily in technology, typically focused on the Front Office (dealing, market information and decision support) and the Back Office (transaction processing, settlements etc). The Middle Office (sales, marketing, performance measurement, risk control, compliance) is now receiving greater attention as Asset Managers attempt to become more competitive and efficient, seeking to differentiate their products by better service and improving the quality and accuracy of reports both internally and externally to clients.

Additionally the advent of industry wide standards for performance measurement and presentation make it more difficult to market products by using selective performance data. The greater transparency of information required by the various performance presentation standards should enable consumers and pension fund trustees to select products and Asset Managers on the basis of standardised performance measures.

### **Performance Measurement – New Standards (AIMR-PPS/GIPS/UKIPS)**

The Association of Investment Management and Research (AIMR) first published its Performance Presentation Standards (AIMR-PPS) over 12 years ago, in the USA, to establish common standards of performance presentation by Asset Managers.

Asset Managers are required to group portfolios into weighted “composites” of similar strategies, calculated on a consistent basis and presented within strict guidelines to ensure a fair, transparent and objective presentation of the Asset Manager’s track record.

AIMR began to internationalise these standards with the co-operation of similar organisations around the world in 1995, resulting in the Global Investment Performance Standards (GIPS), published in 1999.

The Directors believe that, increasingly, pension fund trustees will require that Asset Managers be GIPS compliant in order to win management contracts. The Directors believe that most large Asset Managers are already planning to become GIPS compliant. The UK Investment Performance Standards (UKIPS, the UK version of GIPS), published in March 2000 require mandatory independent verification.

## **3. THE BUSINESS**

### **History and Development**

StatPro was founded by Justin Wheatley in March 1994 in order to hold the copyright, jointly with Micropal, in the Technical Analysis Programme (“TAP”), a software product he had developed for use with Micropal systems. TAP was developed by the Group as a response to Asset Managers seeking new ways of analysing and presenting their fund’s performance to clients. In addition, StatPro was established to receive royalty income from TAP and to act as a development house for other products in the field of performance measurement for Asset Managers.

In 1995, whilst TAP was being refined and improved for the market served by Micropal, StatPro started to develop a much higher level reporting system, Atlas. The aim was to create a database product that would hold information on retail funds and report on fund performance in a statistical and graphical form. The off-the-shelf version of Atlas was first licenced in April 1999 and is now installed and used by six clients.

In 1996, the development of a second software system, Compass was initiated. Compass provides an automated internal reporting system for institutional Asset Managers, assists Asset Managers to become AIMR/GIPS compliant and enables their reports to be verified by external auditors. Compass was licensed as a bespoke product in October 1996 and had incremental improvements over the next three years. Compass was first licensed as an off-the-shelf product in November 1998 and is now installed and used by 15 clients.

#### *Agencies for Micropal*

The Company acquired MFSA from Micropal SA in June 1995 for approximately FF29,000. MFSA was a new company established by Micropal SA to hold all its operational assets, while the client contracts remained with Micropal SA. The objective was for StatPro to manage the business activities of Micropal in France, Luxembourg and Belgium on Micropal’s behalf. This involved collecting French fund data, selling Micropal’s software and data products, supporting these products and marketing Micropal through the French media.

As part of the purchase, an option agreement was entered into allowing Micropal to re-acquire MFSA. On 16 April 1999 Micropal exercised its option to re-acquire MFSA. The agreement was completed on 30 September 1999. The aggregate consideration paid by Micropal was approximately FF17.7 million.

At the beginning of 1998, StatPro established a Swiss branch. This branch entered into a sub-contracting agreement with WRC Renand SA (“WRC”) (Micropal’s agent in Switzerland) to take over the distribution of Micropal products in Switzerland. WRC is a company controlled by Justin Wheatley, Pascal Borel and Mark Van Thuyne, each of whom is a director of a member of the Group. Under this agreement all the operational assets and staff were transferred to StatPro and in return WRC agreed to pay the Company 95 per cent. of the commission receivable by it from Micropal. The branch also distributes the Group’s products.

The sale of MFSA has allowed the Group to concentrate on its core products, Compass and Atlas. The Directors do not currently intend to enter into any further agency agreement with Micropal or any other organisation in the future.

### **The Business**

The Group develops specialist performance measurement software systems, for use by Asset Managers worldwide, which are designed to:

- improve the internal controls and sales support functions; and
- enhance the marketing of investment products.

The Group's software systems automate the Middle Office processes of Asset Managers which, until now, have largely been carried out manually using spreadsheets. The Group's main products, Compass and Atlas, enable Asset Managers to increase productivity and provide improved levels of service to their clients. Attention in the Asset Management industry is now focused on internal reporting for the purposes of risk management and external reporting to clients.

StatPro's history of selling software systems to Asset Managers and its focus on investment performance standards have resulted in a specialist knowledge and understanding of the Asset Management industry. It is this level of expertise that the Directors believe is key to the development of the business and distinguishes the Company from potential direct competitors. StatPro is also well placed to identify new product potential for the Asset Management industry through its close working relationships with its clients.

### **The Products**

The Company has developed two core products, Compass and Atlas, which are aimed at the two types of Asset Managers, retail and institutional. Whilst they may appear to perform similar tasks, they are targeted at the specific requirements of the retail and institutional segments of the industry respectively. Retail funds have a fixed investment strategy and have many different investors whereas institutional funds are owned by one client and regularly change their investment strategy. Tax treatment and statutory regulations vary considerably for each, as do the reporting needs and the sophistication of the investors.

#### *Compass*

Compass assists institutional Asset Managers to become AIMR and GIPS compliant. The product consists of a database, which can be updated by customised feeds, together with a front-end reporting tool. The advantages of Compass are that it not only allows institutional Asset Managers to calculate performance measurements, but it also produces an audit trail, used to monitor accounts. The system can report in many different languages automatically (currently available in English, French, German, Spanish, Italian and Dutch).

#### *Atlas*

Atlas provides automated fact sheets for retail funds and their customers. The creation of these fact sheets requires the gathering of information from many different sources. Atlas centralises information from these sources to make automation of fact sheets on the funds possible. These fact sheets can then be distributed to individual clients via a number of media, including the Internet. The system can produce more than 50 different performance measurements and can report in many different languages (currently available in the same languages as Compass).

#### *TAP*

StatPro's first product, TAP, is sold by Micropal and to date has been bought by over 300 clients. TAP transforms the data in the Micropal database into a sophisticated statistical analysis and presents the results in an easily readable format. This product has now reached the end of its development cycle.

### **Product development**

The Group has developed and expanded its product range through the organic development of its existing products and by acquisition of new products.

The Group's product development skills have enabled it to launch its existing products, all of which are based on the needs of the Asset Management industry. The Group's expenditure on product development has grown from £361,000 in the year ended 31 December 1998 to £961,000 in the year ended 31 December 1999. The Group employs teams of experienced software developers and project managers to create and update the software systems.

StatPro's knowledge and experience of its market means that it can produce highly focused products that respond to Asset Managers' demands. Trends in performance measurement and changes to regulations provide business opportunities that StatPro believes it can exploit. Added benefits include design benefits such as better quality output and user interfaces, or technological benefits such as automated processes and analysis.

The Group retains the intellectual property rights of all software that it creates and develops, other than TAP. The copyright in TAP is owned jointly by StatPro and Micropal as tenants in common. The Directors do not currently intend to enter into further distribution agreements or any other arrangements on the basis of shared ownership of copyright in a product.

#### *AMS*

The Directors intend to pursue a strategy of expanding the Group's product range through development as well as the acquisition of new products which will enhance the capability of Compass and Atlas and which will enable the Group to satisfy the growing needs of the Asset Management industry.

In line with this strategy, on 31 March 2000 the Company acquired AMS for an aggregate consideration of £1.298 million. The consideration comprises £350,000 in cash and the issue of 790,000 Ordinary Shares to the vendors of AMS. In addition certain of the vendors of AMS who are also key managers were granted options over 250,000 Ordinary Shares, exercisable at 120p per share. Further details of the acquisition agreement between the Company and the vendors of AMS are set out in paragraph 8(v) of Part IV of this document.

AMS develops and distributes attribution analysis software. The Directors believe that this is an important facility to offer Asset Managers as it enables them to analyse the various performance attributes of individual funds. The Directors anticipate being able to develop the product currently produced by AMS as an additional module of Compass which will enable Asset Managers to perform both composite and attribution analysis using Compass.

In the year ended 31 December 1999 AMS generated a profit before tax of FF 33,000 on turnover of FF 2,369,000. At 31 December 1999 AMS had net assets of FF 152,000.

## **4. STRATEGY, SALES AND MARKETING**

### **Strategy**

The Directors believe that, although the market consists of a small number of large Asset Management companies, the budgets available to them are large, especially for applications that can increase their productivity.

Compass and Atlas are modular products which enable the Group to integrate the Compass or Atlas systems with those operated by the Asset Managers. Subsequently, StatPro aims to expand the range of systems available to its clients by selling additional modules and user licences for these products. In addition, StatPro intends to develop or acquire complementary products to sell as additional modules alongside the existing products. The focus will be on the requirements that Asset Managers have and the specific needs of the Middle Office functions, rather than on the product itself.

In this way, the Directors believe that the potential market place for StatPro will expand without StatPro having to target a different industry. StatPro's industry knowledge should be its greatest competitive advantage and it is this that should distinguish it from its competitors.

## Sales and marketing

In order to maximise the distribution of StatPro's products, StatPro is adopting a multi-channel approach.

- *Indirect Sales:* StatPro intends to use large consultancy firms to help sell StatPro's products as part of larger projects to large multi-national Asset Managers. Other consultants will be used for regional distribution. StatPro has such an agreement in place with VPD, a Swedish consultancy firm.

Additionally, StatPro has developed relationships with other suppliers in the market place such as Reuters Lipper (for Atlas) and Russell/Mellon (for Compass). These alliances would provide the respective parties with products to fill gaps in their range and widen the exposure of StatPro to the market.

- *Direct Sales:* it is intended to build direct sales using salesmen and consultants who will be product specialists. Account managers will ensure that the Group's clients have the support they require. It is intended that marketing will be high profile using trade advertising and sponsorship of events, dinners and conferences. The focus of the marketing will be on the brand name "StatPro".

The business model adopted by StatPro is to license software on an annual basis. This has benefits for StatPro and for StatPro's clients. Traditionally, software has been sold as a capital item, with an annual maintenance charge. However software needs to evolve quickly, demanding frequent upgrades, due to:

- rapid changes in software technology such as the Internet;
- changes in regulations - GIPS rules have been changed and will continue to evolve;
- changes in client demands as investors want more reports more frequently;
- mergers and acquisitions which will result in overlapping and redundant systems; and
- changes of personnel which will result in changing business priorities.

StatPro has a quarterly release policy and clients must take an upgrade at least once a year. This enables support costs to be minimised and clients are not left with outmoded software. Clients also do not have to make a large initial outlay or pay to receive upgrades.

Because Compass and Atlas are bound into the processes of StatPro's clients, it becomes an important part of the client's internal systems which they are reluctant to change. For this reason, the Directors believe that the cancellation rate for StatPro's products will be low.

## Competition

In the Group's market the Directors believe that the competition falls into three main categories:

- *Internal IT departments* – whilst these departments are often large, well established and have a good understanding of their business, they tend to only make small changes and add-ons to existing systems;
- *Large generalist software providers* – produce high quality software but do not have the industry knowledge to meet the individual needs of the Group's clients;
- *Small specialist suppliers* – they offer specialist products to a narrow range of customers.

The Directors are aware of a number of software products which compete with Compass and Atlas. The Directors believe that Compass and Atlas provide a more comprehensive reporting package and that the continued development of Compass and Atlas will reduce the potential threat from competing products.

## 5. FINANCIAL INFORMATION

### Financial Record

The following table has been extracted, without adjustment, from the Accountants' Report set out in Part II of this document. Investors should read the whole of the report and not rely on the information summarised below:

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>			
Continuing operations	728	1,670	1,784
Discontinued operations	1,123	1,551	1,360
Group Turnover	1,851	3,221	3,144
<b>Administrative expenses</b>	(1,654)	(3,164)	(4,837)
<b>Operating Profit/(loss)</b>	197	57	(1,693)
Continuing operations	131	(101)	(1,927)
Discontinued operations	66	158	234
Profit/(loss) on ordinary activities before taxation	201	79	(183)

During the three years ended 31 December 1999 the Group has derived its revenue from the software systems, Compass and Atlas as well as earning royalty income from TAP systems. These amounts are included within continuing operations. Discontinued operations represent the results of MFSA.

The increase in administrative expenses in the period results predominantly from an increase in headcount as the Group has taken on software development, sales and account management staff in anticipation of increases in future revenues. The increase in these costs is the principal reason for the operating loss incurred in the year ended 31 December 1999. The profit on disposal of discontinued activities arises on the sale of MFSA.

### Current trading and future prospects

The Company published a prospectus dated 21 June 1999 which contained illustrative financial projections made by the Directors for the years ending 31 December 1999, 2000 and 2001. For the year ended 31 December 1999 the Directors projected that the Company would make a profit on ordinary activities before taxation of £390,000 whereas the Company actually made a loss on ordinary activities before taxation of £183,000. The difference is a result of the Group selling fewer systems than the Directors assumed for the purposes of the projections which the Directors believe was because of year 2000 issues and the resulting slow down in the buying of new systems by its clients in that period. The assumptions upon which the illustrative financial projections were based have fundamentally changed and investors should therefore not rely on the illustrative financial projections for the years ending 31 December 2000 and 2001 published in the prospectus dated 21 June 1999.

Since 31 December 1999 the Company has licensed 12 systems and sales of Compass and Atlas are therefore significantly ahead of the comparable period for the previous year. The Group is currently in discussions with a number of potential customers which the Directors are confident of turning into sales. Following the acquisition of AMS and the receipt of the proceeds of the Placing enabling the Group to expand its office network and sales force, the Directors are confident about the future prospects of the Group.

## Use of proceeds

The net proceeds of the Placing and the issue of the Convertible Loan Stock receivable by the Company are estimated to be approximately £4.9 million, after expenses.

The Group intends to apply the net proceeds of the Placing as follows:

- *Sales and Marketing* – the Directors intend to apply approximately £2.5 million to expand the Group’s sales function, through the recruitment of additional personnel, to marketing, and in particular, the promotion of the StatPro brand;
- *Product development* – the Directors intend to apply approximately £1.25 million to the continued development of current products and the development and acquisition of new products; and
- *New offices* – the Directors intend to apply approximately £1.15 million to opening new branch offices abroad enabling the Group to reach a larger client base and to service the branch offices of existing clients.

## 6. THE PLACING AND ISSUE OF CONVERTIBLE LOAN STOCK

The Company proposes to raise approximately £2.1 million, before expenses, by way of the placing of 2,625,000 New Ordinary Shares. The New Ordinary Shares are being placed at 80p per share with institutional and other investors. Of the New Ordinary Shares being placed, 51,025 New Ordinary Shares have been placed with existing employees of the Group, 162,500 New Ordinary Shares have been placed with the Directors, 173,750 New Ordinary Shares have been placed with existing shareholders of the Company and 50,000 New Ordinary Shares have been offered to two independent market makers. The Placing has not been underwritten.

The New Ordinary Shares now being placed will rank *pari passu* with the existing Ordinary Shares and will rank in full for any dividends and other distributions hereafter paid or made in respect of the ordinary share capital of the Company.

