

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, or other independent financial adviser authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. Your attention is drawn to the section entitled "Risk Factors" in Part II of this document.**

The Directors and the Proposed Directors of Prologic plc, whose names appear on page 9 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed 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 will be made for admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on the Alternative Investment Market of the London Stock Exchange plc ("AIM"). It is expected that such admission will take place and that dealings in the Ordinary Shares will commence on 5 July 2004. It is emphasised that no application is being made for any Ordinary Shares to be admitted to the official list of the United Kingdom Listing Authority or to any other recognised investment exchange.

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

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

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# Prologic plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with Registered Number 05031466)*

## **Acquisition of Pitcomp 192 Limited Placing of up to 4,266,666 Placing Shares at 75p per share Admission to trading on the Alternative Investment Market by Nominated Adviser and Broker W.H. Ireland Limited**

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### **SHARE CAPITAL IMMEDIATELY FOLLOWING COMPLETION OF THE PROPOSALS**

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
15,000,000	£75,000	Ordinary Shares of 0.5p each	10,000,000	£50,000
50,000	£50,000	Redeemable Shares of £1 each	NIL	NIL

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The New Ordinary Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company after the date of this document and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

This document does not constitute an offer to sell, or a solicitation of an offer to buy Existing Ordinary Shares or Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or the United States of America. The Existing Ordinary Shares and the New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the applicable securities legislation of any state of the United States of America or any province or territory of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly in or into Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or the United States of America, or to any national, citizen or resident of Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or the United States of America.

W.H. Ireland, which is regulated by the Financial Services Authority and is a Member of the London Stock Exchange, is acting for the Company in connection with the Proposals and is not acting for any other person other than the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for providing advice to any other person in connection with the Proposals.

W.H. Ireland has not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the Regulations or otherwise and no liability whatsoever is accepted by W.H. Ireland for the accuracy of any information or opinions contained in this document, or for the omission of any information for which the Directors and the Proposed Directors are solely responsible.

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## DEFINITIONS

The following words and expressions shall have the following meanings in this document, unless the context otherwise requires:

“the Act”	the Companies Act 1985 (as amended);
“Acquisition”	the proposed acquisition of the entire issued share capital of Pitcomp by the Company pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the conditional agreement dated 29 June 2004 between the Vendors (1) the Lloyds Vendors (2) and the Company (3) relating to the Acquisition as described in paragraph 12.2 of Part VI of this document;
“Admission”	the admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM Rules”	the rules published by the London Stock Exchange from time to time governing the admission to and the operation of AIM;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“Articles”	the articles of association of the Company, as amended from time to time;
“Directors”	the directors of the Company as at the date of this document whose names and addresses are set out on page 9 of this document;
“CIMS”	Computer Integrated Management System;
“City Code”	the City Code on Takeovers and Mergers;
“Concert Party”	for the purposes of the City Code, the Vendors, further details of whom are set out in Part I of this document;
“Completion”	completion of the Acquisition;
“Company”	Prologic plc, registered in England and Wales under number 05031466;
“Consideration Shares”	the 5,233,334 new Ordinary Shares to be issued to the Vendors pursuant to the Acquisition Agreement following completion of the Reorganisation;
“CREST”	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form, operated by CRESTCo Limited;
“Enlarged Issued Share Capital”	the issued share capital of the Company following the completion of the Proposals;
“Existing Ordinary Shares”	the 500,000 Ordinary Shares in issue immediately prior to the Acquisition and Placing;
“Group”	the Company and the Prologic CCL Group;
“Lloyds Vendors”	Lloyds TSB Development Capital Limited (“LDC”) registered in England and Wales under number 01107542 and Lloyds TSB Ventures Nominees Limited registered in England and Wales under number 03066501;
“London Stock Exchange”	London Stock Exchange plc;
“New Ordinary Shares”	the Consideration Shares and the Placing Shares;
“New Pitcomp Shareholders”	those of the Vendors who acquired ordinary shares in Pitcomp pursuant to the exercise of share options on 29 June 2004, and were not shareholders in Pitcomp prior to that date;

“Official List”	the official list of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of 0.5p each in the capital of the Company;
“Panel”	the Panel on Takeovers and Mergers;
“Pitcomp”	Pitcomp 192 Limited, the holding company of Prologic CCL, registered in England and Wales under number 03821100;
“Placing”	the conditional placing of the Placing Shares pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 29 June 2004 between the Company (1) W.H. Ireland (2) and the Directors and the Proposed Directors (3), a summary of which is set out in paragraph 12.4 of Part VI of this document;
“Placing Price”	75p per Placing Share;
“Placing Shares”	the 4,266,666 new Ordinary Shares which are the subject of the Placing;
“Prologic CCL”	Prologic Computer Consultants Limited, the wholly owned subsidiary of Pitcomp, registered in England and Wales under number 01829656;
“Prologic CCL Group”	Pitcomp and Prologic CCL;
“Proposals”	the Acquisition, the Placing and Admission;
“Proposed Directors”	Sam Jackson, David Little, Gareth Chick and Conor Cahill;
“Prospectus”	this document dated 29 June 2004;
“POS Regulations” or “Regulations”	the Public Offers of Securities Regulations 1995 (as amended);
“Redeemable Shares”	the 50,000 redeemable shares of £1 each in the capital of the Company;
“Reorganisation”	the conditional reorganisation of the Company’s share capital effected by the passing of the special resolution, more details of which are set out in paragraph 3.3(c) of Part VI of this document;
“Share Option Scheme”	the Prologic plc 2004 Share Option Scheme details of which are set out in paragraph 8 of Part VI of this document;
“Share Warrants”	the warrants to subscribe for up to 300,000 Ordinary Shares at the Placing Price granted, conditionally on Admission, to the Lloyds Vendors and W.H. Ireland, details of which are set out in paragraphs 12.6 and 12.7 of Part VI of this document;
“Shareholders”	the holders of Existing Ordinary Shares;
“UK”	United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as a competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, including where the context so permits any committee, employee or servant of such authority to whom any function of the UK Listing Authority may from time to time be delegated;
“Vendors”	the ordinary shareholders of Pitcomp other than the Lloyds Vendors as at the date of this document; and
“W.H. Ireland”	W.H. Ireland Limited, registered in England & Wales under number 02002044;

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of the Prospectus	29 June 2004
Admission effective, and dealings in the Ordinary Shares expected to commence	5 July 2004
CREST accounts credited	5 July 2004
Definitive share certificates dispatched by no later than	12 July 2004

## KEY STATISTICS

Placing Price	75p
Number of Existing Ordinary Shares	500,000
Number of Consideration Shares	5,233,334
Number of Placing Shares	4,266,666
Enlarged Issued Share Capital	10,000,000
Consideration Shares as a percentage of the Enlarged Issued Share Capital	52.33%
Placing Shares as a percentage of the Enlarged Issued Share Capital	42.67%
Market capitalisation at the Placing Price	£7,500,000
Gross proceeds of the Placing (approximately)	£3,200,000

## KEY INFORMATION

**THE FOLLOWING INFORMATION IS DERIVED FROM AND SHOULD BE READ IN CONJUNCTION WITH THE WHOLE OF THIS DOCUMENT INCLUDING IN PARTICULAR THE SECTION HEADED RISK FACTORS IN PART II OF THIS DOCUMENT. INVESTORS SHOULD READ THE WHOLE OF THIS DOCUMENT AND NOT RELY ON KEY OR SUMMARISED INFORMATION.**

### INTRODUCTION

The Company has conditionally agreed to acquire the entire issued share capital of Pitcomp, the holding company of Prologic CCL, a specialist software developer and service provider to the fashion and lifestyle sectors for a total consideration of £6,525,000 to be satisfied by the payment of £2,600,000 to the Lloyds Vendors and by the issue of the Consideration Shares to the Vendors. To fund the costs of the Acquisition and Admission, and partly for additional working capital, the Company is also seeking to raise approximately £600,000 by way of the Placing.

### THE BUSINESS

Prologic CCL is now one of the leading specialist software developers and IT service providers to fashion and lifestyle retailers and distributors, and is dedicated to the supply of integrated business systems to these sectors, and in the case of several significant clients takes responsibility for the implementation and support of the complete system.

#### Client base

Prologic CCL has a client base which includes well known fashion retailers such as Ted Baker, Hobbs, Paul Smith, Jigsaw (the trading name of Robinson Webster (Holdings) Limited), East, Fat Face, Dune and Browning.

### PRODUCTS & SERVICES

#### CIMS

CIMS is a web deployable software suite using the Oracle RDBMS (Relational Database Management System) and software development tools. CIMS comprises a number of separate but integrated software modules all of which run against an Oracle enterprise database.

CIMS is a fully integrated solution designed to meet the operational, reporting and business intelligence needs of multi-channel fashion businesses. The software is readily configured for the needs of retailers, wholesalers and mail order houses, and branded fashion companies engaged in all of these activities. The modules allow clients to control their entire operation from merchandise planning, through supply chain management to point of sale.

#### Services

In addition to CIMS licence fees and associated hardware sales, Prologic CCL derives significant revenue from the following services:

##### *Project Management*

At the outset of all projects a project management team is assigned to the client and project goals agreed. A clear plan is produced and modified throughout the life of a project which enables performance to be monitored.

##### *Consulting*

All Prologic CCL's consultants have relevant industry knowledge and in the majority of cases have been employed within the fashion sector. This equips them with the skills and the credibility necessary to deliver services across a wide range of business areas from merchandising to warehouse management.

### *Technical Services*

Prologic CCL delivers a wide range of technical support services including:

- Sizing and configuration
- Network planning
- Hardware installation
- System performance assessment
- Upgrade implementation

### **Support and Maintenance**

Following the installation and commissioning of a new system Prologic CCL offers support services which range from application support through to an outsourcing support service for the client's IT infrastructure. The support services offered are categorised as follows:

- LAS: Licensed Application Support
- SES: Server Environment Support
- EPS: EPoS Support
- HHS: Handheld support
- MIS: Managed IT Service - Network wide support

### **Market and Competition**

The competition includes software and service providers of enterprise software and point of sale software. These can be categorised into three principal categories of competitor:

- Horizontal, point solutions (non-sector specific applications) - this includes vendors of planning, warehouse management, mail order and PoS systems who sell their solutions across multiple industry sectors.
- Suppliers of retail sector applications - where a client has multiple applications for retail. There are few fashion focused retail applications, although many suppliers address fashion amongst other retail sectors.
- Providers of wholesale/manufacturing applications - systems which have been developed for manufacturers and wholesalers. This includes the multi-national ERP vendors.

Prologic CCL competes with each category of competitor depending on the circumstance and nature of the client's IT requirements.

There are few competitors of Prologic CCL in the fashion market offering a "full solution" of software, hardware, network infrastructure and services comparable to that of Prologic CCL.

### **FINANCIAL INFORMATION**

The following financial information has been extracted from the Accountants' Report on the Prologic CCL Group contained in Part III of this document and should be read in conjunction with the full text of that Accountants' Report. Investors should not rely solely on the key summarised information.

The Company's financial performance over the past three financial years is summarised below:

	<b>Year ended 31 March</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	6,649	7,823	7,542
<b>Operating profit</b>	469	800	805
Net interest payable and similar charges	(213)	(176)	(129)
<b>Profit on ordinary activities before taxation</b>	<u>256</u>	<u>624</u>	<u>676</u>

## **DETAILS OF THE PLACING**

The Company is proposing to raise approximately £3,200,000 before expenses, by way of the placing of the Placing Shares at the Placing Price. The total funds raised from the Placing of the Placing Shares will be utilised by the Company to provide monies to satisfy the consideration to be paid to the Lloyds Vendors under the terms of the Acquisition Agreement, to redeem the Redeemable Shares and to cover the expenses of the Proposals. The Directors and the Proposed Directors believe that Admission will raise the profile of the Group and enhance its reputation with both clients and suppliers. The Placing Shares consist of 4,266,666 new Ordinary Shares. The Placing Shares will represent approximately 42.67 per cent. of the Enlarged Issued Share Capital. The Placing Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. Pursuant to the terms of the Acquisition Agreement, the Vendors are receiving the Consideration Shares and the Lloyds Vendors will be paid £2,600,000. The Consideration Shares will represent approximately 52.33 per cent. of the Enlarged Issued Share Capital.

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. It is expected that trading in the Ordinary Shares will commence on 5 July 2004.

W.H. Ireland has agreed to use all reasonable endeavours to procure subscribers for the Placing Shares. The Placing is not being underwritten and it is conditional *inter alia* on Admission.

## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	Derek Lewis ( <i>Non-executive Director</i> ) Eric Andrew Needham ( <i>Non-executive Director</i> )*
<b>Directors following Admission</b>	Derek Lewis ( <i>Non-executive Chairman</i> ) Sam Jackson ( <i>Chief Executive</i> ) David Gordon Thomas Little ( <i>Sales Director</i> ) Conor Dominique Cahill ( <i>Finance Director</i> ) Gareth John Chick ( <i>Non-executive Director</i> )  <i>all of</i>
<b>Registered Office</b>	Centurion House, 129 Deansgate, Manchester M3 3AA
<b>Company Secretary</b>	Eric Andrew Needham*
<b>Proposed Company Secretary</b>	Conor Cahill
<b>Nominated Adviser and Broker to the Company</b>	W.H. Ireland Limited 11 St James's Square Manchester M2 6WH
<b>Reporting Accountants to the Company</b>	Chadwick Chartered Accountants Television House 10/12 Mount Street Manchester M2 5NT
<b>Proposed Auditors to the Company</b>	Grant Thornton Churchill House Chalvey Road East Slough SL1 2LS
<b>Solicitors to the Company</b>	DWF Centurion House 129 Deansgate Manchester M3 3AA
<b>Solicitors to the Nominated Adviser and Broker</b>	Cobbetts Ship Canal House King Street Manchester M2 4WB
<b>Principal Bankers</b>	Lloyds TSB Bank Plc 1st Floor, 56 High Street Marlow Buckinghamshire SL7 1AJ
<b>Registrars</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

\* It is proposed that, upon Admission, Eric Andrew Needham will resign as a Non-executive Director and Company Secretary and Conor Cahill will be appointed Company Secretary.

## **PART I**

### **INFORMATION ON THE GROUP**

#### **INTRODUCTION**

The Company has conditionally agreed to acquire the entire issued share capital of Pitcomp, the holding company of Prologic CCL, a specialist software developer and service provider to the fashion and lifestyle sectors, for a total consideration of £6,525,000 to be satisfied by the payment of £2,600,000 to the Lloyds Vendors and by the issue of the Consideration Shares to the Vendors. To fund the costs of the Acquisition and Admission, and partly for additional working capital, the Company is also seeking to raise approximately £600,000 by way of the Placing.

#### **BACKGROUND TO THE COMPANY**

Derek Lewis and Andrew Needham are partners in Capital Investment Partners (“CIP”) which assists and facilitates companies seeking admission of their shares to trading on AIM by providing consultancy services including, where required or desirable, the services of a chairman or non-executive director.

In assessing potential opportunities, CIP has concentrated on companies and businesses which it considers to have good management and which operate in a market which has growth potential. CIP believes that the Prologic CCL Group meets these criteria.

#### **INFORMATION ON PROLOGIC CCL**

##### **History**

Prologic CCL was founded in 1984 by Sam Jackson. Originally, it provided specialist software development services to a variety of clients. In the late 1980s, Prologic CCL decided to focus on the fashion and lifestyle sectors. In 1991, it secured additional financial and management support from a team of experienced entrepreneurs who invested time and funds into the company to assist in its continued development. By 1996 these individuals had made investments in other software companies and decided to consolidate certain of their investments into one entity and seek admission of the share capital of that entity to trading on AIM. This was achieved one year later, in April 1997, with the admission of Comino plc to AIM. Prologic CCL was a wholly owned subsidiary of Comino plc.

In November 1999, Sam Jackson led his team in a management buy-out of Prologic CCL by Pitcomp, a new company formed specifically for this purpose.

##### **The Business**

Prologic CCL is now one of the leading specialist software developers and IT service providers to fashion and lifestyle retailers and distributors. The company is dedicated to the supply of integrated business systems to these sectors, and in the case of several significant clients takes responsibility for the implementation and support of the complete system.

##### **Client Base**

Prologic CCL has a client base which includes well known fashion retailers such as Ted Baker, Hobbs, Paul Smith, Jigsaw (the trading name of Robinson Webster (Holdings) Limited), East, Fat Face, Dune and Browning.

#### **PRODUCTS & SERVICES**

##### **CIMS**

CIMS is a web deployable software suite using the Oracle RDBMS (Relational Database Management System) and software development tools. CIMS comprises a number of separate but integrated software modules all of which run against an Oracle enterprise database.

CIMS is a fully integrated solution designed to meet the operational, reporting and business intelligence needs of multi-channel fashion businesses. The software is readily configured for the needs of retailers, wholesalers

and mail order houses, and branded fashion companies engaged in all of these activities. The modules allow clients to control their entire operation from merchandise planning, through supply chain management to point of sale. A list of the primary CIMS modules is set out below:

- Product data management
- Strategy planning
- Price list management
- Retail outlet management
- Allocation & replenishment
- Promotion management
- Customer relationship management
- Control & validation
- CIMS store - front office and EPoS
- Production & purchase planning
- Product sourcing
- Progress and critical path
- Wholesale order processing
- Material definition
- Name & addresses
- Mail order
- Special orders
- e-Business management
- Warehouse automation
- Distribution & invoicing
- Material requirement planning
- Material purchasing
- Material stock management
- Material allocation
- Warehousing & stock control
- Financial ledgers
- Vision business intelligence-data warehouse
- Image management

Although certain modules are a pre-requisite of the system, most may be installed and configured as required. As business requirements change, modules may be added or removed to adapt to those changes, thereby ensuring business flexibility. Modules may be added without re-configuration of data and without re-entry or duplication of information.

### **Pricing**

CIMS licence fees are primarily charged on a modular basis and on the basis of the number of concurrent users allowed to be logged onto the system.

In addition to the module price, clients are required to enter into a software support agreement which allows them access to the technical support team and the right to future enhancements in CIMS. The software licence is renewable annually. Clients must also continue to subscribe to the software support services in order to continue to use the CIMS modules.