Details of the Placing Agreement are summarised in paragraph 8(vii) of Part IV of this document

On 8 May 2000 the Company issued £3.4 million Convertible Loan Stock at par, conditional on Admission. The Company further issued Warrants over 4,250,000 Ordinary Shares, conditional on Admission, to the subscribers of the Convertible Loan Stock. Further details of the Convertible Loan Stock and the Warrants are set out in paragraphs 3 and 4 of Part IV of this document.

## 7. DIRECTORS, MANAGEMENT AND EMPLOYEES

The Group has put in place a main Board which consists of three executive directors and two non-executive directors.

### Directors of StatPro Group plc

**Carl Bacon**, 37, *Chairman*. Carl was appointed as chairman in April 2000. He previously worked as director of Risk Control and Performance at Foreign & Colonial Investment Management Limited since August 1997. Prior to this he was Vice President Head of Performance at J.P. Morgan Investment Management Inc. which he joined in 1994. He is a member of the UK Investment Performance Committee, the European Investment Performance Committee, the Advisory Board of Journal of Performance Measurement and an original member of the GIPS Committee. He is a member of the Investment Performance Council (IPC) and also Chair of the IPC Verification Standing sub-committee.

**Justin Wheatley**, 35, *Chief Executive*. Justin began his career in the financial services industry in April 1988 with Micropal selling performance measurement software to fund managers in the U.K. In January 1991, he founded an agency in Switzerland to distribute Micropal products and in January 1993 he wrote the first version of TAP after identifying a requirement for such a product in the market. In March 1994 he founded StatPro to develop Middle Office reporting software systems and took over Micropal’s French business through the acquisition of MFSA and turned around their business, increasing its turnover by four fold in 4

years. He has day-to-day responsibility for the running of the Group and is Chairman of the Group's operational board.

**Charles Fairbairn**, 38, *Finance Director*. Charles was appointed to the board in April 2000 as an interim finance director, having previously worked for the Group as a financial consultant. He is a chartered accountant with many years' experience in the media sector and in growing entrepreneurial companies. He worked for Pearson plc, both as finance director of Pearson New Entertainment, a start-up division with interests in computer publishing, and as group chief accountant. Pearson New Entertainment Limited was sold in 1998; since then he has provided accountancy advice to small and growing companies. Charles has agreed to spend 2 days per week on the Group's affairs and is responsible for overseeing the finance and administrative functions. The Board intends to appoint a full time finance director in the near future.

**Nick Alexander**, 44, *Non-Executive Director*. Nick began his career with British Rail before joining the THORN EMI Group in 1977. Nick joined Virgin Group Limited in 1983 and following the acquisition of Virgin Games by Sega in 1991, he was appointed Chief Executive Officer of Sega Europe. From 1994 to 1998 Nick was Chief Executive of Pearson New Entertainment Limited, a new business that had developed turnover of £100 million and 800 employees by the end of the period. Nick has recently been appointed as Chairman of Music is it Limited, the new media subsidiary of the Sanctuary Group plc and of The Wholestore Limited. He is a non-executive director of 365 Corporation plc, eCountries.com Limited and Binary Vision Limited.

**Dominic Wheatley**, 40, *Non-Executive Director*. Dominic graduated from the Royal Military Academy of Sandhurst in 1978 and served a short service commission in the Irish Guards. After several years at an advertising agency in 1984 he co-founded Domark Limited, the software entertainment developer and publisher for the home computer market. Domark Limited was acquired by Eidos plc, the data compression software developer, in 1995 and Dominic served as Chief Operating Officer of Eidos plc and chief executive of Eidos Inc in the USA until 1997. Dominic was appointed Chairman of The 3DO Company Europe, a NASDAQ listed software entertainment company, in May 1999 and is a member of PI Capital, the venture capital group.

#### **The directors of StatPro Limited**

The Group also has an operational board, which consists of the nine executive directors of StatPro Limited and is chaired by Justin Wheatley.

**Pascal Borel**, *Managing Director Switzerland*. Pascal is a co-founder of StatPro. He also co-founded the Micropal Swiss Agency in 1991 where he was one of Micropal's top salesman. Pascal has been developing StatPro's business in Switzerland since 1998 where he has built a team to enable the exploitation of the Swiss market, which remains a significant market for StatPro.

**Michel Lempicki**, *Managing Director Europe*. Michel graduated from the IEA Paris in 1990 with a diploma in Finance. Michel joined Micropal France in 1993 as a salesman before founding Micropal Luxembourg in 1996. He established StatPro in Luxembourg in 1998 where he is responsible for StatPro's European operations. Michel will continue to build the Benelux, French and German operations and ensure that they are well supported. He speaks English, French, German and Polish.

**Mark Van Thuyne**, *Strategic Relations Director*. Mark was a co-founder of the agency for Micropal in Switzerland in 1991. In 1998, he joined StatPro and is responsible for the management of StatPro's strategic relationships to further the distribution of its software.

**Richard Buccellato**, *Development Director*. Richard holds a BSc in Electronic Engineering and a Phd in Laser Physics. He joined StatPro in April 1994 as a programmer and is a specialist in financial computer software applications. Richard was appointed Development Director in January 1997 and manages a team of 30 developers.

**Simon Johns**, *CEO United States of America*. Simon began his career at Micropal in 1988, where he was Client Support Manager, responsible for clients and agents globally. In 1994 he was appointed General Manager of Micropal Switzerland where he was responsible for running the operation. In 1996 he was

recruited as Commercial Director of StatPro. Simon has been responsible for establishing StatPro's New York Office.

**Mark Bramley**, *Head of Performance Measurement*. Mark was appointed as Head of Performance Measurement on 2 August 1999 and in 19 January 2000 as a director of StatPro Limited. Mark was previously head of performance measurement at DWS (the fund management arm of DeutscheBank) from 1991 to 1994 and then became head of performance measurement at Russell/Mellon in London. Mark has spoken extensively at conferences on subjects relating to performance measurement.

**Grahame Falconer**, *Sales and Marketing Director*. Grahame was appointed as Sales and Marketing Director on the operational board on 6 March 2000 and is responsible for StatPro's global sales strategy. Grahame previously worked for 14 years at NetG which specialises in training software for businesses. Grahame was international sales director when he left NetG and led a large European sales team. Grahame brings knowledge of building up a highly professional sales team working to strict targets.

**Elke Fidler**, *Operations Director*. Elke joined StatPro in October 1994 and was appointed Operations Director in May 1999. She is in charge of group logistics, ensuring that the Group has the resources it needs to operate efficiently on a global basis. The main areas of group logistics are human resources, training and premises.

## **Employees**

The Group currently has 83 full time employees, including the executive Directors. Of these, thirty-two are employed in the development of new products, and the balance are employed as salesmen and in other areas.

## **Corporate Governance**

The Company, in line with similar sized companies, intends to adopt the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (usually referred to as the "Combined Code"). As yet, the Company has not met the recommendation in relation to the composition of the Board, the remuneration and audit committees and the number of non-executive directors. It observes the recommendations of the Study Group chaired by Sir Richard Greenbury and the guidance issued by The City Group for Smaller Companies.

Whilst the Directors do not feel that the current size of the Group warrants the appointment of further non-executive directors and the associated costs, they are mindful of the recommendation of the Combined Code. As the Group expands, the Board intend to appoint a further non-executive director.

The Directors have established the following two committees of the Directors, both of which have written terms of reference which deal clearly with their respective authorities and duties:

- an audit committee, which will receive and review reports from management and the external auditors relating to the interim report, annual accounts and internal control policy and which, for the time being, comprises Charles Fairbairn, Carl Bacon and Nick Alexander and which will be chaired by Nick Alexander; and
- a remuneration committee, which will advise the Board on the remuneration policy for the executive directors and approve the granting of options to Directors and employees and which, for the time being, comprises Carl Bacon, Dominic Wheatley and Nick Alexander and which will also be chaired by Nick Alexander.

## **Share options**

The Company places emphasis on the encouragement and motivation of staff and currently has four share option schemes. Details of the Share Option Schemes appear in paragraph 6 of Part IV of this document.

No further options will be granted under the No. 1 Unapproved Scheme or the No. 2 Unapproved Scheme. Options over a total of 900,000 Ordinary Shares remain exercisable under these schemes. Options over a total of 1,480,790 Ordinary Shares remain exercisable under the Approved Scheme.

Conditional on Admission the Board has granted Carl Bacon options over 312,500 Ordinary Shares and Charles Fairbairn options over 62,500 Ordinary Shares pursuant to the Unapproved Scheme. The Board has further granted, conditional on Admission, options over 225,000 ordinary shares to certain key employees pursuant to the Unapproved Scheme.

The aggregate number of Ordinary Shares over which options may be granted under the Approved Scheme and the Unapproved Scheme (when added to the number of Ordinary Shares issuable under all other share option or share incentive schemes adopted by the Company in the future) in any period of 10 years is limited to 4,050,598 Ordinary Shares or 10 per cent. of the Company's issued ordinary share capital, whichever is the higher.

## **9. DIVIDEND POLICY**

Although the Company has made dividend payments in the past, the Directors currently propose to reinvest the Group's earnings to finance the growth of the business and do not therefore propose to pay any dividends in the near future.

## PART II

### ACCOUNTANTS' REPORT ON THE GROUP



---

1 Embankment Place  
London WC2N 6NN

The Directors  
StatPro Group plc  
The White House  
57-63 Church Road  
Wimbledon Village  
London SW19 5DQ

The Directors  
Corporate Synergy PLC  
Piercy House  
7/9 Cophall Avenue  
London EC2R 7NJ

15 May 2000

Dear Sirs

#### **StatPro Group plc and its subsidiaries**

##### **Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 15 May 2000 (“the prospectus”) of StatPro Group plc (“the Company”).

The Company was re-registered as a public limited company and changed its name to StatPro Group plc on 6 May 1999.

The Company and its subsidiaries are referred to as “the Group”.

##### **Basis of preparation**

The financial information set out below is based on the audited consolidated financial statements of the Group for the three years ended 31 December 1999, after making such adjustments as we 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 prospectus 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 the auditors who audited the financial statements underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the

financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Group, 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 prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its results, cash flows and total recognised gains and losses for the periods then ended.

### Consolidated Profit and Loss Accounts

	Note	<i>Years ended 31 December</i>		
		<i>1997</i>	<i>1998</i>	<i>1999</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>	2			
Continuing operations		728	1,670	1,784
Discontinued operations		1,123	1,551	1,360
		<u>1,851</u>	<u>3,221</u>	<u>3,144</u>
<b>Group turnover</b>				
<b>Administrative expenses</b>	3	(1,654)	(3,164)	(4,837)
		<u>197</u>	<u>57</u>	<u>(1,693)</u>
<b>Operating profit/(loss)</b>	4			
Continuing operations		131	(101)	(1,927)
Discontinued operations		66	158	234
Profit on disposal of discontinued operations	23	–	–	1,467
Interest receivable	5	5	23	43
Interest payable		(1)	(1)	–
		<u>201</u>	<u>79</u>	<u>(183)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>				
Taxation on profit/(loss) on ordinary activities	6	(66)	(43)	(95)
		<u>135</u>	<u>36</u>	<u>(278)</u>
<b>Profit/(loss) on ordinary activities after taxation</b>				
Dividends	7	(20)	(24)	–
		<u>115</u>	<u>12</u>	<u>(278)</u>
<b>Profit/(loss) for the financial year</b>				
Earnings per ordinary share	8			
– basic		2.20p	0.47p	(2.88p)
– diluted		1.99p	0.40p	(2.88p)

### Statement of group total recognised gains and losses

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Profit/(loss) for the financial year</b>	115	12	(278)
Exchange gains/(losses) offset in reserves	(1)	6	(17)
	<u>114</u>	<u>18</u>	<u>(295)</u>
<b>Total recognised gains and losses for the year</b>			

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the years stated above and their historical cost equivalents.

## Reconciliation of movements in shareholders' funds

	Note	Years ended 31 December		
		1997 £'000	1998 £'000	1999 £'000
Profit / (loss) for the financial year		135	36	(278)
Exchange gains/(losses) offset in reserves		(1)	6	(17)
Dividends	7	(20)	(24)	–
		<u>114</u>	<u>18</u>	<u>(295)</u>
New share capital issued		411	24	2,574
Net additions to shareholders' funds		<u>525</u>	<u>42</u>	<u>2,279</u>
Opening shareholders' funds		107	632	674
Closing shareholders' funds		<u>632</u>	<u>674</u>	<u>2,953</u>

## Consolidated balance sheets

	Note	As at 31 December		
		1997 £'000	1998 £'000	1999 £'000
<b>Fixed Assets</b>				
Tangible assets	11	<u>163</u>	<u>255</u>	<u>312</u>
<b>Current Assets</b>				
Work in progress		6	19	–
Debtors	12	568	823	684
Cash at bank and in hand		<u>403</u>	<u>556</u>	<u>2,608</u>
		<u>977</u>	<u>1,398</u>	<u>3,292</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(508)</u>	<u>(779)</u>	<u>(651)</u>
<b>Net current assets</b>		<u>469</u>	<u>619</u>	<u>2,641</u>
Total assets less current liabilities		<u>632</u>	<u>874</u>	<u>2,953</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>–</u>	<u>(200)</u>	<u>–</u>
<b>Net assets</b>		<u>632</u>	<u>674</u>	<u>2,953</u>
<b>Capital and reserves</b>				
Called up share capital	16	77	79	113
Share premium account	18	394	416	2,956
Profit and loss account	18	<u>161</u>	<u>179</u>	<u>(116)</u>
<b>Equity shareholders' funds</b>		<u>632</u>	<u>674</u>	<u>2,953</u>

## Consolidated cash flow statements

	Note	Years ended 31 December		
		1997 £'000	1998 £'000	1999 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	20	57	253	(1,436)
Interest received		5	23	44
Interest paid		(1)	(1)	–
<b>Net cash inflow from returns on investments and servicing of finance</b>		4	22	44
<b>Taxation</b>				
Tax paid		(57)	(86)	(58)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		(140)	(182)	(385)
Receipts from sale of tangible fixed assets		–	1	–
<b>Net cash outflow from capital expenditure</b>		(140)	(181)	(385)
<b>Acquisitions and disposals</b>				
Proceeds from disposal of subsidiary undertaking		–	–	1,663
Costs incurred on sale of subsidiary undertaking		–	–	(11)
Cash on disposal of subsidiary undertaking		–	–	(115)
<b>Net cash inflow from acquisitions and disposals</b>		–	–	1,537
<b>Equity dividends paid</b>		(10)	(20)	(24)
<b>Cash outflow before financing</b>		(146)	(12)	(322)
<b>Financing</b>				
Bank loan repaid		(18)	–	–
Issue of ordinary shares		411	24	2,374
Convertible loan received		–	200	–
<b>Net cash inflow from financing activities</b>		393	224	2,374
<b>Increase in cash in the year</b>	21	247	212	2,052

## 1. Principal accounting policies

The financial information contained in this report has been prepared in accordance with currently applicable Accounting Standards in the United Kingdom.

A summary of the key accounting policies, which have been applied consistently for all periods covered by this report, is set out below.

### *Accounting convention*

The financial statements have been prepared under the historical cost convention.