Other services such as development, consulting, training and implementation are the subject of additional charges based on prevailing market rates.

The pricing of Prologic CCL's latest offering, Resilient Electronic Funds Transfer, is on a per transaction basis.

### **Product/Service Development**

Prologic CCL reinvests a significant percentage of its revenues in the continued enhancement of the CIMS product range and on the development of new services. These enhanced products and services are then offered to existing clients as additions to their existing CIMS products, as well as making the product or services more attractive to new clients. Over the past 12 months, major investments have been made in the following areas:

#### ***Resilient Electronic Funds Transfer***

This new service is an advanced, fault-tolerant solution. It reduces the management overhead normally associated with managing electronic funds transfers such as BT billing, server support, monitoring and upgrades. It also delivers a high degree of resilience to enable stores to continue processing card transactions even if an entire telecoms exchange fails.

This service will be delivered to clients on a transaction fee basis, (i.e. the client does not incur any capital costs, instead the fee levied per card transaction is a percentage of the value of the transaction). This is a significant development for Prologic CCL as it anticipates this revenue stream growing in line with the turnover of its clients.

Orders have already been received for this service.

### ***CIMS Warehouse Management***

CIMS warehousing management functionality is fully integrated with the rest of the CIMS product. Prologis CCL is committed to continuing development to ensure that the warehouse management functionality of CIMS remains competitive with the capabilities of alternative stand alone warehouse management systems. The latest release of CIMS delivers the following enhancements:

- Automated radio frequency data capture
- Pack, carton, pallet support
- Warehouse to warehouse replenishment
- Configurable picking algorithms

### ***CIMS Vision Business Intelligence***

A business intelligence software solution will contribute little value if the data behind the reports and screens need excessive time and effort to prepare and collate.

Prologis CCL has spent several years developing an integrated and powerful reporting and data warehousing suite of software applications serving the specific needs of the fashion and lifestyle sectors. Based on Oracle Express and Oracle Sales Analyser, CIMS Vision is a business intelligence, management reporting and data warehousing tool. CIMS Vision puts data, collation, aggregation and analysis in a single place on a single server.

### **Hardware**

Prologis CCL's preferred server platform for running CIMS is the HP enterprise server range which is installed at the majority of CIMS head office sites. Prologis CCL's engineers configure and install the servers and, as a result of this and formal training, have an in-depth knowledge of HP server hardware and operating systems.

Prologis CCL supplies the majority of its retail clients with the EPoS units required for their stores. Since 2000, Prologis CCL has supplied around 1500 units. CIMS Store software is embedded in the EPoS units, which integrates with the head office CIMS software.

In conjunction with its MIS support service, Prologis CCL supplies some clients with the PC hardware and network equipment used in their businesses.

### **Services**

In addition to CIMS licence fees and associated hardware sales, Prologis CCL derives significant revenue from the following services:

#### ***Project Management***

At the outset of all projects a project management team is assigned to the client and project goals agreed. A clear plan is produced and modified throughout the life of a project which enables performance to be monitored.

#### ***Consulting***

All Prologis CCL's consultants have relevant industry knowledge and in the majority of cases have been employed within the fashion sector. This equips them with the skills and the credibility necessary to deliver services across a wide range of business areas from merchandising to warehouse management.

#### ***Technical Services***

Prologis CCL delivers a wide range of technical support services including:

- Sizing and configuration
- Network planning
- Hardware installation
- System performance assessment
- Upgrade implementation

## **Support and Maintenance**

Following the installation and commissioning of a new system, Prologic CCL offers support services which range from application support through to a comprehensive outsourcing support service for the client's IT infrastructure. The support services offered are categorised as follows:

- LAS: Licensed Application Support
- SES: Server Environment Support
- EPS: EPoS Support
- HHS: Handheld support
- MIS: Managed IT Service - Network wide support

The majority of clients have adopted the LAS and SES services which include help desk and technical support for the CIMS software applications along with hardware, operating system and database support and maintenance of servers. LAS also includes the right to upgrade to future releases and versions of CIMS and a right to receive all new functionality developed within a software module previously purchased by the client.

Prologic CCL introduced its Managed IT Service in 2001. The service allows clients to outsource the support and maintenance of their IT function and also provides improved visibility of the cost of managing and operating their IT systems. The service is tailored to the individual requirement of each client - for example, in the case of Ted Baker, Prologic CCL is responsible for the management and support of almost every aspect of their IT infrastructure including applications, software, databases, central hardware, PCs, networking and communication. To date, five clients have taken up this service:

- Liberty
- Ted Baker
- Hobbs
- Fielding Group
- Turner Bianca

Contracts for the Managed IT Service are typically for a minimum of 4 years.

## **Sales and Marketing**

David Little is responsible for both the sales and marketing functions. He is supported by a team of seven staff, including marketing and pre-sales consultants.

The sales function is divided into new and existing business. Prologic CCL has been effective in retaining clients and in continuing to sell current and new products and services to the client base.

Prologic CCL is focussed primarily on direct sales. It is implementing a marketing strategy to increase market awareness of CIMS and Prologic CCL through market analysis, branding, client forums, engagement with boutique consultancies, the press, advertising and attendances at trade events. In addition, Prologic CCL enjoys long standing relationships with Oracle and HP, from which it receives marketing funds and support.

## **Market and Competition**

The competition includes software and service providers of enterprise software and point of sale software.

These can be categorised into three principal categories of competitor:

- Horizontal, point solutions (non-sector specific applications) - this includes vendors of planning, warehouse management, mail order and PoS systems who sell their solutions across multiple industry sectors.
- Suppliers of retail sector applications - where a client has multiple applications for retail. There are few fashion focused retail applications, although many suppliers address fashion amongst other retail sectors.
- Providers of wholesale/manufacturing applications - systems which have been developed for manufacturers and wholesalers. This includes the multi-national ERP vendors.

Prologic CCL competes with each category of competitor depending on the circumstance and nature of the client's requirements.

There are few competitors of Prologic CCL in the fashion market offering a "full solution" of software, hardware, network infrastructure and services comparable to that of Prologic CCL.

### **Strategy**

Prologic CCL's business plan is based on a foundation of continued development and exploitation of its core technology and market competencies coupled with new market areas. The strategy with each new area is to extend the current market and technology while always retaining focus on core clients, namely fashion and lifestyle companies with £20M to £100M turnover.

Prologic CCL has identified the following growth areas (in addition to its core market):

- New market sectors (e.g. Department stores, furniture retailers)
- Fashion and lifestyle companies having a turnover between 100 and 250 million pounds
- International fashion and lifestyle companies headquartered outside the UK

### **CURRENT TRADING & PROSPECTS**

Prologic CCL's April 2004 management accounts indicate that it has exceeded its sales and gross margin budget for the period these accounts cover.

Prologic CCL is pursuing approximately 20 new business opportunities. Several of these opportunities involve a prospective client which has confirmed its budget, that it has a short decision timeframe, and that Prologic CCL is on a shortlist of 2 or 3 suppliers. There are 3 opportunities where Prologic CCL is on a shortlist with one other supplier, and where the potential client has confirmed an intention to make a purchase decision by the end of August 2004.

### **DIRECTORS AND PROPOSED DIRECTORS**

#### ***Derek Lewis (Aged 57), Chairman***

Derek has 33 years of experience in the IT industry, holding executive positions with some of the sector's leading companies, including IBM, ICL, and Olivetti. He has a proven entrepreneurial track record over the last 20 years, with several successful start-ups (including Combro Limited, Vertex Data Science Limited), an MBO (Technology plc) and participation in private equity programmes with Permira.

Derek is the non-executive chairman of the PJH group of companies and a non-executive director of Reliance Secure Task Management Limited (part of Reliance Security Group plc). He is the senior partner of Capital Investment Partners.

#### ***Sam Jackson (Aged 49), Managing Director***

Sam graduated in physics at Sussex University. His early career was in scientific computing including work at the UK Atomic Energy Authority on control and instrumentation. Sam subsequently worked on the development of a number of national standards including methods for assessing the performance of solar power systems which was subsequently adopted by the British Standards Institute. He then moved into commercial computing becoming IT manager at British Board of Agrément with responsibility for sourcing and implementing commercial IT solutions. In 1984 he founded Prologic CCL.

In addition to his role as Managing Director he performs the role of technical director, setting technical direction and judging market and technical directions. He takes broad responsibility for setting technical goals with a view to directing the overall technical content of Prologic CCL's software and other products.

#### ***Conor Dominique Cahill (Aged 34), Finance Director***

After completing a masters degree in chemical engineering at the University of Nottingham in 1991, Conor spent two years working in industry. He joined Deloitte & Touche in 1993 as a trainee accountant and qualified as a chartered accountant in 1996. After operating initially in an audit role (which included a 12 month secondment to Deloitte and Touche's Toronto office), in 1999, he began to specialise in corporate finance focussing on private equity transactions, corporate acquisitions and stock market listings. He has significant experience of leading corporate finance transactions across Europe.

Conor's major responsibilities at Prologic CCL include financial reporting and control, business planning, development strategy and the management of investor relations.

***David Gordon Thomas Little (Aged 37), Sales Director***

After completing a Modern Language & Politics (Hons) degree at Sheffield Hallam University, David spent 8 years working for Armature Limited.

David joined NSB Retail Systems Plc (“NSB”) (now BT Expedite) as a senior account director in 1999, was promoted to unit manager in 2001 and then to director of enterprise sales in July 2002. He has had a number of major sales successes including enterprise scale system sales to major retailers. Most recently he headed up the enterprise sales business unit in the UK, responsible for selling strategic-level merchandising, planning and sourcing applications to all tiers of the retail marketplace.

David joined Prologic CCL from NSB in April 2003. David is responsible for overall sales and marketing strategy.

***Gareth John Chick (Aged 46), Non-executive Director***

After completing a business degree in 1979 and qualifying as an accountant, Gareth spent the early part of his career with public companies such as Gallaghers, Exxon and Fujitsu. In 1989 Gareth trained as a leadership instructor with Dale Carnegie organisation and, in the next 12 years, went on to train over 500 senior executives in leadership skills. From 1991-97 he was also on the board of Thames Valley Enterprise, leading many local business enterprise initiatives and interfacing with government agencies.

Gareth joined Prologic CCL as non-executive Chairman at the time of the management buy-out in November 1999.

Gareth has served as CEO with Munn & Chapman Limited and as a franchise managing director at Pendragon Plc. In 2003, Gareth co-founded Spring Partnerships, an organisation that works at board level with a select group of leading global companies to help deliver brand promises and to exploit brand assets. He is also Executive Chairman of Kube Design, a specialist design house.

His work with voluntary organisations includes being Chairman of Longwood Park, a tenant-led Housing Association.

***Eric Andrew Needham (Aged 53), Non-executive Director***

Andrew is a solicitor specialising in corporate law. Andrew has over 25 years’ experience of advising on corporate transactions including mergers and acquisitions, flotations and other public share issues. He has also held various non-executive directorships and is currently a non-executive director of Neolab Limited, a distributor of generic pharmaceutical products.

Andrew is head of the corporate finance department at DWF and a partner of Derek Lewis in Capital Investment Partners.

**SENIOR MANAGEMENT**

***Monica Mary Tournalmain (Aged 49), Customer Services director***

Monica joined Prologic CCL in 1991 and was appointed to the management board in 1995. She has over 20 years’ experience of implementing comprehensive business systems, 16 of which have been within the fashion and lifestyle sectors. In 1999, Monica became the customer services director of Prologic CCL.

***Christina Jane Baker (Aged 41), Product Development director***

Christina joined Prologic CCL in 1987. She graduated in 1983 and has over 20 years experience of implementing and supporting sophisticated software solutions in the UK and internationally.

In 1999 Christina became development director. The development team works at the heart of Prologic CCL and provides skills such as business analysis, software design, database administration, quality assurance, technical writing, consultancy, and training.

***Collette Mary Convery (Aged 40), Operations and Deployment director***

Collette joined Prologic CCL in 1999 from Torex Retail. She now manages the CIMS integration team, responsible for integrating CIMS software and associated hardware for clients. Collette’s other responsibilities include card authorisation systems and relationships with card issuers and acquirers.

***John Alexander Gray McAleese (Aged 46), Project Services director***

John was a member of the management team that launched NSB in 1995 and became its client services director. He joined Prologic CCL in December 2003 to develop and strengthen the consultancy and project management offerings.

**SHARE OPTION SCHEME AND SHARE WARRANTS**

The Company has adopted the Share Option Scheme conditionally on Admission and granted the following options conditionally on Admission, such options conferring a right to subscribe for Ordinary Shares at the Placing Price:-

<b>Name</b>	<b>No. of Ordinary Shares</b>	<b>Exercise period</b>
Conor Cahill	300,000	At any time during the period commencing on the second anniversary of Admission up to and including the tenth anniversary of Admission
John McAleese	50,000	
Other Employees	300,000	

As Gareth Chick, a non-executive director of the Company, is not eligible to participate in the Share Option Scheme, because he is not an employee of the Company, the Company has agreed to grant him an option, subject to certain performance targets for the year ending 31 March 2005 being met, to subscribe for 20,000 Ordinary Shares at the Placing Price. The option is exercisable at any time during the period commencing on the second anniversary of Admission up to and including the tenth anniversary of Admission.

In addition, the Company has granted the following options conditional on Admission and further conditional upon the performance of the Company in the financial years ending 31 March 2005 and 31 March 2006, such options conferring the right to subscribe for Ordinary Shares at the Placing Price:-

<b>Name</b>	<b>Number of Ordinary Shares</b>		<b>Exercise period</b>
	<b>Year ending 31 March 2005</b>	<b>Year ending 31 March 2006</b>	
David Little	40,000	80,000	At any time during the period commencing on the second anniversary of Admission up to and including the tenth anniversary of Admission
Conor Cahill	100,000	–	
John McAleese	10,000	20,000	
Collette Convery	30,000	50,000	
Other employees	50,000	100,000	

The Company has also resolved, conditionally on Admission, to enter into the Share Warrants under which the following persons will have the right to subscribe at the Placing Price:-

Lloyds Vendors	150,000
W.H. Ireland	150,000

Further details of the Share Option Scheme, Gareth Chick's option and the Share Warrants are set out in paragraphs 8, 12.5, 12.6 and 12.7 of Part VI of this document.

**FINANCIAL INFORMATION**

The following financial information has been extracted from the Accountants' Report on the Prologic CCL Group contained in Part III of this document and should be read in conjunction with the full text of that Accountants' Report. Investors should not rely solely on the key summarised information.

The Company's financial performance over the past three financial years is summarised below:

	<b>Year ended 31 March</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	6,649	7,823	7,542
<b>Operating profit</b>	469	800	805
Net interest payable and similar charges	(213)	(176)	(129)
<b>Profit on ordinary activities before taxation</b>	<u>256</u>	<u>624</u>	<u>676</u>

## **REASONS FOR THE PLACING**

The Company is proposing to raise approximately £3,200,000 before expenses, by way of the placing of the Placing Shares at the Placing Price. The total funds raised from the Placing of the Placing Shares will be utilised by the Company to provide monies to satisfy the consideration to be paid to Lloyds Vendors under the terms of the Acquisition Agreement, to redeem the Redeemable Shares and to cover the expenses of the Proposals. The Directors and the Proposed Directors believe that Admission will raise the profile of the Group and enhance its reputation with both clients and suppliers. The Placing Shares consist of 4,266,666 new Ordinary Shares. The Placing Shares will represent approximately 42.67 per cent. of the Enlarged Issued Share Capital. The Placing Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. Pursuant to the terms of the Acquisition Agreement, the Vendors are receiving the Consideration Shares and the Lloyds Vendors will be paid £2,600,000. The Consideration Shares will represent approximately 52.33 per cent. of the Enlarged Issued Share Capital.

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. It is expected that trading in the Ordinary Shares will commence on 5 July 2004.

W.H. Ireland has agreed to use all reasonable endeavours to procure subscribers for the Placing Shares. The Placing is not being underwritten and it is conditional *inter alia* on Admission.

## **CREST**

Application will be made for the New Ordinary Shares and the Existing Ordinary Shares of the Company to be admitted to CREST and accordingly settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if the relevant shareholders so wish. CREST is a paperless settlement procedure, which allows securities to be evidenced without a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under the CREST system.

CREST is a voluntary system and holders of the Ordinary Shares who wish to receive and retain certificates in respect of Ordinary Shares will be able to do so.

## **TAX RELIEFS AVAILABLE TO INVESTORS**

Certain information concerning UK taxation in relation to the Placing and Admission is set out in paragraph 10 of Part VI of this document. If investors are in any doubt as to their tax position they should consult their own independent financial adviser immediately. An application has been made and the UK Inland Revenue has confirmed that subject to enactment of the Finance Bill 2004 as currently drafted an investment in the Ordinary Shares is likely to be regarded as a qualifying holding for the purposes of venture capital trust legislation under the provisions of Section 842A and Schedule 28B of the Income and Corporation Taxes Act 1988.

## **CONCERT PARTY**

The terms of the Proposals give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford are described below.

The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by government and other regulatory authorities that those who seek to take advantage of the facilities of the securities market in the UK should conduct themselves in matters relating to takeovers in accordance with best business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the UK. The Company is such a company and its shareholders are entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code, a person who acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, is normally required by the Panel to make a general offer to the shareholders of that company to acquire the balance of the shares not held by such person or group of persons acting in concert.

Rule 9 also provides, *inter alia*, that where any person, together with persons acting in concert with him, holds shares carrying not less than 30 per cent. but not more than 50 per cent. of a company's voting rights and such person, or any person acting in concert with him, acquires additional shares which increase his percentage of the voting rights in that company, such person is normally required to make a general offer to all shareholders of that company at not less than the highest price paid by him, or any persons acting in concert with him, for any such shares within the preceding twelve months.

The City Code also provides that, where any person, together with persons acting in concert with him, holds more than 50 per cent. of a company's voting rights, no obligations will normally arise under Rule 9 to make a general offer to all shareholders of that company, save as described below, from any acquisitions by such person or any person acting in concert with him of any further shares carrying voting rights in the company. However, the Panel will regard as giving rise to an obligation to make an offer, the acquisition by a single member of a concert party of shares sufficient to increase his individual holding to 30 per cent. or more of a company's voting rights, or, if he already holds more than 30 per cent. but less than 50 per cent., which increases his percentage shareholding.