### *Turnover*

Turnover represents the invoiced value of goods and services, excluding value added tax and royalties, as follows

a) License revenue

License revenue is recognised in the profit and loss account over the period of the license. Any balance not relating to the accounting period is carried forward as deferred income in the balance sheet.

b) Software design contracts

These contracts are only included as income upon acceptance by the client. Direct costs of labour in respect of these contracts are carried forward as work in progress until this time.

c) Software support contracts

Income in respect of these contracts is credited to the profit and loss account on a monthly basis over the period of the contract. Software support contract income relating to obligations under the contract which remain unfulfilled at the year end is held as deferred income in the balance sheet.

d) Royalty income

Income is recognised in the profit and loss account as it accrues.

### *Research and development*

Expenditure on research and development comprises salaries and related costs of personnel involved in software programming and development activities and is written off in the year in which it is incurred.

### *Basis of consolidation*

The Group financial information consolidates the financial statements of the Company and its subsidiary undertakings all made up to 31 December each year. The results and net assets of subsidiary undertakings disposed of are included in the Group profit and loss account and balance sheet until the effective date of disposal.

### *Tangible fixed assets*

Depreciation is provided on a straight line basis in order to write off the cost of tangible fixed assets over their estimated useful lives as follows:

Improvements to leasehold property	– Over the period of the lease
Office Machinery	– between 10 per cent. and 20 per cent. per annum
Fixtures & Fittings	– between 10 per cent. and 20 per cent. per annum
Computer equipment and software	– 33 per cent. per annum

### *Work in progress*

Work in progress is valued at the lower of cost and net realisable value. This represents the direct cost of employment of staff engaged on contracts in progress at the balance sheet date.

### *Leased Assets*

Rentals applicable to operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

### *Deferred taxation*

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities in the opinion of the directors, are likely to crystallise in the foreseeable future.

### *Pensions*

The Company operates a defined contribution pension scheme. Contributions payable for the year are included in the profit and loss account.

The Company also operates a defined benefit scheme for two employees of a branch in Switzerland. The Company reviews periodically the materiality of the Fund's funded status. In the event of a material adjustment to the funding levels being necessary the Company would implement the provisions of SSAP 24.

### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. The results of overseas subsidiary undertakings are translated at the average rates of exchange prevailing during the year and their financial positions at the year-end are translated at the rates of exchange then ruling. The exchange differences arising on the translation of opening net assets of overseas subsidiaries together with the differences between the average and closing rate of the results of overseas operations for the year are taken directly to reserves. All other translation differences are taken to the profit and loss account.

### *Costs of share option schemes*

Under Urgent Issues Task Force Statement 17 (UITF 17), the Company is required to recognise as a charge to the profit and loss account the amount by which the fair market value of the shares at the date of grant exceeds the respective exercise prices of the options. These costs are recognised on a straight line basis from the date of grant to the earliest possible option exercise date.

## **2. Segmental information**

The turnover, profit before taxation and net assets are attributable to the principal activity of the Group, being the provision of software and accompanying support services to the Asset Management industry.

### *(a) Turnover by origin*

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
United Kingdom	728	1,069	1,073
Europe:			
– Continuing operations	–	601	690
– Discontinued operations	1,123	1,551	1,360
Rest of world	–	–	21
	<u>1,851</u>	<u>3,221</u>	<u>3,144</u>

(b) Turnover split geographically by destination was as follows:

	1997 £'000	1998 £'000	1999 £'000
United Kingdom	429	555	704
Europe:			
– Continuing operations	262	1,102	1,035
– Discontinued operations	1,123	1,551	1,360
Rest of world	37	13	45
	<u>1,851</u>	<u>3,221</u>	<u>3,144</u>

(c) Results before tax and net assets/(liabilities) are analysed as follows:

	Profit/(loss) before tax			Net assets/(liabilities)		
	1997 £'000	1998 £'000	1999 £'000	1997 £'000	1998 £'000	1999 £'000
United Kingdom	135	(96)	(61)	604	520	3,285
Europe:						
– Continuing operations	–	17	(209)	–	32	(190)
– Discontinued operations	66	158	234	28	122	–
Rest of world	–	–	(147)	–	–	(142)
	<u>201</u>	<u>79</u>	<u>(183)</u>	<u>632</u>	<u>674</u>	<u>2,953</u>

### 3. Administrative expenses

	1997 £'000	1998 £'000	1999 £'000
Continuing operations	597	1,771	3,711
Discontinued operations	1,057	1,393	1,126
	<u>1,654</u>	<u>3,164</u>	<u>4,837</u>

### 4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	1997 £'000	1998 £'000	1999 £'000
Loss on disposal of tangible fixed assets	–	–	8
Development expenditure written off	189	361	961
Operating leases – hire of computer equipment	–	30	49
– other operating lease rentals	130	150	283
Depreciation of tangible fixed assets	55	95	119
Auditors' remuneration			
– audit	8	11	37
– non-audit services	6	27	56
Exchange differences	2	(2)	38
	<u>2</u>	<u>(2)</u>	<u>38</u>

Non audit fees of £29,000 were paid to PricewaterhouseCoopers during 1999 and £27,000 was paid to the previous auditors for non-audit services. Amounts in respect of non-audit services paid in 1998 and 1997 were payable to the previous auditors.

The Group has not incurred any external costs during the period in respect of Year 2000 compliance.

## 5. Interest receivable

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank interest receivable	<u>5</u>	<u>23</u>	<u>43</u>

## 6. Taxation

The tax charge/(credit) on the profit/(loss) on ordinary activities for the period was as follows:

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
UK corporation tax:			
Current charge/(credit) at 28% (1998: 28.0%; 1997: 28.0%)	37	(21)	–
Overseas taxation	<u>29</u>	<u>64</u>	<u>95</u>
	<u>66</u>	<u>43</u>	<u>95</u>

## 7. Dividends

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Equity shares:			
Final dividend proposed	<u>20</u>	<u>24</u>	<u>–</u>
Dividend per share – pence per share			
Final paid/proposed	<u>0.33p</u>	<u>0.31p</u>	<u>–</u>

The calculation of the number of shares used for the above dividend per share information is based on the weighted average number of ordinary shares of 1 penny each which would have been in issue during each of the three years ended 31 December 1999 had the share splits on 14 November 1997 and 5 November 1999 occurred on or before 1 January 1997.

## 8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares which would have been in issue during the three years ended 31 December 1999 had the share splits on 14 November 1997 and 5 November 1999 occurred on or before 1 January 1997.

Basic and diluted earnings per share have been calculated in accordance with FRS 14. The weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, and the conversion to ordinary shares of the convertible loan. The Company has only one class of ordinary share.

Reconciliation of the earnings and weighted average number of shares used in the calculation are set out below:

	1997			1998			1999		
	<i>Earnings £'000</i>	<i>Weighted average number of shares</i>	<i>Per-share amount pence</i>	<i>Earnings £'000</i>	<i>Weighted average number of shares</i>	<i>Per-share amount pence</i>	<i>Earnings £'000</i>	<i>Weighted average number of shares</i>	<i>Per-share amount pence</i>
<b>Profit/(loss) attributable to shareholders</b>	135	–	–	36	–	–	(278)	–	–
<b>Basic EPS</b>									
Earnings attributable to shareholders	135	6,145,063	2.20	36	7,693,667	0.47	(278)	9,640,421	(2.88)
<b>Effect of dilutive securities</b>									
Options	–	648,493	–	–	1,408,774	–	–	–	–
<b>Diluted EPS</b>	135	6,793,556	1.99	36	9,102,441	0.40	(278)	9,640,421	(2.88)

No account of potential shares was taken in the calculation of the diluted loss per share in 1999 due to the anti-dilutive effect of the potential shares.

## 9. Employee information

The average monthly number of persons (including executive directors) employed by the Group during the period was as follows:

	1997 <i>Number</i>	1998 <i>Number</i>	1999 <i>Number</i>
By activity			
Development	14	22	30
Management and administration	23	31	39
Selling and distribution	–	8	9
	<u>37</u>	<u>61</u>	<u>78</u>
	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Staff costs for the above persons			
Wages and Salaries	902	1,885	2,814
Social security costs	199	351	363
Other pension costs	1	30	28
	<u>1,102</u>	<u>2,266</u>	<u>3,205</u>

## 10. Directors' emoluments and interests

### a) Directors' emoluments

	1997 <i>£'000</i>	1998 <i>£'000</i>	1999 <i>£'000</i>
Aggregate emoluments (including benefits in kind)	287	651	835
Contributions to money purchase pension schemes	1	14	27

Two directors participate in a defined benefit scheme (1998: two, 1997: two). During the period the Company contributions amounted to £3,000 (1998: £2,600, 1997: £1,000).

b) *Highest paid director*

	1997 £'000	1998 £'000	1999 £'000
Total amount of emoluments	184	220	279
Contributions to money purchase pension schemes	1	4	11

*Directors emoluments*

The following directors' emoluments were paid to directors of StatPro Group plc.

<b>Year ended</b>	<i>Salary</i> £'000	<i>Bonus</i> £'000	<i>Benefits in kind</i> £'000	<i>Total excluding pensions</i> £'000	<i>Pensions</i> £'000	<i>Total</i> £'000
<b>31 December 1997</b>						
J.M.B.T. Wheatley	184	–	–	184	1	185
G.F.M.T. Wheatley	2	–	–	2	–	2
P.T. Borel	–	–	–	–	–	–
R.B.B. Buccellato	39	–	–	39	–	39
S.C. Johns	36	–	–	36	–	36
M. Van Thuyne	–	–	–	–	–	–
M. Lempicki	14	–	–	14	–	14
N. Trevor	12	–	–	12	–	12
<b>Total</b>	<b>287</b>	<b>–</b>	<b>–</b>	<b>287</b>	<b>1</b>	<b>288</b>
<b>Year ended</b>						
<b>31 December 1998</b>						
J.M.B.T. Wheatley	220	–	–	220	4	224
G.F.M.T. Wheatley	4	–	–	4	–	4
P.T. Borel	153	–	–	153	–	153
R.B.B. Buccellato	65	–	–	65	5	70
S.C. Johns	65	–	–	65	5	70
M. Van Thuyne	69	–	–	69	–	69
M. Lempicki	75	–	–	75	–	75
<b>Total</b>	<b>651</b>	<b>–</b>	<b>–</b>	<b>651</b>	<b>14</b>	<b>665</b>
<b>Year ended</b>						
<b>31 December 1999</b>						
J.M.B.T. Wheatley	245	30	4	279	11	290
G.F.M.T. Wheatley	6	–	–	6	–	6
P.T. Borel	106	8	–	114	–	114
R.B.B. Buccellato	83	–	1	84	8	92
S.C. Johns	88	–	1	89	8	97
M. Van Thuyne	66	–	–	66	–	66
M. Lempicki	107	12	–	119	–	119
N.E.S. Alexander	34	–	–	34	–	34
D.M.D.A. Wheatley	44	–	–	44	–	44
<b>Total</b>	<b>779</b>	<b>50</b>	<b>6</b>	<b>835</b>	<b>27</b>	<b>862</b>

Included within salary for N.E.S. Alexander and D.M.D.A. Wheatley for the year ended December 1999, are one-off fees of £19,000 paid to each of them. These fees were in respect of the provision of their services to the Company in connection with the offer for subscription on 21 June 1999.

The above table includes an amount of £65,484 in 1997 paid to third parties in respect of making available the services of J.M.B.T. Wheatley to the Company. No such amounts were paid in 1998 and 1999.

No director waived emoluments in respect of any of the three years ended 31 December 1999.

c) *Directors' interest in shares*

	<i>Ordinary shares beneficially owned at 31 December</i>			<i>Number of options held at 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
G.F.M.T. Wheatley	20,000	20,000	150,000	–	–	–
J.M.B.T. Wheatley	3,132,500	3,132,500	3,262,500	–	–	–
P.T. Borel	1,375,000	1,375,000	1,375,000	–	–	–
R.B.B. Buccellato (1)	70,000	70,000	270,000	250,000	250,000	130,000
S.C. Johns (1)	40,000	140,000	294,280	300,000	200,000	280,000
M. Van Thuyne (1)	742,800	742,800	742,800	–	–	–
M. Lempicki (1)	45,000	45,000	269,990	300,000	300,000	141,500
N.E.S. Alexander	–	–	166,660	–	–	10,000
D.M.D.A. Wheatley	–	–	822,380	–	–	–

(1) Held since date of appointment in 1997

The above tables take account of the 1:10 share splits that occurred on 14 November 1997 and 5 November 1999.

The shares acquired by N.E.S. Alexander and D.M.D.A. Wheatley were issued prior to their appointment as directors.

On 18 November 1998, S.C. Johns exercised options to purchase 50,000 ordinary shares at a price of 1.33p and 50,000 ordinary shares at a price of 5.0p per share.

On 13 April 1997 R.B.B. Buccellato exercised options to purchase 50,000 shares at 1.33p per share. He exercised further options on 26 January 1999 to purchase 50,000 shares at 1.33p per share and 50,000 shares at 5.0p per share. On 26 April 1999 he exercised options to purchase 50,000 shares at 1.33p per share and 50,000 shares at 5.0p per share.

On 16 March 1999 M. Lempicki exercised options to purchase 200,000 shares at a price of 5.0p per share.

d) *Directors' Loans*

During 1998 the Company made loans to the following directors:

	<i>Amounts due 1 January 1999</i>	<i>Maximum amounts due during the year</i>	<i>Amounts due 31 December 1999</i>
	<i>£</i>	<i>£</i>	<i>£</i>
P.T. Borel	2,017	2,017	–
M. Van Thuyne	9,943	9,943	–

The loan to P.T. Borel was on a short term basis. The loan to M. Van Thuyne was repayable in monthly instalments over two years. Both loans were interest free.

Both loans have been repaid in full prior to 31 December 1999.

## 11. Tangible fixed assets

	<i>Improvements to Short Leasehold Property £'000</i>	<i>Office Machinery £'000</i>	<i>Fixtures &amp; Fittings £'000</i>	<i>Computer Equipment &amp; Software £'000</i>	<i>Totals £'000</i>
<b>Cost:</b>					
At 1 January 1997	–	5	52	89	146
Additions	–	17	29	94	140
Exchange difference	–	–	(5)	(9)	(14)
At 31 December 1997	–	22	76	174	272
Additions	6	13	33	130	182
Disposals	–	(3)	–	(27)	(30)
Exchange difference	–	–	4	9	13
At 31 December 1998	6	32	113	286	437
Additions	175	27	35	148	385
Disposals	–	–	(6)	(5)	(11)
Disposal of subsidiary	(121)	(4)	(54)	(145)	(324)
Exchange difference	–	–	(7)	(18)	(25)
At 31 December 1999	<u>60</u>	<u>55</u>	<u>81</u>	<u>266</u>	<u>462</u>
<b>Depreciation:</b>					
At 1 January 1997	–	2	11	46	59
Charge for year	–	3	9	43	55
Exchange difference	–	–	(1)	(4)	(5)
At 31 December 1997	–	5	19	85	109
Charge for year	1	4	14	76	95
Disposals	–	(2)	–	(27)	(29)
Exchange difference	–	–	1	6	7
At 31 December 1998	1	7	34	140	182
Charge for year	6	6	15	92	119
Disposals	–	–	(3)	–	(3)
Disposal of subsidiary	–	(2)	(24)	(107)	(133)
Exchange difference	–	–	(3)	(12)	(15)
At 31 December 1999	<u>7</u>	<u>11</u>	<u>19</u>	<u>113</u>	<u>150</u>
<b>Net Book Value:</b>					
At 31 December 1999	<u>53</u>	<u>44</u>	<u>62</u>	<u>153</u>	<u>312</u>
At 31 December 1998	<u>5</u>	<u>25</u>	<u>79</u>	<u>146</u>	<u>255</u>
At 31 December 1997	<u>–</u>	<u>17</u>	<u>57</u>	<u>89</u>	<u>163</u>

## 12. Debtors

	1997	1998	1999
	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>			
Trade debtors	432	478	294
Other debtors	59	199	64
Prepayments	32	35	191
Tax recoverable	5	42	16
Loans to directors (Note 10)	–	7	–
	<u>528</u>	<u>761</u>	<u>565</u>
<b>Amounts falling due after more than one year:</b>			
Rental deposits	40	57	35
Deferred consideration	–	–	84
Loans to directors (Note 10)	–	5	–
	<u>40</u>	<u>62</u>	<u>119</u>
	<u>568</u>	<u>823</u>	<u>684</u>

## 13. Creditors: Amounts falling due within one year

	1997	1998	1999
	£'000	£'000	£'000
Bank loans and overdrafts	59	–	–
Trade creditors	73	108	93
Other creditors and accruals	46	131	137
Other taxation and social security	178	295	110
Dividend proposed	20	24	–
Taxation	54	48	–
Deferred income	78	173	311
	<u>508</u>	<u>779</u>	<u>651</u>

## 14. Creditors: Amounts falling due after more than one year

	1997	1998	1999
	£'000	£'000	£'000
Convertible unsecured loan	–	200	–
	<u>–</u>	<u>200</u>	<u>–</u>

The convertible unsecured loan was interest free and was provided to the company in August 1998 by D.M.D.A. Wheatley. The additional conditions of this loan were that it was repayable in August 2000 and that at any time prior to that date, any unpaid part of the loan could be converted at the option of the lender into fully paid ordinary shares of 10p each in the company at a conversion price of £3.25 per share. The entire loan was converted on 19 March 1999 into 61,538 ordinary shares of 10p each.

## 15. Obligations under operating leases

Annual rentals payable under non-cancellable operating leases:

<b>Leasehold land and buildings</b>	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Expiring:			
Within one year	–	14	16
Between two and five years	–	82	140
In more than five years	75	42	66
	<u>75</u>	<u>138</u>	<u>222</u>
<b>Other Leases</b>	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Expiring:			
Within one year	–	25	–
Between two and five years	20	17	108
	<u>20</u>	<u>42</u>	<u>108</u>

## 16. Called up share capital

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Authorised:			
20,000,000 ordinary shares of 1p each (1998: 1,000,000, 1997: 1,000,000 Ordinary shares of 10p each)	100	100	200
	<u>100</u>	<u>100</u>	<u>200</u>
	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Allotted, called up and fully paid:			
11,287,540 ordinary shares of 1p each (1998: 789,814, 1997: 769,100 ordinary shares of 10p each)	77	79	113
	<u>77</u>	<u>79</u>	<u>113</u>

### Share issues during 1997:

<i>Date</i>	<i>Number of ordinary shares of £1 each</i>	<i>Proceeds £</i>
15 April 1997	500	665

On 14 November 1997 each of the ordinary shares of 100p were subdivided into 10 shares of 10p each.

<i>Date</i>	<i>Number of ordinary shares of 10p each</i>	<i>Proceeds £'000</i>
3 December 1997	164,100	410,250

### Share issues during 1998:

<i>Date</i>	<i>Number of ordinary shares of 10p each</i>	<i>Proceeds £</i>
15 September 1998	5,714	20,000
14 December 1998	15,000	4,200

## Share issues during 1999:

<i>Date</i>	<i>Number of ordinary shares of 10p each</i>	<i>Proceeds £</i>
7 January 1999	15,428	53,998
25 January 1999	12,500	5,250
4 March 1999	21,666	129,996
19 March 1999	61,538	200,000
31 March 1999	22,500	2,325
29 April 1999	10,000	3,150
22 July 1999	2,500	325
1 September 1999	162,489	1,949,868
1 November 1999	26,069	312,828

On 5 November 1999, each of the ordinary shares of 10p were subdivided into 10 shares of 1p each.

<i>Date</i>	<i>Number of ordinary shares of 1p each</i>	<i>Proceeds £</i>
1 December 1999	42,500	51,000

All proceeds are shown gross of expenses arising on the issue of the shares.

## 17. Share Options

Certain employees and directors hold options to subscribe for shares in StatPro Group plc at prices ranging from 1.33 pence to 35.0 pence under the four share option schemes approved by the shareholders. Options on 450,000 shares were exercised in 1999 (1998: 150,000 shares, 1997: 50,000 shares) and 20,000 options lapsed in 1999 (1998: 80,000 options, 1997, nil options). The number of ordinary shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

<i>Date of grant</i>	<i>Exercise</i>		<i>1997 Numbers</i>	<i>1998 Numbers</i>	<i>1999 Numbers</i>
	<i>Price (pence)</i>	<i>Exercise period</i>			
February 1997	1.33	1997–2004	550,000	375,000	225,000
September 1997	5.00	1998–2004	650,000	600,000	300,000
July 1998	35.0	2001–2008	–	162,500	152,500
January 1999	35.0	2002–2009	–	–	311,000
May 1999	35.0	2002–2009	–	–	121,500

The table above and the details of the options exercised and lapsed in this note take account of the 1:10 share splits that occurred on 14 November 1997 and 5 November 1999.

No options granted to directors have lapsed in the period under review. The options issued are not performance related.

At the time that options were granted during the three years ended 31 December 1999, the option exercise price was at least equivalent to a fair market value. As a result no charge to the profit and loss account is required in respect of UITF 17 “Employee share schemes”.

Options issued in February 1997 and September 1997 expire on 24 February 2004 and 23 September 2004 and are exercisable at 1.33p and 5.0p per share respectively.

Options issued in July 1998 expire on 17 July 2008 and are exercisable at 35.0p per share.

Options issued in January 1999 and May 1999 expire on 15 January 2009 and 6 May 2009 and are exercisable at 35.0p per share.

In relation to the grant of share options since 6 April 1999, the Group will be obliged to pay national insurance contributions on unapproved share schemes on the difference between the market value of the underlying shares when the options are exercised and their exercise price. The Group does not have a liability at the balance sheet date.

## 18. Reserves

	<i>Share Premium Account £'000</i>	<i>Profit and loss Account £'000</i>
At 1 January 1997	–	47
Profit for the financial year	–	135
Exchange losses offset in reserves		(1)
Dividends	–	(20)
New share capital issued	394	–
At 31 December 1997	<u>394</u>	<u>161</u>
Profit for the financial year	–	36
Exchange gains offset in reserves		6
Dividends	–	(24)
New share capital issued	22	–
At 31 December 1998	<u>416</u>	<u>179</u>
Loss for the financial year	–	(278)
Exchange losses offset in reserves		(17)
New share capital issued	2,346	–
Loan conversion	194	–
At 31 December 1999	<u>2,956</u>	<u>(116)</u>

## 19. Related party transactions

J.M.B.T. Wheatley is a controlling shareholder in Justin Wheatley Limited. During 1999 no fees were paid to Justin Wheatley Limited for the services of J.M.B.T. Wheatley as director of the Company. (1998: nil; 1997: £65,484). There was no outstanding balance with Justin Wheatley Limited at 31 December 1999, 1998 or 1997.

The Company has an agreement established in 1998 with WRC Renand SA, a Swiss company that is controlled by J.M.B.T. Wheatley, P.T. Borel and M. Van Thuyne. They have shareholdings of 46 per cent., 20 per cent. and 10 per cent. respectively in WRC Renand SA. Revenue received in 1999 by the Group from WRC Renand SA amounted to £483,028 (1998: £496,433, 1997: £nil) and purchases amounted to £4,653 (1998: £nil, 1997: £nil). The year end balance with WRC Renand SA was nil at 31 December 1999 (1998: £21,640 Dr, 1997: £nil).

## 20. Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Operating profit/(loss)	197	57	(1,693)
Depreciation	55	95	119
(Increase) in debtors	(281)	(218)	(142)
(Increase)/decrease in work in progress	(6)	(13)	19
Increase in creditors	92	327	270
Loss on sale of tangible fixed assets	–	–	8
Exchange difference	–	5	(17)
Net cash inflow/(outflow) from operating activities	<u>57</u>	<u>253</u>	<u>(1,436)</u>

## 21. Analysis of Changes in Net Cash

	<i>Cash at bank and in hand £'000</i>	<i>Bank Loan £'000</i>	<i>Convertible Loan £'000</i>	<i>Net Cash £'000</i>
At 1 January 1997	97	(18)	–	79
Cash flows	247	18	–	265
At 31 December 1997	344	–	–	344
Cash Flows	212	–	(200)	12
At 31 December 1998	556	–	(200)	356
Cash flows	2,052	–	–	2,052
Non cash movement – conversion of loan	–	–	200	200
At 31 December 1999	2,608	–	–	2,608

## 22. Reconciliation of movement in net debt

	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Net cash at the beginning of the year	79	344	356
Increase/(decrease) from net cash flow	247	212	2,052
Changes in financing	18	(200)	–
Non cash movement – Loan conversion	–	–	200
Net cash at the end of the year	344	356	2,608

Represented by:

	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Cash at bank	403	556	2,608
Bank overdraft	(59)	–	–
Convertible loan	–	(200)	–
	344	356	2,608

## 23. Disposal of subsidiary

On 30 September 1999 the Group disposed of Micropal France SA, a 100 per cent. owned subsidiary. The net assets, liabilities and surplus on disposal at the date of disposal were as follows:

	<i>£'000</i>
Tangible fixed assets	191
Debtors	286
Creditors	(312)
Cash at Bank and in Hand	115
	280
Surplus on disposal	1,467
	1,747
Satisfied by	
Cash consideration	1,663
Deferred consideration	84
	1,747

The deferred consideration falls due on 1 October 2002.

## **24. Financial instruments**

The Group's financial instruments comprise cash and liquid resources, and various items, such as accounts receivable and accounts payable that arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

### *Interest rate risk*

The Group financed its operations through a mixture of directors' loans and shareholders' equity. During the period ended 31 December 1999 the directors' and shareholders' loans were repaid. Interest on financial liabilities and assets is disclosed below.

### *Foreign currency risk*

The Group's principal exposure to exchange rate fluctuations arises on the translation of overseas net assets and trading results into sterling for accounting purposes. The Group does not make use of foreign currency hedges.

### *Short term debtors and creditors*

Short term debtors and creditors have been excluded from all the following disclosures, other than currency risk disclosures.

### *Interest rate risk profile of financial liabilities*

The Group does not currently have a banking facility. The bank overdraft shown in the Group balance sheet in 1997 was denominated in sterling and was subject to interest at a floating rate of approximately 2.6% per month.

The convertible unsecured loan was a financial liability denominated in sterling on which no interest was payable between the date the loan was introduced and the date of conversion into shares.

### *Interest rate risk profile of financial assets*

The directors' loans are financial assets denominated in Swiss Francs, on which no interest is receivable by the Group during the terms of the loans.

Debtors falling due after more than one year relate to rent deposits and deferred consideration. Rent deposit balances are denominated in sterling and no interest is receivable by the Group during the period in which these balances are on deposit. The deferred consideration balance is denominated in French Francs and earns interest at a floating rate of 2 per cent. per annum.

### *Currency exposure of the Group's net monetary assets/(liabilities)*

The currency exposure (ie those transaction exposures that give rise to the net currency gains and losses recognised in the profit and loss account) of the Group's net monetary assets/(liabilities) is shown below. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved.

1999	<i>Net Foreign currency monetary assets/(liabilities)</i>					<i>Total</i>
	<i>£</i>	<i>US</i>	<i>FFr</i>	<i>SFr</i>	<i>Lux</i>	
Functional currency of Group Operation	£'000	£'000	£'000	£'000	£'000	£'000
£	–	276	189	241	215	921
US	(279)	–	–	–	–	(279)
FFr	(23)	–	–	–	(11)	(34)
SFr	(258)	–	–	–	–	(258)
Lux	(222)	–	11	–	–	(211)
<b>Total</b>	<b>(782)</b>	<b>276</b>	<b>200</b>	<b>241</b>	<b>204</b>	<b>139</b>

1998	<i>Net Foreign currency monetary assets/(liabilities)</i>				<i>Total</i>
	<i>£</i>	<i>FFr</i>	<i>Lux</i>	<i>Total</i>	
Functional currency of Group Operation		£'000	£'000	£'000	£'000
£		–	(13)	11	(2)
FFr		11	–	–	11
Lux		(11)	–	–	(11)
<b>Total</b>		<b>–</b>	<b>(13)</b>	<b>11</b>	<b>(2)</b>

1997	<i>Net Foreign currency monetary assets/(liabilities)</i>				<i>Total</i>
	<i>£</i>	<i>FFr</i>	<i>Lux</i>	<i>Total</i>	
Functional currency of Group Operation		£'000	£'000	£'000	£'000
£		–	(12)	10	(2)
FFr		10	–	–	10
Lux		(10)	–	–	(10)
<b>Total</b>		<b>–</b>	<b>(12)</b>	<b>10</b>	<b>(2)</b>

*Fair value of financial assets and liabilities*

The fair value of the financial assets and financial liabilities approximate to their book values.

**25. Subsidiary undertakings**

StatPro Group plc's subsidiary undertakings during the three years ended 31 December 1999 were as follows:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Class of holdings</i>	<i>Date commenced trading</i>	<i>Date subsidiary sold by the Company</i>	<i>Percentage of share capital held by StatPro Group plc</i>
Statistical Analysis Software Limited (dormant)	England and Wales	Ordinary	1994	–	100
StatPro Limited (dormant)	England and Wales	Ordinary	1999	–	100
StatPro SARL	France	Ordinary	1999	–	100
StatPro Inc	USA	Ordinary	1999	–	100
Micropal France SA	France	Ordinary	1995	1999	100
Micropal Luxembourg SA	Luxembourg	Ordinary	1996	1999	100

All trading subsidiaries are involved in the provision of software for the Asset Management industry.

## 26. Events subsequent to the balance sheet date

On 31 March 2000 the Group acquired 100 per cent. of the share capital of AMS S.A. (“AMS”) a company incorporated in France. The consideration for this purchase comprised £350,000 in cash, payable on 30 June 2000 and 790,000 ordinary shares in StatPro Group plc. The Group also granted options to the vendors to subscribe for a further 250,000 ordinary shares.

Pursuant to an option agreement dated 28 January 2000 M. Lempicki was granted an option to acquire 38,500 Ordinary Shares at 120p per share.

On 12 April 2000 the Company adopted a share option scheme “The Unapproved Scheme”. Conditional on Admission, the following options have been granted, pursuant to the Unapproved Scheme:

	<i>Number of Options</i>	<i>Price of Options</i>
C. R. Bacon	312,500	80p
M. C. Fairbairn	62,500	80p
S. C. Johns	75,000	80p
R. B. B. Buccellato	75,000	80p
M. Lempicki	75,000	80p

On 12 April 2000 12,189,493 ordinary shares of 1p each were issued pursuant to a capitalisation issue. These shares were issued in the proportion of one new ordinary share of 1p each for every one fully paid ordinary share of 1p each then held.