For the purposes of the City Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) actively co-operate, through the acquisition by them of shares in a company, to obtain or consolidate control of that company. Control means a single holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

**As a result of the issue of the Consideration Shares, the Acquisition will lead to a change of control of the Company. Under the City Code, the Vendors together constitute a concert party.**

**Immediately following the implementation of the Proposals and based upon the assumption that the Placing is fully subscribed, the members of the Concert Party will own approximately 52.33 per cent. of the Enlarged Issued Ordinary Share Capital.**

The relevant holdings of the members of the Concert Party, following completion of the Proposals, will be as follows:

	Number of Consideration Shares	Percentage of the Enlarged Issued Share Capital
Sam Jackson and his wife, Baljit Jackson <sup>(a)</sup>	2,296,357	22.96
David Little <sup>(b)</sup>	221,031	2.21
Gareth Chick <sup>(c)</sup>	103,050	1.03
David Parry <sup>(d)</sup>	147,256	1.47
Colette Convery <sup>(e)</sup>	147,256	1.47
Christina Baker <sup>(f)</sup>	916,946	9.17
Monica Tourlamain <sup>(g)</sup>	916,946	9.17
New Pitcomp Shareholders <sup>(h)</sup>	484,492	4.84
<b>Total</b>	<b>5,233,334</b>	<b>52.33</b>

(a) Sam Jackson will be an executive director of the Company on Completion. Further details are set out on page 14 of this Part I and in paragraph 9.1 of Part VI of this document. Sam Jackson's address is 36 London Road, Berkhamsted, Hertfordshire, HP4 2NE

(b) David Little will be an executive director of the Company on Completion. Further details are set out on page 15 of this Part I and in paragraph 9.2 of Part VI of this document. David Little's address is Boyne House, Terrace Road, Binfield, Berkshire, RG42 5JJ.

(c) Gareth Chick will be a non-executive director of the Company on Completion. Further details are set out on page 15 of this Part I and in paragraph 9.5 of Part VI of this document. Gareth Chick's address is 3 Warwick House, Malmers Well Road, High Wycombe, Buckinghamshire, HP13 6LL.

(d) David Parry is at the date of this document the Finance Director of Pitcomp. He will cease to hold this position, or any other position of employment with the Group at Completion. Further details are set out in paragraph 12.8 of Part VI of this document. David Parry's address is 17 Park View Road, Berkhamsted, Hertfordshire, HP4 3EX. David joined Prologic CCL in March 2002. The early part of David's career was with Philips and GEC. In 1987 he joined BICC and the following year was asked to become a founder

director of BISS, a start up systems integration company. In 1993, together with the managing director, he led an MBO of BISS and in 1995, when its turnover exceeded £20 million, collaborated in its sale to Wang. In 1996 David joined Tricom Communications and assisted in that company's sale process to GK Communications in 1998. He then joined the board of GK Communications, and subsequently assisted in its sale to Dimension Data in 1999.

- (e) Further details relating to Collette Convery, a member of senior management, are set out on page 15 of this document. Collette Convery's address is 2 Merlin Close, Rugby, Warwickshire CV23 0WH.
- (f) Further details relating to Christina Baker, a member of senior management, are set out on page 15 of this document. Christina Baker's address is Cherry Tree Cottage, 69 High Street, Northchurch, Berkhamsted, Hertfordshire HP4 3QH.
- (g) Further details relating to Monica Tourlmain, a member of senior management, are set out on page 15 of this document. Monica Tourlmain's address is Trees, The Crescent, West Wittering, West Sussex, PO20 8EE.
- (h) The New Pitcomp Shareholders (excluding Baljit Jackson, whose holding of 4,140 Consideration Shares is aggregated with that of her husband Sam Jackson, who will hold 2,292,217 Consideration Shares) total 32 individuals who are all employees of Prologic CCL. Apart from being members of the Concert Party and employees of Prologic CCL for the purposes of the City Code there are no other relationships between the New Pitcomp Shareholders and the members of the Concert Party.

No member of the Concert Party holds any shares in the Company at the date of this document and none of them has dealt for value in any shares in the Company during the 12 months prior to the date hereof.

**At the date of this document, the Company is owned equally by Eric Andrew Needham and Derek Lewis. The Panel has agreed that it will not require the Concert Party to make a general offer under Rule 9 as a result of the Acquisition.**

**On the assumptions that the Proposals are completed and that the Placing is fully subscribed, since the Concert Party will hold more than 50 per cent. of the Enlarged Issued Share Capital, the Concert Party and any other person acting in concert with it, will be free to acquire any number of Ordinary Shares without incurring any obligation under Rule 9 to make a general offer for the Company, so long as no individual member of the Concert Party thereby becomes obligated to make a general offer by increasing his or her individual shareholding to 30 per cent. or more of the Company's voting rights, or, if he already holds more than 30 per cent. and less than 50 per cent., which increases his percentage shareholding.**

**In addition, as the Concert Party will control over 50 per cent. of the voting rights of the Company following implementation of the Proposals, the members of the Concert Party may be able to exert a significant degree of control over the future conduct of the Company.**

Save as referred to in paragraphs 9 of Part VI of this document, there are no agreements, arrangements or understandings (including compensation arrangements) between any member of the Concert Party and any of the Directors, Proposed Directors, or Shareholders of the Company connected with or dependent upon the Proposals.

No service contracts with more than 12 months to run between the Company, the Directors and the Proposed Directors have been entered into or amended in the six months prior to the date of this document.

The Company's existing business has hitherto been to look for appropriate acquisitions. Following Admission, the Company will undertake the business of Prologic CCL.

The Company does not have any employees.

## **CORPORATE GOVERNANCE**

The Directors and the Proposed Directors recognise the importance of sound corporate governance whilst taking into account the size and nature of the Group. As the Group grows, the directors following Admission intend that the Company should develop policies and procedures which reflect the Principles of Good Governance and Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code on Corporate Governance") and which are appropriate for a company of its size. The directors following Admission will take such measures, so far as is practicable, to comply with the Combined Code.

The Company has established an Audit Committee and a Remuneration Committee. The Audit Committee will be chaired by Gareth Chick and will meet at least once per annum and is responsible for ensuring the integrity of the financial information reported to shareholders and the systems of internal controls. This committee will provide an opportunity for reporting by the Company's auditors. The Chief Executive and Finance Director will attend meetings by invitation. The Remuneration Committee will be chaired by Derek Lewis and will meet at least once per annum to determine the terms of employment and total remuneration of the executive Directors, and including the granting of any share options and the administration of any incentive schemes. The objective of this committee will be to attract, retain and motivate executives capable of delivering the Company's objectives. Both these committees will consist of the Chairman and the other non-executive directors.

The Company will ensure, in accordance with Rule 19 of the AIM Rules, that its directors following Admission and applicable employees do not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by its directors following Admission and applicable employees.

### **LOCK-IN ARRANGEMENTS**

Derek Lewis, Andrew Needham and the Vendors have each agreed that they will not (save for the limited disposals by David Parry, Sam Jackson, Christina Baker and Monica Tourlamain, referred to below, and save in certain specific circumstances) dispose of any Ordinary Shares for a period of one year following Admission and only to dispose of Ordinary Shares through W.H. Ireland for a period of one year thereafter. The Placing Shares are not subject to any lock-in agreement.

David Parry, Sam Jackson, Christina Baker and Monica Tourlamain will be able to sell up to 73,628, 29,629, 11,852 and 11,852 Ordinary Shares respectively at any time after Admission. For the purpose of maintaining an orderly market David Parry, Sam Jackson, Christina Baker and Monica Tourlamain will be required to seek the consent of W.H Ireland to such a sale and to instruct W. H. Ireland as broker in any such sale. David Parry, Sam Jackson, Christina Baker and Monica Tourlamain have agreed to lock-in arrangements in the same terms as the other Vendors in relation to their remaining Ordinary Shares.

The lock in arrangements above shall not prevent any party making disposals in *inter alia* the following circumstances:

- (a) In acceptance of a general offer for all Ordinary Shares in the Company (other than any such shares which are already owned by the person making such offer or any person(s) acting in concert with it) and made in accordance with the City Code:
  - (i) whether or not such general offer shall have been recommended by the directors of the Company or shall have become unconditional as to acceptance; or
  - (ii) pursuant to the provision of an irrevocable undertaking to accept such an offer or a sale of Ordinary Shares to a potential offeror or person acting in concert with it;
- (b) by personal representatives of a shareholder in accordance with the reasonable requirements of the Company; and
- (c) pursuant to the requirements of section 425 of the Act or pursuant to Section 110 of the Insolvency Act 1986.

### **DIVIDEND POLICY**

It is expected that any cash generated by the Group's operations in the short to medium term will be devoted to funding the Group's planned developments. The directors following Admission will continue to review the appropriateness of its dividend policy as the Group develops.

### **FURTHER INFORMATION**

Your attention is drawn to the remainder of this document, which provides additional information on the matters discussed above.