On 8 May 2000 the Company issued, conditional on Admission, convertible loan stock in an aggregate nominal amount of £3,400,000 together with warrants over 4,250,000 ordinary shares.

Yours faithfully

**PricewaterhouseCoopers**  
Chartered Accountants

## PART III

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

The pro forma financial information set out below has been prepared to illustrate the effect of the issue of the Convertible Loan Stock and the Placing on the consolidated balance sheet of the Group at 31 December 1999 as if the issue of the Convertible Loan Stock and the Placing had taken place on 31 December 1999. The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group.

	<i>The Group (Note 1) £'000</i>	<i>Adjustment (Note2) £'000</i>	<i>Pro forma balance sheet £'000</i>
<b>Fixed assets</b>			
Tangible assets	312	–	312
<b>Current assets</b>			
Work in progress	–	–	–
Debtors	684	–	684
Cash at bank and in hand	2,608	4,900	7,508
<b>Creditors amounts falling due within one year</b>	(651)	–	(651)
<b>Net current assets</b>	<u>2,641</u>	<u>4,900</u>	<u>7,541</u>
<b>Total assets less current liabilities</b>	<u>2,953</u>	<u>4,900</u>	<u>7,853</u>
<b>Creditors amounts falling due after more than one year</b>	–	(3,400)	(3,400)
<b>Net assets</b>	<u>2,953</u>	<u>1,500</u>	<u>4,453</u>

**Notes:**

1. Extracted from Part II of this document.
2. The adjustment to reflects the net proceeds of the Placing of £1.5 million after expenses of £600,000 and the issue of the Convertible Loan Notes of £3.4 million.
3. The pro forma net asset statement does not include the balance sheet of AMS SA, a company acquired by the Group on 31 March 2000.
4. In preparing the pro forma statement, no account has been taken of trading or other transactions subsequent to 31 December 1999.

The Directors  
StatPro Group plc  
The White House  
57-63 Church Road  
Wimbledon Village  
London SW19 5DQ

The Directors  
Corporate Synergy PLC  
Piercy House  
7/9 Cophall Avenue  
London EC2R 7NJ

15 May 2000

Dear Sirs

**StatPro Group plc (“the Company”)**

We report on the pro forma statement of net assets set out in Part III of the Company’s prospectus dated 15 May 2000. The pro forma statement of net assets has been prepared, for illustrative purposes only, to provide information about how the proposed Placing might have affected the consolidated balance sheet of the Group as at 31 December 1999.

**Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the pro forma statement of net assets in accordance with paragraph 12.29 of the Listing Rules of the London Stock Exchange.

It is our responsibility to form an opinion, as required by the Listing Rules of the London Stock Exchange, on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the directors of the Company.

**Opinion**

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets as disclosed pursuant to paragraph 12.29 of the Listing Rules of the London Stock Exchange.

Yours faithfully  
**PricewaterhouseCoopers**  
*Chartered Accountants*

## PART IV

### Additional Information

#### 1. Incorporation, share capital and subsidiaries

- (a) The Company was incorporated in England and Wales on 21 March 1994 with registered number 2910629 as a private company with limited liability under the Companies Act 1985 (the "Act"). On 6 May 1999 the Company was re-registered as a public limited company with the name StatPro Group plc. The liability of the members is limited.

- (b) The Company is the holding company of the Group and has the following subsidiaries:-

StatPro Limited is incorporated in England and Wales with registered number 3691156. Its registered office is at The White House, 57-63 Church Road, Wimbledon Village, London SW19 5DQ. StatPro Limited has an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, 2 of which have been issued fully paid and are registered in the name of StatPro Group plc.

Statistical Analysis Software Limited is incorporated in England and Wales with registered number 3055438. Its registered office is at The White House, 57-63 Church Road, Wimbledon Village, London SW19 5DQ. Statistical Analysis Software Limited has an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, 2 of which have issued fully paid and are registered in the name of StatPro Group plc. This company is currently dormant.

StatPro Inc. is incorporated in the state of Delaware, USA. Its registered office is at 1013 Centre Road, Wilmington, Delaware 19805, USA. StatPro Inc. has an authorised share capital of 1,000 shares of common stock of US\$0.01 each, 100 of which have been issued fully paid and are registered in the name of StatPro Group plc. The company is involved in statistical analysis for the fund management industry.

StatPro SARL is incorporated in France with registered number R.C.S. PARIS B 424212355. Its registered office is 43 Rue D'Aboukir, 75002 Paris, France. StatPro SARL has an authorised share capital of FF50,000 divided in 500 shares of FF100, 500 of which have been fully paid and registered in the name of StatPro Group plc. The Company is involved in statistical analysis for the fund management industry.

AMS S.A is incorporated in France with registered number R.C.S. PARIS B 418353579. Its registered office is 16, rue Louis David, 75116, Paris, France. AMS S.A authorised share capital of FF100,000 divided in 1,000 shares of FF100, all of which have been fully paid and registered in the name of StatPro Limited. The Company is involved in statistical analysis for the fund management industry.

- (c) The authorised and issued share capital of the Company at the date of this document and as it will be after the Placing is as follows:

<i>Current</i>	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
Ordinary Shares of 1p each	850,000.00	85,000,000	243,789.86	24,378,986
<i>At Admission</i>				
Ordinary Shares of 1p each	850,000.00	85,000,000	270,039.86	27,003,986

- (d) (i) As at 31 December 1996 the issued share capital of the Company comprised 60,000 ordinary shares of £1 each.
- (ii) On 15 April 1997, 500 ordinary shares of £1 each were issued at a price of £1.33 per share upon the exercise of an option granted under the No. 1 Unapproved Scheme.

- (iii) On 14 November 1997 each of the ordinary shares of £1 each in the capital of the Company was sub-divided into 10 ordinary shares of 10p each.
- (iv) On 3 December 1997, 164,100 ordinary shares of 10p each were issued at a price of £2.50 per share.
- (v) On 15 September 1998, 5,714 ordinary shares of 10p each were issued at a price of £3.50 per share.
- (vi) Between 14 December 1998 and 25 January 1999, 17,500 ordinary shares of 10p each and 10,000 ordinary shares of 10p each were issued at prices of 13p and 50p respectively upon the exercise of options granted under the No. 1 and No. 2 Unapproved Schemes.
- (vii) On 7 January 1999, 15,428 ordinary shares of 10p each were issued at a price of £3.50 per share.
- (viii) On 15 February 1999 the share capital of the Company was increased from £100,000 to £200,000 by the creation of 1,000,000 ordinary shares of 10p each.
- (ix) On 4 March 1999, 21,666 ordinary shares of 10p each were issued at a price of £6.00.
- (x) On 19 March 1999, 61,538 ordinary shares of 10p each were issued at a price of £3.25 per share upon the exercise of conversion rights attaching to a loan made to the Company.
- (xi) On 31 March 1999, 20,000 ordinary shares of 10p each and 2,500 ordinary shares of 10p each were issued at prices of 13p and 50p respectively upon the exercise of options granted under the No. 1 and No. 2 Unapproved Schemes.
- (xii) On 29 April 1999, 5,000 ordinary shares of 10p each and 5,000 ordinary shares of 10p each were issued at prices of 13p and 50p respectively upon the exercise of options granted under the No. 1 and No. 2 Unapproved Schemes.
- (xiii) On 22 July 1999, 2,500 ordinary shares of 10p each were issued at a price of 13p per share on the exercise of options granted under the No. 1 Unapproved Scheme.
- (xiv) On 1 September 1999, 162,489 ordinary shares of 10p each were issued at a price of £12 per share pursuant to the offer for subscription made by the Company pursuant to the prospectus published on 21 June 1999.
- (xv) On 1 November 1999, 26,069 ordinary shares of 10p each were issued at a price of £12.00 per share.
- (xvi) On 5 November 1999 each of the ordinary shares of 10p each in the capital of the Company, issued and unissued, were sub-divided into 10 ordinary shares of 1p each.
- (xvii) Between 1 December 1999 and 12 January 2000, 85,833 ordinary shares of 1p each were issued at a price of £1.20 per share.
- (xviii) On 28 January 2000, 50,000 ordinary shares of 1p each were issued at a price of 1.3p per share upon the exercise of options granted under the No. 1 Unapproved Scheme.
- (xix) On 1 March 2000, 8,620 ordinary shares of 1p each were issued at a price of 35p per share on the exercise of options granted under the Approved Scheme.
- (xx) On 14 March 2000, 10,000 ordinary shares of 1p each were issued at a price of 60p per share on the exercise of an option granted by the Company on 4 March 1999.
- (xxi) On 31 March 2000, 790,000 ordinary shares of 1p each were issued pursuant to the agreement summarised in paragraph 8(v) below as part consideration for the acquisition of the entire issued share capital of AMS.

- (xxii) At the extraordinary general meeting of the Company held on 12 April 2000 the authorised capital of the Company was increased from £200,000 to £850,000 by the creation of 65,000,000 ordinary shares of 1p each.
- (xxiii) On 12 April 2000 12,189,493 ordinary shares of 1p each were issued pursuant to a capitalisation issue, the sum of £121,894.93 standing to the credit of the share premium account of the Company being applied in paying up in full such shares which were allotted, credited as fully paid up, to shareholders in the proportion of one new ordinary share of 1p each for every one fully paid ordinary share of 1p each then held.
- (e) At the extraordinary general meeting of the Company held on 12 April 2000 a special resolution was passed (*inter alia*):
- (i) authorising the Directors pursuant to section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £508,000 for the purposes, *inter alia*, of the Placing, subject to such authority being limited to the allotment of relevant securities up to an aggregate nominal amount of one third of the issued Ordinary Share capital of the Company following the Placing, the authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2004;
- (ii) authorising the Directors to allot equity securities pursuant to the authority summarised in paragraph (i) above as if section 89(1) of the Act did not apply to such allotment for the purposes, *inter alia*, of the Placing, such power to expire at the earlier of the conclusion of the next Annual General Meeting and 15 months from the date of the Resolution and such authority to be limited to the allotment of equity securities following the Placing for cash up to an aggregate nominal amount equal to five per cent of the Ordinary Share capital of the Company in issue following the Placing.
- (f) The provisions of section 89 of the Act (which to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company which is not the subject of the disapplication of section 89 of the Act referred to in paragraph (e)(ii) above.
- (g) Save as disclosed in this paragraph 1:
- (a) no share or loan capital of the Company or any of its subsidiaries has within three years before the date of this document (other than intra-group issues by wholly-owned subsidiaries) been issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;
- (b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the three years immediately preceding the date of this document in connection with the issue or sale of any share or loan capital of any such company; and
- (c) save for options granted under the Share Option Schemes and the agreements summarised in paragraph 6 below, and upon the exercise of the Warrants and conversion of the Convertible Loan Stock, neither the Company nor any of its subsidiaries has granted any options over its share or loan capital which remain outstanding or has agreed, conditionally or unconditionally, to grant any such options.
- (h) The New Ordinary Shares will be in registered form and will be capable of being held in both certificated and uncertificated form. It is expected that share certificates will be despatched to placees (other than those electing to hold shares in a CREST account) by post by 22 May 2000. No temporary documents of title have been or will be issued.

## 2. Summary of Memorandum and Articles of Association

### Memorandum of Association

The principal object of the Company, which is set out in clause 4 of its Memorandum of Association, is to carry on business as a general commercial company.

### Articles of Association

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

#### (a) Voting Rights

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

#### (b) Alteration of Capital

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

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

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

#### (c) Variation of Rights

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

#### (d) Purchase of Own Shares

Subject to the provisions of the Act and to the sanction by an extraordinary resolution passed at a separate class meeting of the holders of any convertible shares, the Company may purchase any of its own shares of any class (including redeemable shares) at any price. While the Company is listed on the London Stock Exchange any purchase of own shares will be subject to the restrictions of the Listing Rules.

#### (e) Transfer of Shares

Any member may transfer all or any of his shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may decline to register any transfer of shares which are not fully paid on which the Company has a lien. The Company will only have a lien in respect of monies remaining unpaid on partly paid shares after the due date of payment. The

Company may only exercise its lien following the expiry of 14 days notice demanding payment of monies due in respect of partly paid shares.

(f) *Dividends and other distributions*

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

All dividends shall be apportioned and paid *pro rata* to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

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

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

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

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

(g) *Restrictions on Shares*

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under Section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the Board (of the Company) may serve on such member or on any such person a notice (“a direction notice”) in respect of the shares in relation to which the default occurred (“default shares”) directing that a member shall not be entitled to vote at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may in addition direct that any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a *bona fide* unconnected third party, or by the acceptance of a take-over offer or through a sale through a recognised investment exchange as defined in the Financial Services Act 1986. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(h) *Directors*

- (i) At every annual general meeting of the Company as near as possible (but not exceeding) one third of the Directors for the time being shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.
- (ii) Save as provided in paragraph (iii) below, a Director shall not vote (nor be counted in the quorum) on any resolution of the Directors in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

- (iii) The prohibition in paragraph (ii) above shall not apply to a Director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries; (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company or any of its subsidiaries by him; (iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company); (v) any resolution relating to an arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not provide in respect of any Director as such any privilege or benefit not accorded to the employees to whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.
- (iv) The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £150,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. The Directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as Directors. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. The Directors may pay pensions and other benefits to, *inter alia*, present and past employees and Directors and may set up and maintain schemes for the purpose.
- (v) The provisions of Section 293 of the Act relating to the mandatory retirement of Directors at age 70 do not apply to the Company.
- (vi) Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two. There is no maximum number of Directors. A Director shall not be required to hold any shares of the Company by way of qualification.

(i) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (so far as regards subsidiaries as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final payment) for the time being outstanding of all monies borrowed by the Company and its subsidiaries and for the time being owing to third parties shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the higher of an amount equal to five times the Adjusted Capital and Reserves (as defined in the Articles of Association) and £5,000,000.

### 3. Convertible Loan Stock

By a Trust Deed dated 8 May 2000 between the Company and Weighbridge Trust Limited (“the Trustee”) the Company has constituted the Convertible Loan Stock. The total principal amount of the Convertible Loan Stock is limited to £3,400,000. The whole of the Convertible Loan Stock as and when issued shall rank *pari passu* as a secured obligation of the Company. The Convertible Loan Stock is not listed on any Stock Exchange in the United Kingdom or elsewhere. The Trust Deed contains provisions, *inter alia*, to the following effect:

(a) *Interest*

For the period during which the Convertible Loan Stock is in issue the Company is liable to pay interest on the principal amount of the Convertible Loan Stock at the rate of six per cent (6 per cent.) calculated on a daily basis but payable on 30 June and 31 December each year provided that the first such payment of interest shall be calculated from the date of issue of the Convertible Loan Stock and made on 31 December 2000.

(b) *Redemption*

The Company may at any time after 1 January 2001 by giving not less than 30 days' notice in writing redeem all or part of the Convertible Loan Stock at par provided that each redemption of part of the Convertible Loan Stock by the Company shall be in an amount of not less than £200,000. If there is more than one holder of the Convertible Loan Stock ("Stockholder") the amount of Convertible Loan Stock of each Stockholder to be redeemed shall be calculated as nearly as may be according to their respective holdings at the relevant date or as otherwise agreed by all the Stockholders. Unless previously converted, purchased or redeemed, the Convertible Loan Stock is redeemable at par on 31 December 2005 ("the Final Redemption Date").

(c) *Purchase*

The Company may at any time agree to purchase any of the Convertible Loan Stock by private treaty at any price agreed with a Stockholder. Any Convertible Loan Stock so purchased and any Convertible Loan Stock redeemed shall be cancelled and shall not be capable of being re-issued.

(d) *Events of Default*

The Convertible Loan Stock is liable to be repaid at par together with accrued interest forthwith on the request of the Trustee following the happening at any time before the Final Redemption Date of any of the following events:

- (i) failure by the Company to pay within seven days of the due date any principal moneys or interest payable on any of the Convertible Loan Stock;
- (ii) a resolution being passed or an order being made for the winding up or administration of the Company;
- (iii) breach or non compliance by the Company of or with any of the provisions of the Trust Deed (other than the provisions for redemption or payment of interest) and which, if capable of remedy, is not remedied within twenty one days of the date of breach or non-compliance;
- (iv) the appointment of a receiver or administrative receiver of any part of the undertaking or property of the Company;
- (v) the inability of the Company to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 or any statutory modification or re-enactment thereof;
- (vi) the Company or any subsidiary of the Company ceases or threatens to cease to carry on its business or substantially the whole of its business except where such business is transferred to the Company or another subsidiary of the Company; and
- (vii) any lawful distress or execution being levied or enforced against any of the assets of the Company and not paid out within fourteen days.

In the event that the Company becomes aware of any such event as is mentioned in this clause, the Company shall procure that notice thereof in writing is forthwith given to the Trustee.

(e) *Conversion*

Any Stockholder is entitled by not less than 14 days' notice in writing to the Company ("the Conversion Notice") given at any time before 31 December 2005 ("Relevant Conversion Date") to require the Company to allot fully paid Ordinary Shares in exchange for and in satisfaction of the whole or part of the nominal amount of Convertible Loan Stock held by him ("Conversion Rights") at the rate of one Ordinary Share for each £0.80 nominal of Convertible Loan Stock converted ("the Conversion Rate"). A Conversion Notice shall not be withdrawn without the consent in writing of the Company.

All Ordinary Shares issued in respect of Convertible Loan Stock so converted shall be credited as fully paid and shall carry the right to receive a percentage of all dividends and other distributions declared, paid or made upon the Ordinary Shares in respect of any period in which the Relevant Conversion Date falls, equal to the percentage of that period falling after the Relevant Conversion Date (calculated on a daily basis) except the whole or any part of any dividends in respect of any period of the Company ended before the Relevant Conversion Date. Those Ordinary Shares shall rank *pari passu* in all other respects and form one class with the fully paid Ordinary Shares in issue on the Relevant Conversion Date.

(f) *Adjustment*

Following any capitalisation of the Company's reserves (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) to holders of the Ordinary Shares on the register on a date (or by reference to a record date) on or before the Final Redemption Date and upon any sub-division or consolidation of the Ordinary Shares on or before the Final Redemption Date, the number and/or nominal value of Ordinary Shares to be issued on any subsequent exercise of the Conversion Rights is liable to be increased or, as the case may be, reduced in due proportion so as to maintain the same relative Conversion Rights for each £1 nominal of Convertible Loan Stock, with effect from the record date for such capitalisation, sub-division or consolidation in such manner as the auditors shall certify in their opinion to be fair and reasonable.

If, on a date (or by reference to a record date) on or before the Final Redemption Date, the Company makes any offer or invitation (whether by rights issue or otherwise) to the holders of the Ordinary Shares, or any offer or invitation is made to such holders otherwise than by the Company, then if such offer shall not be extended to the Stockholders (on the basis that the Conversion Rights had been exercised in full by the Stockholders immediately before the record date for any such offer) the Conversion Rate shall be adjusted in such manner as the auditors shall certify in their opinion to be fair and reasonable.

(g) *Winding Up*

In the event of the winding up of the Company (whether compulsory or voluntary or subject to the supervision of the Court) the Stockholders shall be entitled to prove in the liquidation as a secured creditor for the principal and interest outstanding and owing on or in respect of the Convertible Loan Stock together with any costs, charges, expenses and liabilities incurred by the Stockholders in connection therewith.

(h) *Transfer in Common Form*

Every holder of the Convertible Loan Stock is entitled to transfer the same or any part (being an amount or multiple of £0.80) thereof by an instrument in writing in usual or common form.

(i) *Security*

The Company's obligations under the Trust Deed constituting the Convertible Loan Stock are secured by first fixed and floating charges over substantially the whole of the assets and undertaking of the Company pursuant to a Debenture dated 8 May 2000 between the Company and the Trustee.

(j) *Trustee's Indemnification*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain events.

(k) *Removal, Retirement and Replacement of Trustee*

The Trust Deed permits the Trustee to retire at any time without assigning any reason. The Stockholders have power to remove the Trustee by Extraordinary Resolution. The Company has power to appoint a new trustee but such trustee is subject to the approval of an Extraordinary Resolution of the Stockholders.

#### 4. Warrants

By Deed Poll dated 8 May 2000 the Company has constituted the Warrants. The Warrants are not listed on any Stock Exchange in the United Kingdom or elsewhere. The Deed Poll contains provisions, *inter alia*, to the following effect:-

##### (a) *Subscription Rights*

A registered holder for the time being of Warrants (“a Warrantholder”) shall have rights (“subscription rights”) to subscribe for the number of Ordinary Shares set out in the certificate by making payments in cash for all or such number of Ordinary Shares as it shall specify and for which its holding of Warrants shall entitle it so to subscribe at a price of 80p per Ordinary Share (“the Subscription Price”) at any time within the period (“the Subscription Period”) commencing on 8 May 2000 and ending on 17 May 2007 (“Final Exercise Date”). The subscription rights will not be exercisable in respect of a fraction of a share. The Subscription Price shall be payable in full on exercise of the Warrant.

Ordinary Shares allotted pursuant to the exercise of the subscription rights will rank for all dividends or other distributions declared after the date of allotment of such shares but not before such date and otherwise *pari passu* in all respects with the Ordinary Shares in issue on the date of such exercise.

Any subscription rights not exercised prior to the expiry of the Subscription Period shall lapse.

##### (b) *Adjustment of Subscription Rights*

After any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) to holders of the Ordinary Shares on the register on a date or by reference to a record date prior to the Final Exercise Date or upon any sub-division or consolidation of the Ordinary Shares on or by reference to such a date, the number and/or nominal value of Ordinary Shares to be subscribed for on any subsequent exercise of the subscription rights will be increased or reduced, as the case may be, in due proportion and/or the subscription price will be adjusted accordingly.

If, on a date (or by reference to a record date) on or before the Final Exercise Date, the Company makes any offer or invitation (whether by rights issue or otherwise) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph (e) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the Warrantholders as if their subscription rights had been exercised on the day immediately preceding the date, or, as the case may be, the record date of such offer or invitation provided that if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the Warrantholders but the Subscription Price shall be adjusted (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares outstanding on the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount (if any) payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares outstanding at the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription and (ii) in any other case, in such manner as the auditors shall certify to be appropriate. “Market price” for these purposes means the average of the mean of the quotations published in the Daily Official List of the London Stock Exchange for one Ordinary Share for the five consecutive London Stock Exchange dealing days ending on the London Stock Exchange dealing day immediately preceding the day on which the market price is to be ascertained.

##### (c) *Winding Up*

If an order is made or an effective resolution is passed on or before the Final Exercise Date for the voluntary winding up of the Company (except for the purpose of reconstruction or amalgamation, in

which case the Company will procure that each Warrantholder is granted by the reconstructed or amalgamated company a substituted warrant of a value equivalent to the value of his Warrants immediately prior to such reconstruction or amalgamation in substitution, as the Warrantholder(s) acknowledge(s), for and to the exclusion of the Warrant) each Warrantholder will be entitled for the purpose of ascertaining his rights in the winding up to be treated as if he had immediately before the date of the passing of the resolution fully exercised his rights to acquire Ordinary Shares pursuant to his Warrants and shall be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of all such Ordinary Shares to which he would have become entitled by virtue of such exercise after deducting a sum equal to the sum which would have been payable in respect of such exercise. The rights of the Warrantholders under this paragraph (c) shall be calculated by the auditors of the Company for the time being whose determination shall (save in the case of manifest error) bind the Company and the Warrantholders. Subject to this paragraph, the Warrants shall lapse on liquidation of the Company.

(d) *Variation of Rights*

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the Company and with either the consent in writing of Warrantholders entitled to subscribe for not less than 75 per cent. of the Ordinary Shares which are subject to outstanding Warrants or with the sanction of an Extraordinary Resolution of the Warrantholders.

(e) *Other Provisions*

If at any time whilst the subscription rights remain capable of being exercised an offer or invitation is made to all ordinary shareholders of the Company (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer or invitation the right to cast a majority of votes which may ordinarily be cast at a general meeting of the Company has become vested in the offeror and/or such persons or companies as aforesaid, the Company shall, so far as it is able, procure that a like offer or invitation is made or extended at the same time to each Warrantholder as if the Warrants had been exercised in full and as if the Ordinary Shares issued pursuant to such exercise had been issued immediately prior to the record date for such an offer or invitation.

(f) *Transfer*

Each Warrant will be registered and will be transferable by instrument of transfer in any usual or common form.

## **5. Directors' and other interests**

- (a) The interests (all of which are beneficial) in the share capital of the Company of (i) Directors which have been notified to the Company pursuant to Section 324 or 328 of the Act or which are required to be entered in the register maintained by the Company pursuant to Section 325 of the Act; and (ii) persons connected with the Directors (within the meaning of section 346 of the Act) known to a Director, or which with reasonable diligence could be ascertained by that Director, which would, if such persons were a Director, be required to be notified to the Company pursuant to Section 324 or 328 of the Act or entered in the register maintained pursuant to section 325 of the Act; as at 12 May 2000 (being the latest practicable date prior to the printing of this document) and as they will be immediately following Admission are as follows:

<i>Names</i>	<i>No. of Ordinary Shares existing</i>	<i>Percentage of share capital</i>	<i>No. of Ordinary Shares following Admission</i>	<i>Percentage of Enlarged Share Capital</i>	<i>Amount of Convertible Loan Stock</i>	<i>No. of Warrants</i>
C.R. Bacon	10,000	0.04	35,000	0.1	£14,000	17,500
J.M.B.T Wheatley	6,525,000	26.8	6,525,000	24.2	–	–
M.C. Fairbairn	100,000	0.4	112,500	0.4	£6,000	7,500
N.E.S. Alexander	353,320	1.4	353,320	1.3	£25,000	31,250
D.M.D.A. Wheatley	1,644,600	6.7	1,769,600	6.6	£130,000	162,500

The holdings of each of Justin Wheatley and Dominic Wheatley include 260,000 Ordinary Shares held in a family trust. Each is a trustee and potential beneficiary of the trust.

- (b) The following Directors hold, or will hold at Admission, the following options to subscribe for Ordinary Shares under the Unapproved Scheme, summarised in paragraph 6:

	<i>Ordinary Shares under Option</i>	<i>Exercise Price</i>	<i>Earliest Exercise Date</i>
C.R. Bacon	312,500	80p	18 May 2003
M.C. Fairbairn	62,500	80p	18 May 2003

- (c) Save as disclosed in paragraphs 5(a) and (b), none of the Directors nor any person connected with them (within the meaning of Section 346 of the Act) has any interest (beneficial or non-beneficial) in the share capital of any member of the Group.
- (d) (i) Carl Bacon has a service agreement with the Company dated 3 April 2000 pursuant to which he is engaged as Chairman. The service agreement is for an initial period of 12 months and thereafter may be terminated on 3 months' notice by either party. Carl Bacon's current salary is £100,000 per annum, and he is entitled to participate in the Group's private health scheme. The Group pays pension contributions for the benefit of Carl Bacon equal to 10 per cent of basic salary to a personal pension scheme.
- (ii) Justin Wheatley has a service agreement with the Company dated 18 June 1999 pursuant to which he is engaged as Chief Executive. The service agreement is for an initial period of 12 months and thereafter may be terminated on 6 months' notice by either party. Justin Wheatley's current salary is £240,000 per annum, and he is entitled to participate in the Group's private health scheme. The Group pays pension contributions for the benefit of Justin Wheatley equal to 5 per cent of basic salary to a personal pension scheme.
- (iii) Charles Fairbairn has a service agreement with the Company dated 3 April 2000 pursuant to which he is engaged as Finance Director. The service agreement is for an initial period of three months and thereafter may be terminated on one months' notice up to 3 April 2004 and thereafter by one weeks' notice for each complete year of continuous service given by either party. Charles Fairbairn's current salary is £1,250 per day. Charles Fairbairn's appointment is intended to be temporary until a fulltime finance director is recruited. Charles Fairbairn will devote 2 days per week to the provision of services to the Group.
- (e) (i) Dominic Wheatley was appointed as non-executive director of the Company by letter of appointment dated 18 June 1999 pursuant to which he holds office in accordance with the Articles of Association of the Company. Dominic Wheatley's fee as a director is currently £25,000 per annum.
- (ii) Nick Alexander was appointed as non-executive director of the Company by letter of appointment dated 18 June 1999 pursuant to which he holds office in accordance with the Articles of Association of the Company. Nick Alexander's fee as a director is currently £15,000 per annum.

- (f) Save as provided above, there are no existing or proposed service agreements between any of the Directors and any member of the Group which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year.
- (g) Save as set out below no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or an earlier financial year and remains in any respect outstanding or unperformed.

In August 1998 Dominic Wheatley made available to the Company a loan of £200,000. The loan was granted on the basis that it would be convertible into ordinary shares of 10p each at a conversion price of £3.25 per share at any time. On 19 March 1999 Mr Wheatley exercised the conversion rights. £1.50 of the loan was repaid in cash.