## PART II

### RISK FACTORS

**In addition to the other relevant information set out in this document, the following specific risk factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

**In addition to the usual risks associated with an investment in a business, the Directors and the Proposed Directors consider that the factors and risks described below are the most significant and should be carefully considered, together with all other information contained in this document, prior to investing in the Ordinary Shares. It should be noted that the risks described below are not the only risks faced by the Company; there may be additional risks that the Directors and the Proposed Directors currently consider not to be material or of which they are currently unaware.**

#### **Possible volatility on the price of the Ordinary Shares**

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, and other events and factors outside of the Group's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in the Company than in a company whose shares are quoted on the Official List.

In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

#### **Requirement for further funds**

It may be necessary for the Company to raise further funds in the future, which may be by way of the issue of further Ordinary Shares on a non pre-emptive basis which could result in a dilution of the interests of the shareholders at the time of such issue. There can be no guarantee that such a further fundraising would be successful.

#### **Investment risk**

Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, is likely to be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all his/her investment. The Ordinary Shares therefore may not be suitable as a short term investment.

#### **Economic, political, judicial, administrative, taxation or other regulatory matters**

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters.

#### **Attraction and retention of key employees**

Following Admission the Company will depend on its directors and other key personnel and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the directors following admission or other key employees could damage the Group's business.

Equally the ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.

### **Competition**

The market in which the Group operates has competitors and there can be no guarantee that Group will be able to respond to competitive challenges effectively. Although, the majority of Prologic CCL's revenue in any given year is derived from the existing client base, new business sales are essential to its continuing growth and future profit projections. However, Prologic CCL operates in a highly competitive landscape and neither the Directors nor the Proposed Directors are able to guarantee that any current new business sales opportunities will be won by the Group.

### **Management of growth projections**

There can be no guarantee that the Group will achieve the expansion or levels of business anticipated in the future.

### **Forward looking statements**

Certain statements within this document, including those in Part I of this document, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, competition, changes in development plans and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward looking statements are correct only as at the date of this document. None of the Company, the Directors, nor the Proposed Directors have undertaken any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances occurring after the date of this document except as required by law or by regulatory authority.

### **Key Supplier**

The technology used by Prologic CCL is based on the Oracle platform. Prologic CCL has an agreement with Oracle enabling it to use Oracle technology. The Directors and the Proposed Directors are not aware of any circumstances that mean that Prologic CCL will no longer be able to use Oracle technology, but if such circumstances were to arise Prologic CCL would no longer be able to operate its business.

### **General**

The risks noted above do not necessarily comprise all those potentially faced by the Group and are not intended to be presented in any assumed order of priority.

**Although the directors following Admission will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any decision to invest.**

## PART III

### ACCOUNTANTS' REPORT ON THE PROLOGIC CCL GROUP



CHARTERED ACCOUNTANTS

29 June 2004

The Directors and Proposed Directors  
Prologic plc  
Centurion House  
129 Deansgate  
Manchester  
M3 3AA

The Directors  
W H Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

Dear Sirs

#### **PITCOMP 192 LIMITED (“the company”) AND PROLOGIC COMPUTER CONSULTANTS LIMITED (together “the group”)**

#### **1 INTRODUCTION**

1.1 We report on the financial information set out in paragraphs 2 to 6. This financial information has been prepared for inclusion in the prospectus dated 29 June 2004 (“the Prospectus”) of Prologic plc.

#### **Basis of preparation**

1.2 The financial information set out in paragraphs 2 to 6 below is based on the financial statements of Pitcomp 192 Limited and its wholly owned subsidiary company, Prologic Computer Consultants Limited, for the three years ended 31 March 2002, 2003 and 2004.

1.3 The financial statements have been prepared on the basis set out in note 5.1, after making such adjustments as we considered necessary.

#### **Responsibility**

1.4 The financial statements for the three years ended 31 March 2002, 2003 and 2004 are the responsibility of the directors of Pitcomp 192 Limited who approved their issue.

1.5 The directors and the proposed directors of Prologic plc are responsible for the contents of the Prospectus in which this report is included.

1.6 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**

1.7 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 recorded by the auditors who audited the financial statements underlying the financial information. It 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 entity's circumstances, consistently applied and adequately disclosed.

- 1.8 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

- 1.9 In our opinion the financial information gives, for the purposes of the Prospectus, a true and fair view of the profits and cash flows of the group for the three years ended 31 March 2002, 2003 and 2004 and of the state of affairs of the group at the end of each of those periods.

### Consent

- 1.10 We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## 2. PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 31 March		
		2002 £'000	2003 £'000	2004 £'000
<b>Turnover</b>	<b>6.1</b>	6,649	7,823	7,542
Cost of sales		(2,517)	(4,392)	(3,620)
		<hr/>	<hr/>	<hr/>
<b>Gross profit</b>		4,132	3,431	3,922
Administration costs		(3,663)	(2,631)	(3,117)
		<hr/>	<hr/>	<hr/>
<b>Operating profit</b>	<b>6.1</b>	469	800	805
Interest receivable		14	13	24
Interest payable and similar charges	<b>6.2</b>	(227)	(189)	(153)
		<hr/>	<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		256	624	676
Tax on profit on ordinary activities	<b>6.4</b>	(66)	(171)	(203)
		<hr/>	<hr/>	<hr/>
<b>Profit for the financial year</b>		190	453	473
Dividends	<b>6.5</b>	(82)	(98)	(6)
		<hr/>	<hr/>	<hr/>
<b>Profit transferred to reserves</b>	<b>6.15</b>	108	355	467
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 3. BALANCE SHEETS

		<b>31 March</b>		
	<b>Notes</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>				
Intangible	<b>6.6</b>	2,788	2,630	2,472
Tangible	<b>6.7</b>	147	123	207
		<u>2,935</u>	<u>2,753</u>	<u>2,679</u>
<b>Current assets</b>				
Stocks	<b>6.9</b>	189	58	55
Debtors	<b>6.10</b>	1,621	1,882	2,575
Cash at bank and in hand		1,321	1,902	1,327
		<u>3,131</u>	<u>3,842</u>	<u>3,957</u>
<b>Creditors: amounts falling due within one year</b>	<b>6.11</b>	<u>(3,208)</u>	<u>(3,639)</u>	<u>(3,625)</u>
<b>Net current assets/(liabilities)</b>		<u>(77)</u>	<u>203</u>	<u>332</u>
<b>Total assets less current liabilities</b>		2,858	2,956	3,011
<b>Creditors : amounts falling due after more than one year</b>	<b>6.12</b>	<u>(2,505)</u>	<u>(2,205)</u>	<u>(1,755)</u>
<b>Provision for liabilities and charges</b>	<b>6.13</b>	<u>-</u>	<u>(43)</u>	<u>(81)</u>
<b>Net assets</b>		<u>353</u>	<u>708</u>	<u>1,175</u>
Called up share capital	<b>6.14</b>	127	127	127
Share premium account	<b>6.15</b>	228	228	228
Profit and loss account	<b>6.15</b>	(2)	353	820
<b>Shareholders' funds</b>		<u>353</u>	<u>708</u>	<u>1,175</u>
Comprising:				
Equity shareholders' funds		276	631	1,098
Non-equity shareholders' funds		77	77	77
		<u>353</u>	<u>708</u>	<u>1,175</u>

#### 4. CASH FLOW STATEMENTS

	Notes	Year ended 31 March		
		2002 £'000	2003 £'000	2004 £'000
<b>Net cash inflow from operating activities</b>	<b>6.17</b>	706	1,147	719
<b>Returns on investments and servicing of finance</b>				
Interest received		14	13	24
Interest paid		(203)	(165)	(130)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(189)	(152)	(106)
<b>Taxation</b>		(72)	(20)	(171)
<b>Capital expenditure</b>				
Purchase of tangible assets		(35)	(52)	(169)
<b>Dividends</b>		(47)	(42)	(98)
<b>Financing</b>				
Repayment of borrowing		(300)	(300)	(750)
<b>Increase/(decrease) in cash</b>	<b>6.18</b>	63	581	(575)

#### 5. ACCOUNTING POLICIES

##### Basis of preparation

- 5.1 The financial statements have been prepared under the historical cost convention. The principal accounting policies of the group have remained unchanged throughout the period and are set out below.
- 5.2 The group's method of apportioning costs between 'cost of sales' and 'administration expenses' was modified in the year to 31 March 2003 to reflect the use of more detailed management information available on the allocation of time costs to the directors. The revised method was considered more appropriate to the group's business. The figures for the year to 31 March 2002 were not amended as the directors do not have access to the same detailed level of information in respect of costs incurred during that period. The overall profit of the group is unaffected by the revised method of apportioning costs.
- 5.3 Grant Thornton, Chartered Accountants, of Churchill House, Chalvey Road East, Slough, Berkshire, were the auditors of the group for the three years ended 31 March 2002, 2003 and 2004.

##### Basis of consolidation

- 5.4 The group financial statements consolidate those of the company and its subsidiary undertaking (see note 6.8) drawn up to 31 March 2002, 2003 and 2004. Profits or losses on intra-group transactions are eliminated in full.