- (h) No loans made or guarantees granted or provided by the Company to or for the benefit of any Director are outstanding.
- (i) The aggregate remuneration paid and benefits in kind granted to the Directors during the last completed financial year were £357,000. The estimated aggregate remuneration payable and benefits in kind to be granted to the Directors for the current financial year under the arrangements in force at the date of this document are £520,000.
- (j) As at 12 May 2000 (being the latest practicable date prior to the publication of this document), the Company is aware of the following interests, direct or indirect, in 3 per cent. or more of the Company's issued share capital:-

<i>Shareholder</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
J.M.B.T. Wheatley	6,525,000	24.2
P.T. Borel	2,750,000	10.2
D.M.D.A. Wheatley	1,769,600	6.6
M. Van Thuyne	1,485,600	5.5
N. Trevor	1,200,000	4.4

- (k) Save as disclosed in paragraph 5(j) above, as at 12 May 2000 (being the latest practicable date prior to the publication of this document), the Company is not aware of any interests, direct or indirect, in 3 per cent. or more of the issued share capital of the Company. The Directors are not aware of any person who would, immediately following Admission, directly or indirectly, jointly or severally exercise control over the Company.
- (l) The emoluments of the Directors will not be varied as a result of the Placing. There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

(m) The Directors:

- (i) are or have been directors or partners of the following companies and partnerships at any time in the previous five years:

<i>Director</i>	<i>Current Directorships</i>	<i>Former Directorships</i>
C. Bacon	–	Foreign & Colonial Investment Management Limited Foreign & Colonial Institutional Management Limited
J.M.B.T. Wheatley	Justin Wheatley Limited WRC Renand SA	Micropal France SA Micropal Luxembourg SA
M.C. Fairbairn	Crunchwell Limited New Capital Invest plc	Pearson New Entertainment Limited Pearson New Entertainment Holdings Limited Great Britain On-Line Limited GB On-line Limited Europe On-line (London) Limited Cameron Williams Limited
D.M.D.A. Wheatley	3DO Europe Limited SCI Moulin de Coutre SCI Commhaines & Co Ideal Partners	DOMARK Software Limited DOMARK Software Inc Eidos plc Dennis Wheatley Limited Brook Richlieu Limited
<i>Director</i>	<i>Current Directorships</i>	<i>Former Directorships</i>
N.E.S. Alexander	The Wholestore Limited Binary Vision Limited Music is it Limited eCountries.com Limited 365 Corporation Plc Social Market Foundation	Pearson New Entertainment Limited Pearson New Entertainment Holdings Limited Great Britain On-Line Limited GB On-line Limited Europe On-line (London) Limited John Brown Interactive Limited Future Publishing Limited Enterprise Europe

Europe On-line (London) Limited, of which Mr Fairbairn and Mr Alexander were Directors until 25 February 1996 when the company was sold, was placed in creditors' voluntary liquidation on 31 July 1996. Until its sale the said company was a wholly owned subsidiary of Pearson New Entertainment Holdings Limited, a member of the Pearson plc group. At the time of liquidation the estimated deficit of the company as regards creditors was £2,648,358. As far as Mr Fairbairn and Mr Alexander are aware there are no outstanding matters relating to their directorships.

save as disclosed above the Directors:

- (ii) have no unspent convictions relating to indictable offences;
- (iii) have had no bankruptcies or individual voluntary arrangements;
- (iv) have not been directors with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;
- (v) have not been partners of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangements of such partnership;

- (vi) have not been partners of any partnership at the time of or within 12 months preceding a receivership of any assets of such partnership;
  - (vii) have not had any of their assets subject to any receivership; and
  - (viii) have not received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) and have not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- (n) No Director has or has had any interest, direct or indirect, in any asset which within the two years prior to the date of this document was acquired or disposed of by, or leased to or by any member of the Group (including any interest in the consideration passing to or from a member of the Group in relation to any such transaction).

## **6. Share Option Schemes**

- (a) The Company has four Share Option Schemes:

The StatPro Group plc Employee Share Option Scheme (“the No. 1 Unapproved Scheme”).

The StatPro Group plc Share Option Scheme (“the No. 2 Unapproved Scheme”).

The StatPro Group plc Unapproved Share Option Scheme (“the Unapproved Scheme”).

The StatPro Group plc Approved Share Option Scheme (“the Approved Scheme”).

- (b) The No. 1 Unapproved Scheme was adopted by the Company on 24 February 1997. Set out below is a summary of the principal terms of the No. 1 Unapproved Scheme:
- (i) Any employee of the Company or any of its subsidiaries (“the Group”) is eligible to participate in the No. 1 Unapproved Scheme.
  - (ii) Invitations to apply for the grant of options may be issued by the Company to employees selected by the Directors at any time. The sum of £1 is payable as consideration for the grant of an option.
  - (iii) An option will entitle the holder to subscribe for Ordinary Shares in the Company at a price determined by the Directors, which may not be less than the nominal value of a share.
  - (iv) The maximum number of Ordinary Shares that may be issued upon the exercise of options granted under the No. 1 Unapproved Scheme is limited to 600,000 Ordinary Shares. No further options will be granted under this Scheme.
  - (v) An option will normally be exercisable only during the period beginning on the date specified in the invitation to apply for the grant of the option and ending on the date seven years following the date of grant. An option will normally lapse if the option holder ceases to be employed within the Group. However, options may be exercised during a limited period in certain specified circumstances, such as the death, injury, disability, redundancy or retirement of the option holder or the take-over of the Company. If any option holder ceases to be employed within the Group in any other circumstances, the Directors have a discretion to allow the option holder to exercise options.
  - (vi) An option is not transferable and may be exercised only by the person to whom it is granted or, in the case of a deceased option holder, his personal representatives.
  - (vii) In the event of a capitalisation, sub-division, consolidation, reduction or other variation of the capital of the Company, the number of Ordinary Shares subject to an option and the exercise price of an option may be adjusted by the Directors, subject (other than in the case of a capitalisation issue) to the auditors of the Company confirming in writing to the Directors that such adjustment is, in their opinion, fair and reasonable.
  - (viii) Ordinary Shares allotted on the exercise of an option granted under the No. 1 Unapproved Scheme will rank equally in all respects with the Ordinary Shares of the Company in issue at the date of

exercise, except as regards dividends and other entitlements arising by reference to a record date prior to the date of exercise.

- (ix) The Directors may amend the rules of the No. 1 Unapproved Scheme. However, the Directors may not make any amendment to the Scheme which would adversely affect the subsisting rights of optionholders.
  - (x) The rules of the No. 1 Unapproved Scheme provide that the scheme does not form part of the contract of employment of any employee and that any claim by an employee for loss of employment will not include the loss of any benefit or advantage under the scheme.
  - (xi) The No. 1 Unapproved Scheme is governed by English law.
- (c) The No. 2 Unapproved Scheme was adopted by the Company on 13 September 1997. The principal terms of the scheme are substantially the same as the No. 1 Unapproved Scheme, save that the maximum number of Ordinary Shares that may be issued upon the exercise of options granted under the No. 2 Unapproved Scheme is limited to 650,000 Ordinary Shares. No further options will be granted under this Scheme.
- (d) The Unapproved Scheme was adopted by the Company on 12 April 2000. Set out below is a summary of the principal terms of the Unapproved Scheme:
- (i) Any *bona fide* employee (including executive directors) of the Company or any of its subsidiaries (“the Group”) is eligible to participate in the Unapproved Scheme. An option may not be granted to an employee less than two years before he is bound to retire under the terms of his contract of employment.
  - (ii) Invitations to apply for the grant of options will be sent by the Company to eligible employees selected by the Remuneration Committee. Invitations may normally be issued only during the period of 42 days following the adoption of the Unapproved Scheme by the Company’s shareholders, the admission of the ordinary share capital of the Company to the Official List of the London Stock Exchange or the announcement of the Company’s interim or final results for any period. Options may not be granted under the Unapproved Scheme after 31 March 2010 nor during a period when the grant of options would not be in accordance with the Model Code for transactions in securities by directors, certain employees and persons connected with them. No payment is required for the grant of an option. The number of Ordinary Shares in respect of which the Directors may grant options under the Unapproved Scheme to an individual employee is not subject to any limit.
  - (iii) An option will entitle the holder to subscribe for Ordinary Shares in the Company at a price determined by the Directors, which following Admission may not be less than the higher of:
    - (i) the average middle market quotation of a share as derived from the Daily Official List of the London Stock Exchange for the three dealing days immediately preceding the date upon which the invitation to apply for the grant of an option is issued; and
    - (ii) the nominal value of an Ordinary Share.
  - (iv) The number of Ordinary Shares in respect of which options may be granted under the Unapproved Scheme on any day, when added to the number of shares in respect of which options have been granted under the Unapproved Scheme and the Approved Scheme and any other share option scheme or share incentive scheme adopted after the adoption of the Unapproved Scheme, (and, in each case, if such options have not been exercised, have not then ceased to be exercisable) in the preceding period of 10 years is not to exceed the higher of 4,050,598 Ordinary Shares or 10 per cent. of the issued ordinary share capital of the Company from time to time.
  - (v) An option will normally be exercisable only during the period between three and ten years following the date of grant. An option will normally lapse if the option holder ceases to be employed within the Group. However, options may be exercised during a limited period in certain

- specified circumstances, such as death, injury, disability, redundancy or retirement of the option holder or the take-over or voluntary winding-up of the Company. If any option holder ceases to be employed within the Group in any other circumstances, the Directors have a discretion to allow the option holder to exercise options.
- (vi) The exercise of an option may, but is not required to be, conditional upon the increase in the quoted price of Ordinary Shares and/or the performance of the Company and/or upon the performance of a member of the Group and/or the option holder over such period(s) and measured against such objective criteria as shall be determined by the Remuneration Committee and notified to the option holder in the invitation to apply for the grant of an option.
  - (vii) An option is not transferable and may be exercised only by the person to whom it is granted or, in the case of a deceased option holder, his personal representatives.
  - (viii) In the event of a capitalisation issue, a rights issue or a sub-division, consolidation or reduction in the capital of the Company, the number of Ordinary Shares subject to an option and the exercise price of an option may be adjusted by the Remuneration Committee, subject (other than in the case of a capitalisation issue) to the auditors of the Company confirming in writing to the Remuneration Committee that such adjustment is, in their opinion, fair and reasonable.
  - (ix) Ordinary Shares allotted on the exercise of an option granted under the Unapproved Scheme will rank equally in all respects with the Ordinary Shares of the Company in issue at the date of exercise, except as regards dividends and other entitlements arising by reference to a record date prior to the date of exercise.
  - (x) Application will be made by the Company to the London Stock Exchange for the listing of Ordinary Shares allotted on the exercise of options.
  - (xi) The Remuneration Committee may amend the rules of the Unapproved Scheme. However, the Remuneration Committee may not amend the Unapproved Scheme for the benefit of employees without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the Unapproved Scheme and amendments to comply with or take account of any change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Unapproved Scheme, the Company or any member of the Group, or to meet the requirements of the London Stock Exchange, the Association of British Insurers, the National Association of Pension Funds or any similar body.
  - (xii) The rules of the Unapproved Scheme provide that the Unapproved Scheme does not form part of the contract of employment of any employee and that any claim by an employee for loss of employment will not include the loss of any benefit or advantage under the Unapproved Scheme.
  - (xiii) The Unapproved Scheme is governed by English law and any dispute concerning the Unapproved Scheme is subject to the jurisdiction of the English Courts.
- (e) The Approved Scheme was adopted by the Company on 2 June 1998. The Approved Scheme has been approved by the Inland Revenue under the provisions of the Income and Corporation Taxes Act 1988. The Approved Scheme was amended by resolution passed at the Extraordinary General Meeting held on 12 April 2000. The rules of the Approved Scheme as amended are subject to the approval of the Inland Revenue. Set out below is a summary of the principal terms of the Approved Scheme.
- (i) Any employee (including executive directors) of the Company or any of its subsidiaries (“the Group”) is eligible to participate in the Approved Scheme.
  - (ii) Invitations to apply for the grant of options will be sent by the Company to eligible employees selected by the Remuneration Committee. Invitations may normally be issued only during the period of 42 days following the admission of the ordinary share capital of the Company to the Official List of the London Stock Exchange or the announcement of the Company’s interim or final results for any period. Options may not be granted under the Unapproved Scheme after 31 March 2010 nor during a period when the grant of options would not be in accordance with the

Model Code for transactions in securities by directors, certain employees and persons connected with them. No payment is required for the grant of an option.

- (iii) An option will entitle the holder to subscribe for Ordinary Shares in the Company at a price determined by the Directors, which may not be less than the higher of:
  - (i) the average middle-market quotation of a share as derived from the Daily Official List of the London Stock Exchange for the three dealing days immediately preceding the date upon which the invitation to apply for the grant of an option is issued; and
  - (ii) the nominal value of an Ordinary Share.
- (iv) The number of Ordinary Shares in respect of which options may be granted under the Approved Scheme on any day, when added to the number of shares in respect of which options have been granted under the Approved Scheme and the Unapproved Scheme and any other share option scheme or share incentive scheme adopted after the adoption of the Approved Scheme, (and, in each case, if such options have not been exercised, have not then ceased to be exercisable) in the preceding period of 10 years is not to exceed the higher of 4,050,598 Ordinary Shares or 10 per cent. of the issued ordinary share capital of the Company from time to time.
- (v) No option may be granted to an eligible employee if the result of the grant would be that the aggregate price payable on the exercise of all options held by him under the Approved Scheme or any other Inland Revenue approved share option scheme (other than options granted under an Inland Revenue approved savings related share option scheme) adopted by the Company or an “associated company” (as defined in the Approved Scheme) would exceed £30,000.
- (vi) An option will normally be exercisable only during the period between three and ten years following the date of grant. An option will normally lapse if the option holder ceases to be employed by the Company. However, options may be exercised during a limited period in certain specified circumstances, such as the death, injury, disability, redundancy or retirement of the option holder or the take-over or voluntary winding-up of the Company. If any option holder ceases to be employed by the Company in any other circumstances, the Directors have a discretion to allow the option holder to exercise options.
- (vii) The exercise of an option may be conditional upon the performance of the Company and/or upon the performance of the option holder over such period(s) and measured against such objective criteria as shall be determined by the Remuneration Committee and notified to the option holder when the option is granted. Options granted under the Approved Scheme to date have not been subject to performance conditions.
- (viii) An option is not transferable and may be exercised only by the person to whom it is granted or, in the case of a deceased option holder, his personal representatives.
- (ix) In the event of a capitalisation issue, a rights issue or a sub division, consolidation or reduction in the capital of the Company, the number of Ordinary Shares subject to an option and the exercise price of an option may be adjusted by the Remuneration Committee, subject (other than in the case of a capitalisation issue) to the auditors of the Company confirming in writing to the Directors that such adjustment is, in their opinion, fair and reasonable and provided no adjustment will be made unless the Inland Revenue have confirmed that the approved status of the Approved Scheme will not be affected.
- (x) Ordinary Shares allotted on the exercise of an option granted under the Approved Scheme will rank equally in all respects with the Ordinary Shares of the Company in issue at the date of allotment, except as regards dividends and other entitlements arising by reference to a record date prior to the date of allotment.
- (xi) The Remuneration Committee may amend the rules of the Approved Scheme, provided no adjustment will be made unless the Inland Revenue have confirmed that the approved status of the scheme will not be affected by the amendment.

- (xii) The rules of the Approved Scheme provide that the scheme does not form part of the contract of employment of any employee and that any claim by an employee for loss of employment will not include the loss of any benefit or advantage under the Approved Scheme.
- (xiii) The Approved Scheme is governed by English Law and any dispute concerning the Approved Scheme is subject to the jurisdiction of the English courts.
- (f) Options over 400,000 Ordinary Shares have been granted and remain exercisable pursuant to the No. 1 Unapproved Scheme and options over 500,000 Ordinary Shares have been granted and remain exercisable pursuant to the No. 2 Unapproved Scheme. No further options will be granted pursuant to these shares. Options over 1,480,790 Ordinary Shares have been granted and remain exercisable pursuant to the Approved Scheme. Options over an aggregate of 600,000 Ordinary Shares have been granted to Carl Bacon, Charles Fairbairn and certain key employees as set out in Part 1 of this document under the Unapproved Scheme.
- (g) Pursuant to agreements dated 31 March 2000 between the Company and Thierry Martin, Didier Cabon, Frédéric Bardoux and Charles Dabilly (each a vendor of shares in AMS SA and an employee of the Group) the Company granted options to acquire respectively 111,250, 111,250, 24,730 and 2,770 Ordinary Shares at a price of £1.20 per share. Each of the options are only exercisable between the third and tenth anniversary of the date of grant. Each of the options will lapse upon the option holder ceasing to be an employee of the Group save in certain specified circumstances and subject to the discretion of the Directors to permit exercise of the option after the option holder ceases to be an employee.
- (h) Pursuant to option agreements dated 1 March 2000, 28 January 2000, 8 February 2000 between the Company and Grahame Falconer, Michel Lempicki and Elke Fidler respectively (each an employee of the Group) the Company granted options to acquire respectively 100,000, 38,500 and 9,792 Ordinary Shares at a price of £1.20 per share. Each of the options are only exercisable between the third and tenth anniversary of the date of grant. Each of the options will lapse upon the option holder ceasing to be an employee of the Group save in certain specified circumstances and subject to the discretion of the Directors to permit exercise of the option after the option holder ceases to be an employee.
- (i) Pursuant to the Placing Agreement the Company granted an option to Corporate Synergy to acquire up to 312,500 Ordinary Shares at the Placing Price at any time up to (and including) 14 May 2007. This option was granted to Corporate Synergy as part of its fee for acting as sponsor and financial adviser to the Company.
- (j) Save as disclosed in paragraphs 6(f), (g), (h) and (i) above there are no options in issue.

## **7. Working Capital**

The Company is of the opinion that, after taking account of the net proceeds of the Placing, the issue of the Convertible Loan Notes and available bank and other facilities, the Group has sufficient working capital for its present requirements, that is at least 12 months from the date of this document.

## **8. Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into by members of the Group and contain provisions under which a member of the Group has an outstanding obligation or entitlement which is or may be material to the Group:-

- (i) Agreement dated 30 June 1995 between Standard & Poor's Micropal S.A.R.L. ("SPM") (1) the Company (2) and Justin Wheatley (3) providing for the sale and purchase by the Company of the entire issued share capital of Micropal France SA ("MFSA") for a consideration of FF 29,000 and the grant (i) to SPM of an option to re-purchase and (ii) to the Company of an option to require SPM to re-purchase, the entire issued share capital of MFSA.
- (ii) Agreement dated 16 April 1999 between SPM (1), the Company (2) and Justin Wheatley (3) amending the agreement summarised in paragraph (i) above and providing for the exercise by SPM of the option

to re-purchase the entire issued share capital of MFSA for a consideration calculated principally by reference to the net asset value of MFSA as at 30 September 1999 and certain revenues of MFSA in the periods from 1 October 1998 to 30 September 1999 and 1 January 1999 to 30 September 1999 respectively.

The sale and purchase of MFSA was completed on 30 September 1999. The aggregate consideration payable by SPM under the agreement was FF 17,747,311 of which a sum equal to 5 per cent. of the aggregate consideration is subject to a retention arrangement pending the expiry of the period during which SPM is able to bring claims under the warranties given by the Company in the agreement.

- (iii) Deed of Assignment dated 16 August 1994 between WRC Renand SA (1) and the Company (2) pursuant to which WRC Renand SA assigned to the Company all its rights in the product TAP for a consideration of £1 and the assumption by the Company of all WRC Renand SA's obligations under the agreement dated 25 May 1993 between Micropal Limited and WRC Renand SA. This later agreement provides for the exploitation of TAP by the parties as tenants in common of the copyright in TAP.
- (iv) Agreement dated 6 January 1998 between WRC Renand SA (1) and the Company (2) pursuant to which WRC Renand SA engaged the Company to distribute Micropal products in Switzerland. WRC Renand SA pays to the Company 95 per cent. of the commissions received by it from Micropal. StatPro is responsible for all costs and expenses incurred by it in the distribution of Micropal products. The agreement is terminable with effect from 31 December in any year by not less than one month's prior written notice given by either party.
- (v) Agreement dated 31 March 2000 between the Company (1), Thierry Martin (2), Charles Dabilly (3), Isabelle Martin (4), Didier Cabon (5), Odile Cabon (6), Frédéric Bardoux (7) and Annabelle Bardoux (together "the AMS Vendors") for the acquisition by the Company of the entire issued share capital of AMS SA for an aggregate consideration comprising £350,000, the issue of 790,000 Ordinary Shares credited as fully paid and the grant of options to subscribe for 250,000 Ordinary Shares. The cash consideration of £350,000 is payable on 30 June 2000. The 790,000 Ordinary Shares were issued upon completion of the agreement. The options to subscribe for 250,000 Ordinary Shares were granted on completion to Thierry Martin, Didier Cabon, Frédéric Bardoux and Charles Dabilly pursuant to the agreements summarised in paragraph 6(g) above. The agreement contains warranties and indemnities given by the AMS Vendors for the benefit of the Company subject to provisions limiting the liability of the AMS Vendors, including a limit on the aggregate liability of the AMS Vendors under the warranties and indemnities.
- (vi) Trust deed dated 8 May 2000 between the Company (1) and Weighbridge Trust Limited (2) constituting the Convertible Loan Stock, a summary of which is set out in paragraph 3 above.
- (vii) Deed Poll dated 8 May 2000 of the Company constituting the Warrants, a summary of which is set out in paragraph 4 above.
- (viii) The Placing Agreement dated 15 May 2000 between (1) Peel Hunt (2) Corporate Synergy (3) the Company and (4) the Directors, pursuant to which Peel Hunt has agreed conditionally upon, *inter alia*, Admission taking place on or before 8.00 am on 18 May 2000 (or such later time and/or date not being later than 30 May 2000 as the Company, Peel Hunt and Corporate Synergy may agree) to use its reasonable endeavours to procure subscribers for the New Ordinary Shares at the Placing Price.

The Placing Agreement contains an indemnity from the Company and warranties from the Company and the Directors in favour of Peel Hunt and Corporate Synergy in terms that are usual for a transaction of this nature, together with provisions which enable Peel Hunt and Corporate Synergy to terminate the Placing Agreement in certain circumstances prior to Admission, including in circumstances where any of the warranties are found not to be true or accurate in any material respect.

Each Director has undertaken, subject to certain limitations, not to dispose of shares or other securities in the capital of the Company which he currently owns or may acquire following the Placing prior to the publication by the Company of its interim results for the six month period ending 30 June 2001, provided that each such Director is entitled at any time after 31 December 2000 to dispose of up to 50 per cent. of any Ordinary Shares he owns immediately after Admission. Each Director has undertaken to take all

reasonable steps to ensure that each person associated or connected with him complies with such provisions.

Peel Hunt will receive from the Company a corporate finance fee of £25,000 (plus VAT), together with commission of 2.5 per cent. of (i) the aggregate value of the New Ordinary Shares at the Placing Price and (ii) the aggregate nominal value of the Convertible Loan Stock. Corporate Synergy will receive a corporate finance fee of £50,000 (plus VAT), payable by the Company and an option as set out in paragraph 6(i) above. Peel Hunt may pay any of the above mentioned commission received by it from the Company to the placees (including Corporate Synergy) and, for the avoidance of doubt, Corporate Synergy is entitled to retain such commission for its own benefit.

The Company will meet all other fees and expenses associated with the Placing. If Admission does not take place on or before 18 May 2000, or such later date as the Company or Peel Hunt or Corporate Synergy may agree, not being later than 30 May 2000, the obligations under the Placing Agreement of Peel Hunt and Corporate Synergy will terminate.

## **9. Litigation**

There are no legal or arbitration proceedings nor, so far as the Directors are aware, are there any such proceedings pending or threatened which may have, or have had, in the recent past (including at least the 12 months immediately preceding the date of this document) a significant effect on the financial position of the Group.

## **10. Taxation**

The following statements are intended only as a general guide to current UK tax legislation and to the current practice of the UK Inland Revenue (the "Inland Revenue") and may not apply to certain shareholders such as dealers in securities. They relate only to persons who are the absolute beneficial owners of Ordinary Shares, are resident (or, if individuals) ordinarily resident in the UK for UK tax purposes (except where stated otherwise) and who hold Ordinary Shares as investments and not as trading stock. Different rules may apply in other case. Any person who is in any doubt as to his tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult his professional advisers immediately.

### *(a) Dividends*

The following statements relate only to the tax treatment, under existing law, of dividends paid on the Ordinary Shares on or after 6 April 1999.

- (i) Under current UK tax legislation the Company is not required to withhold tax at source from dividend payments it makes.
- (ii) Individual Shareholders resident for tax purposes in the UK should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. Such an individual Shareholder's liability to UK income tax is calculated on the sum of the dividend and the tax credit (the "gross dividend") which, with certain other investment income, will be regarded as the top slice of the individual's income which will be subject to UK income tax at special rates of tax as described below. The tax credit therefore equals 10.0 per cent. of the gross dividend. The tax credit will be available to offset such Shareholder's liability (if any) to income tax on the gross dividend.

Individual Shareholders liable to tax at a rate equal to or lower than the basic rate will be liable to tax on dividend income received at the rate of 10.0 per cent. This means that the tax credit will satisfy the income tax liability of a UK resident individual Shareholder liable to pay income tax at a rate equal to or lower than the basic rate.

The rate of income tax applied to UK company dividends received by UK resident individuals liable to income tax at the higher rate will be 32.5 per cent. After taking into account the 10.0 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25.0 per cent. of the net dividend.

With limited exceptions (relating to shares held in individual savings accounts or personal equity plans prior to 5 April 2004) individual Shareholders who are resident in the UK cannot claim repayment of the tax credit from the Inland Revenue.

- (iii) A corporate Shareholder resident for tax purposes in the UK will not normally be liable to corporation tax on any dividend received.
- (iv) Tax exempt pension funds cannot reclaim from the Inland Revenue tax credits attaching to dividend payments of UK equities.
- (v) Individual Shareholders who are resident for tax purposes in countries other than the UK but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands or certain other persons who are entitled to a tax credit as if they were resident for tax purposes in the UK which they may set off against their total UK income tax liability. Such Shareholders will generally not be able to claim repayment of the tax credit from the Inland Revenue.

Shareholders who are resident for tax purposes in countries other than the UK should consult their own tax advisers concerning their tax liabilities on dividends received. They should note that following the reduction in the rate of the UK tax credit to 10.0 per cent. of the gross dividend from 6 April 1999, they are unlikely to be entitled to any payment from the Inland Revenue.

*(b) Stamp Duty and Stamp Duty Reserve Tax*

In relation to stamp duty and stamp duty reserve tax:

- (i) The allocation and issue of Ordinary Shares will not give rise to a liability to stamp duty or stamp duty reserve tax.
- (ii) Any subsequent conveyance or transfer on sale of the Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at a rate of 50.0 pence per £100 or part of £100 of the amount of value of the consideration. A charge to stamp duty reserve tax at the rate of 0.5 per cent., subject to a minimum charge of £5, will arise in relation to an unconditional agreement to transfer such Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to stamp duty reserve tax will be cancelled or repaid. A transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to stamp duty reserve tax at the rate of 0.5 per cent. of the value of consideration, subject to a minimum charge of £5.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or stamp duty reserve tax, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

*(c) Capital Gains*

A Shareholder resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate Shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these shares up until the date of disposal. Individual Shareholders resident for tax purposes in the UK who are not within the charge to corporation tax will be entitled to indexation relief up until April 1998 and taper relief thereafter. The calculation of taper relief on a subsequent disposal of Ordinary Shares will take into account the period of ownership of these shares.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and such Ordinary Shares are or have been used, held or acquired for the purposes of such trade or branch or agency. A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than

five years of assessment and who disposes of Ordinary Shares during that period may be liable to UK taxation of chargeable gains (subject to any available exemption or relief).

## 11. Consents

Each of PricewaterhouseCoopers and Corporate Synergy have given and not withdrawn their respective written consent to the inclusion in this document of their respective letter and reports and the references to them in the form and context in which such references are included and have authorised such letters and reports for the purpose of Section 152(1)(e) of the Financial Services Act 1986.

## 12. Principal Establishments

Details of the principle premises occupied by the Group are as follows:

<i>Location</i>	<i>Tenure</i>	<i>Term</i>	<i>Current annual rent</i>
The White House 57-67 Church Road Wimbledon Village London SW19 5DQ	Leasehold	10 years expiring on 1 June 2007	£47,190
Addlington House 5 Compton Road Wimbledon Village London	Leasehold	5 years expiring on 4 December 2003	£38,942
Avenues Dapples 7 CH-1006 Lausanne Switzerland	Leasehold	5 years expiring on 30 September 2004	£38,000
43 rue d'Aboukir Paris France	Leasehold	9 years expiring on 9 September 2008	£17,500
Domaine de Bransschhof Kehlen Luxembourg	Leasehold	3 years expiring on 15 September 2002	£15,250
1370 Avenue of the Americas NY 10019 New York USA	Leasehold	4 years expiring on 31 May 2003	£49,500

## 13. Significant Changes

Save as disclosed in the paragraph headed "Current trading and prospects" in Part 1 of this document, there has been no significant change in the financial or trading position of the Group since 31 December 1999, the date to which the Accountants' Report set out in Part II has been prepared.

## 14. Miscellaneous Information

- (a) None of the New Ordinary Shares has been marketed or is available in whole or in part to the public in connection with the application for listing of the New Ordinary Shares on the Official List other than the shares to be issued pursuant to the Placing.
- (b) The Registrars of the Company are Connaught St Michaels Limited, Cresta House, Alma Street, Luton, Beds LU1 2PU.
- (c) Corporate Synergy PLC is registered in England (No 2617599) and its registered office is at 8/9 Lambton Place, London W11 2SH. Corporate Synergy PLC is regulated by The Securities and Futures Authority Limited.

- (d) Peel Hunt plc is registered in England (No. 2320252) and its registered office is at 62 Threadneedle Street, London EC2R 8HP. Peel Hunt plc is a member of the London Stock Exchange and is regulated by The Securities and Futures Authority Limited.
- (e) The total costs and expenses of the issue of the Convertible Loan Notes, the Placing and Admission amount to approximately £600,000 (excluding value added tax) and are payable by the Company. These expenses include commissions payable to Peel Hunt and places of £137,500.
- (f) The existing issued Ordinary Shares are not listed on the Official List of the London Stock Exchange.
- (g) The Issue Price represents a premium of 79 pence over the nominal value of one penny per Ordinary Share.
- (h) The statutory accounts of the Group or Company for each of the two years ended 31 December 1997 and 1998 (each of which received an unqualified audit opinion) were audited by T. H. Dowling & Co. The statutory accounts of the Group or Company for the year ended 31 December 1999 (which received an unqualified audit opinion) were audited by PricewaterhouseCoopers.

### **15. Documents Available for Inspection**

Copies of the following documents will be available for inspection at the offices of Hobson Audley, 7 Pilgrim Street, London EC4V 6LB and at the registered office of the Company at The White House, 57-63 Church Road, Wimbledon Village, London SW19 5DQ during usual business hours on any week day (Saturday and public holidays excepted) until 14 days following Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Directors' service agreements referred to in paragraph 5(d) and (e) above;
- (c) the material contracts referred to in paragraph 8 above;
- (d) the audited accounts of the Company for the financial year ended 31 December 1998 and the audited consolidated accounts of the Group for the financial year ended 31 December 1999;
- (e) the Accountants' Report from PricewaterhouseCoopers set out in Part II of this document;
- (f) the letter from PricewaterhouseCoopers set out in Part III of this document;
- (g) the rules of the Share Option Schemes; and
- (h) the consent letters referred to in paragraph 11 above.

15 May 2000