##### Turnover

- 5.5 Turnover represents the supply of goods and services, excluding VAT, during the period. Revenue is recognised as follows:
- Hardware and software: recognised either when the equipment is shipped to the customer, or when it has been stored at the customer's request
  - Installation: recognised when the installation is complete

- Sale of consultancy and training: recognised in accordance with consultant time spent
- Funded specific development: 75% recognised when the coding is complete. The remaining 25% is recognised when the customer has confirmed their acceptance of the product.
- Support and maintenance: recognised in equal instalments over the life of the contract. A provision is created in respect of long term outsourcing contracts, generally of four years length, to ensure that a consistent expected margin is recognised over the life of the contract.

#### **Deferred income**

- 5.6 Deferred income represents amounts invoiced in respect of advanced support, maintenance, consultancy and installation contracts that relate to future periods.

#### **Goodwill**

- 5.7 Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful economic life of twenty years. The directors have chosen this period as they feel it accurately reflects the useful economic life.

#### **Depreciation**

- 5.8 Depreciation is provided on tangible fixed assets at the following rates in order to write off each asset over its estimated useful life:

Computer equipment	-	25% on cost
Office fixtures and fittings	-	25% on cost
Software	-	25% on cost

#### **Investments**

- 5.9 Investments are included at cost.

#### **Stock**

- 5.10 Stock is stated at the lower of cost and net realisable value.

#### **Deferred taxation**

- 5.11 Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

#### **Research and development**

- 5.12 Research and development expenditure is charged in the period in which it is incurred.

#### **Leased assets**

- 5.13 Rentals payable under operating leases are chargeable to the profit and loss account as incurred.

## 6. NOTES TO THE FINANCIAL INFORMATION

### 6.1 Turnover and profit on ordinary activities before taxation

Turnover is attributable to the continuing principal activity of the group which is principally undertaken in the United Kingdom.

The profit on ordinary activities is stated after:

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
Depreciation	99	76	85
Amortisation	158	158	158
Hire of plant and machinery	11	14	13
Other operating lease rentals	167	160	156
Auditors' remuneration	13	13	13
	<u>          </u>	<u>          </u>	<u>          </u>

### 6.2 Interest payable and similar charges

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
On bank loans and overdrafts	227	189	153
	<u>          </u>	<u>          </u>	<u>          </u>

### 6.3 Directors and employees

Staff costs during the year were as follows:

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
Wages and salaries	2,271	2,385	2,615
Social security costs	234	274	318
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>2,505</u>	<u>2,659</u>	<u>2,933</u>

The average number of employees, including directors, during the period was as follows:

	Year ended 31 March		
	2002 No.	2003 No.	2004 No.
Technical	30	33	38
Sales	9	9	9
Administration	10	6	6
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>49</u>	<u>48</u>	<u>53</u>

### 6.3 Directors and employees (continued)

Emoluments for the directors (including benefits in kind) in each period were:

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
S Jackson	100,435	94,059	84,055
C J Baker	95,414	88,954	84,627
M M Tourlmain	119,351	93,561	82,343
S Licudi (appointed 23 April 2002)	-	-	-
M J Simmonds (resigned 23 April 2002)	-	-	-
G J Chick	22,000	15,000	17,000
	<u>337,200</u>	<u>291,574</u>	<u>268,025</u>

In each of the years ended 31 March 2002, 2003 and 2004 an amount of £15,000 per annum was paid to Lloyds TSB Development Capital in respect of non executive director's services provided by S Licudi and M J Simmonds.

### 6.4 Taxation

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
Corporation tax @ 30%	64	172	196
Prior year adjustments	20	2	(1)
Deferred tax	(18)	(3)	8
	<u>66</u>	<u>171</u>	<u>203</u>

Factors affecting tax charge for year:

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	77	187	203
Effect of:			
Expenses not deductible for tax purposes	15	13	14
Depreciation and amortisation for the period in excess of capital allowances	56	51	38
Marginal rate relief	-	(4)	(2)
Research and development tax credit	(84)	(75)	(57)
Current tax charge for year	<u>64</u>	<u>172</u>	<u>196</u>

## 6.5 Dividends

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
<b>Equity dividends:</b>			
Ordinary shares - interim dividend of 0p per share (2003: 0p, 2002: 77.8p)	23	-	-
Ordinary shares - proposed final dividend of 0p per share (2003:130.8p, 2002: 69.3p)	21	39	-
'A' ordinary shares - interim dividend of 8p per share (2003: 8.0p, 2002: 47.2p)	21	2	2
'A' ordinary shares - proposed final dividend of 0p per share (2003: 266.2p, 2002: 33.6p)	15	53	-
<b>Non-equity dividends:</b>			
'A' preference shares -8p per share (2003: 8.0p, 2002: 8.0p)	2	4	4
	82	98	6
	82	98	6

The participating and ordinary dividends in respect of the year to 31 March 2004 have been waived.

## 6.6 Intangible fixed assets

	31 March		
	2002 £'000	2003 £'000	2004 £'000
<b>Cost</b>			
At 1 April and 31 March	3,159	3,159	3,159
<b>Amortisation</b>			
At 1 April	213	371	529
Charge for the year	158	158	158
At 31 March	371	529	687
<b>Net book value</b>			
At 31 March	2,788	2,630	2,472
	2,788	2,630	2,472

## 6.7 Tangible fixed assets

	Computer and office equipment £'000	Office fixtures and fittings £'000	Software £'000	Total £'000
<b>Cost</b>				
At 1 April 2001	321	214	14	549
Additions	25	9	1	35
At 31 March 2002	346	223	15	584
Additions	48	4	-	52
At 31 March 2003	394	227	15	636
Additions	96	10	63	169
At 31 March 2004	490	237	78	805
	490	237	78	805

## 6.7 Tangible fixed assets (continued)

	Computer and office equipment £'000	Office fixtures and fittings £'000	Software £'000	Total £'000
<b>Depreciation</b>				
At 1 April 2001	180	147	11	338
Provided in year	61	37	1	99
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	241	184	12	437
Provided in year	54	21	1	76
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	295	205	13	513
Provided in year	61	15	9	85
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	356	220	22	598
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 March 2002	105	39	3	147
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2003	99	22	2	123
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2004	134	17	56	207
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 6.8 Fixed asset investments

Throughout the three years ended 31 March 2002, 2003 and 2004, the company held 100% of the ordinary shares and 100% of the 10% redeemable preference shares of Prologic Computer Consultants Limited. This wholly owned subsidiary operates in the development, supply and support of specialist software and computer systems to the fashion and lifestyle industry, and is registered in England and Wales. The results of the subsidiary undertaking have been consolidated in the group financial statements.

## 6.9 Stocks

	<b>31 March</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Goods for resale	189	45	39
Service stock	-	4	7
Work in progress	-	9	9
	<hr/>	<hr/>	<hr/>
	189	58	55
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**6.10 Debtors**

	<b>31 March</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	1,296	1,609	2,300
Other debtors	65	41	17
Prepayments and accrued income	242	211	245
Deferred tax asset	18	21	13
	<u>1,621</u>	<u>1,882</u>	<u>2,575</u>

**6.11 Creditors: amounts falling due within one year**

	<b>31 March</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank and other borrowings (see note 6.12)	300	300	-
Trade creditors	655	871	805
Corporation tax	18	172	196
Social security and other taxes	429	348	489
Proposed dividends	36	92	-
Accruals	273	282	396
Deferred income	1,497	1,574	1,739
	<u>3,208</u>	<u>3,639</u>	<u>3,625</u>

**6.12 Creditors: amounts falling due after more than one year**

	<b>31 March</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank and other loans	<u>2,505</u>	<u>2,205</u>	<u>1,755</u>

Borrowings are repayable as follows:

	<b>31 March</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Within one year</b>			
Bank loan	300	300	-
<b>After one and within two years</b>			
Bank loan	300	300	-
LDC loan	-	-	200
<b>After two and within five years</b>			
Bank loan	450	150	-
Directors loan	-	-	200
LDC loan	600	1,050	1,355
<b>After five years</b>			
Directors loan	200	200	-
LDC loan	955	505	-
	<u>2,805</u>	<u>2,505</u>	<u>1,755</u>

## 6.12 Creditors: amounts falling due after more than one year (continued)

The bank loan was secured by a fixed and floating charge over all the assets of the group. The bank loan was repayable in equal quarterly instalments of £75,000 until August 2005. Interest was payable at 2.25% above the base rate. The bank loan was fully repaid in November 2003.

The LDC loan is secured by a debenture over the group's property, undertaking and assets. The loan is repayable in minimum quarterly instalments of £100,000 from 31 December 2005. Interest is payable at 3% above the base rate.

## 6.13 Provision for liabilities and charges

	31 March		
	2002	2003	2004
	£'000	£'000	£'000
At 1 April	-	-	43
Provided during the year	-	43	38
At 31 March	<u>-</u>	<u>43</u>	<u>81</u>

The provision arises in respect of costs expected to be incurred in order to service outsourcing contracts entered into by the group.

## 6.14 Share capital

	31 March		
	2002	2003	2004
	£'000	£'000	£'000
<b>Authorised</b>			
35,507 ordinary shares of £1 each (2002 and 2003: 35,257 shares)	35	35	35
19,934 'A' ordinary shares of £1 each	20	20	20
50,166 'A' preference shares of £1 each	50	50	50
270,100 preference shares of 10 pence each	27	27	27
	<u>132</u>	<u>132</u>	<u>132</u>
	31 March		
	2002	2003	2004
	£'000	£'000	£'000
<b>Allotted, called up and fully paid</b>			
29,900 ordinary shares of £1 each	30	30	30
19,934 'A' ordinary shares of £1 each	20	20	20
50,166 'A' preference shares of £1 each	50	50	50
270,100 preference shares of 10 pence each	27	27	27
	<u>127</u>	<u>127</u>	<u>127</u>

### Share restructure

During the year ended 31 March 2002 the company's share capital was restructured by converting 50,166 £1 'A' ordinary shares into 50,166 £1 'A' preference shares.

## 6.14 Share capital (continued)

### Share rights:

#### *'A' ordinary £1 shares:*

These shares carry first right to a fixed dividend payable at a rate of 8% per annum based on the amount paid up and any premium paid, accruable from 6 August 1999. Interest on any unpaid dividends is at 3% per annum above the base rate.

Subject to payment in full of the fixed dividend and any arrears, a participating dividend is payable from 1 April 2002 to 31 March 2003 at 7.5%, from 1 April 2003 to 31 March 2004 at 10% and 1 April 2004 to 31 March 2005 and each subsequent financial year at 15% of the net profit of the company.

#### *'A' preference £1 shares:*

The 'A' preference shares carry the same rights as to dividends as the 'A' ordinary shares in relation to the fixed dividend, but forfeit their voting rights.

#### *Ordinary £1 shares:*

Ordinary share dividends declared from 1 April 2001 are restricted to 5% of the net profit of the parent company not exceeding the 'A' ordinary dividend.

#### *Preference 10p shares:*

The preference shareholders have priority over other classes of shares on the repayment of capital. The preference shareholders have a right to repayment of the amount subscribed.

### Contingent rights to the allotment of shares

The company has granted options to certain employees in respect of 5,497 ordinary shares (2003: 4,285, 2002: 5,357).

All of these options are exercisable at between £1 and £5 per share up to 4 November 2011 and 23 June 2013 if the company obtains a listing, or if a sale of the company or its assets is completed. At the respective year ends all of these options remained unexercised.

## 6.15 Reserves

	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>
At 1 April 2001	228	(110)
Retained profit for the year	-	108
	<hr/>	<hr/>
At 31 March 2002	228	(2)
Retained profit for the year	-	355
	<hr/>	<hr/>
At 31 March 2003	228	353
Retained profit for the year	-	467
	<hr/>	<hr/>
At 31 March 2004	228	820
	<hr/> <hr/>	<hr/> <hr/>

**6.16 Reconciliation of movements in shareholders' funds**

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
Profit for the year	190	453	473
Dividends	(82)	(98)	(6)
	<hr/>	<hr/>	<hr/>
Net increase in shareholders' funds	108	355	467
Shareholders' funds at 1 April	245	353	708
	<hr/>	<hr/>	<hr/>
Shareholders' funds at 31 March	<u>353</u>	<u>708</u>	<u>1,175</u>

**6.17 Net cash inflow from operating activities**

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
Operating profit	469	800	805
Depreciation	99	76	85
Amortisation	158	158	158
Decrease/(increase) in stock	(38)	131	3
(Increase)/decrease in debtors	440	(282)	(725)
Increase/(decrease) in creditors	(422)	264	393
	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	<u>706</u>	<u>1,147</u>	<u>719</u>

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

	Year ended 31 March		
	2002 £'000	2003 £'000	2004 £'000
Increase/(decrease) in cash in the year	63	581	(575)
Cash outflow from financing	300	300	750
	<hr/>	<hr/>	<hr/>
Change in net debt resulting from cashflows	363	881	175
Net debt at 1 April	(1,847)	(1,484)	(603)
	<hr/>	<hr/>	<hr/>
Net debt at 31 March	<u>(1,484)</u>	<u>(603)</u>	<u>(428)</u>

## 6.19 Analysis of changes in net debt

	<b>1 April 2001 £'000</b>	<b>Cash flow £'000</b>	<b>Non-cash items £'000</b>	<b>31 March 2002 £'000</b>
Cash at bank and in hand	1,258	63	-	1,321
Debts falling due within one year	(300)	300	(300)	(300)
Debts falling due after one year	(2,805)	-	300	(2,505)
	<u>(1,847)</u>	<u>363</u>	<u>-</u>	<u>(1,484)</u>

	<b>1 April 2002 £'000</b>	<b>Cash flow £'000</b>	<b>Non-cash items £'000</b>	<b>31 March 2003 £'000</b>
Cash at bank and in hand	1,321	581	-	1,902
Debts falling due within one year	(300)	300	(300)	(300)
Debts falling due after one year	(2,505)	-	300	(2,205)
	<u>(1,484)</u>	<u>881</u>	<u>-</u>	<u>(603)</u>

	<b>1 April 2003 £'000</b>	<b>Cash flow £'000</b>	<b>Non-cash items £'000</b>	<b>31 March 2004 £'000</b>
Cash at bank and in hand	1,902	(575)	-	1,327
Debts falling due within one year	(300)	300	-	-
Debts falling due after one year	(2,205)	450	-	(1,755)
	<u>(603)</u>	<u>175</u>	<u>-</u>	<u>(428)</u>

## 6.20 Capital commitments

The group had no capital commitments at 31 March 2002, 2003 and 2004.

## 6.21 Contingent liabilities

There were no contingent liabilities at 31 March 2002, 2003 and 2004.

## 6.22 Leasing commitments

Operating lease payments amounting to £170k (2003: £156k, 2002: £137k) are due within one year. The leases to which these amounts relate expire as follows:

		31 March	
	2002	2003	2004
	£'000	£'000	£'000
<b>Land and buildings</b>			
Within one year	50	-	-
Between two and five years	-	65	85
	<u>50</u>	<u>65</u>	<u>85</u>
<b>Other</b>			
Within one year	22	24	10
Between two and five years	65	67	75
	<u>87</u>	<u>91</u>	<u>85</u>

## 6.23 Related party transactions

As part of the purchase of Prologic Computer Consultants Limited, the directors provided a loan to the company amounting to £200k, all of which was outstanding at the year end (2003: £200k, 2002: £200k).

Lloyds TSB Development Capital Limited is a related party by virtue of its shareholding in the company. During the year the company paid Lloyds TSB Development Capital Limited £104k (2003: £109k, 2002: £119k) as interest on loans. At the balance sheet date the company owed Lloyds TSB Development Capital Limited £1,555k (2003: £1,555k, 2002: £1,555k).

Yours faithfully

**CHADWICK**  
**Chartered Accountants**  
**Registered Auditor**

## PART IV

### ACCOUNTANTS' REPORT ON THE COMPANY



29 June 2004

The Directors and Proposed Directors  
Prologic plc  
Centurion House  
129 Deansgate  
Manchester  
M3 3AA

The Directors  
W H Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

Dear Sirs

#### **PROLOGIC PLC (“the Company”)**

We report on the financial information set out in paragraph 2 below which has been prepared for inclusion in the prospectus of the Company dated 29 June 2004 (“the Prospectus”) relating to the proposed placing of up to 4,266,666 ordinary shares in the Company and application for admission to trading on the alternative investment market of the London Stock Exchange.

#### **1. Introduction**

The Company was incorporated in England and Wales on 2 February 2004 with company number 5031466 under the name Watchcycle Limited. On 1 June 2004 the Company re-registered as a public limited company. On 16 June 2004 the Company changed its name to Prologic plc.

On incorporation the Company had authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was issued.

On 18 May 2004 the Company increased the authorised share capital to £51,000 by the creation of 50,000 redeemable shares of £1 each.

On 25 May 2004 the Company issued 99 ordinary shares of £1 each at par, and 50,000 redeemable shares of £1 each (one quarter paid).

On 29 June 2004 the Company, conditionally upon Admission increased its authorised share capital from £51,000 to £125,000 by the creation of 74,000 ordinary shares of £1 each, subdivided each issued and unissued ordinary share of £1 each into 5,000 Ordinary Shares of 0.02 pence each, and resolved to capitalise £48,000 of the amount standing to the credit of its share premium account at Admission in paying up and distributing by way of a bonus issue 240,000,000 ordinary shares of 0.02p each on the basis of 24 new ordinary shares for each one ordinary share held and to consolidate every 25 ordinary shares of 0.02p into one Ordinary Share of 0.5p each.

On 29 June 2004 the Directors resolved, conditionally on Admission, that the Company redeem the 50,000 redeemable shares of £1 each.

Other than referred to below and entering into agreements to pay certain expenses and costs in respect of the preparation of the Prospectus and entering into contracts for the services of the directors of the Company and other contracts referred to in Part VI of the Prospectus the Company's activities up to the present date have been minimal.

## **Basis of Preparation of Financial Information**

The financial information set out below is based upon non statutory financial statements prepared by the Directors for the purpose of the Prospectus and covers the period from 2 February 2004 to 27 May 2004.

As there has been no trading activity nor dividends paid from the date of incorporation to 27 May 2004, a profit and loss account has not been presented.

## **Responsibility**

The financial statements which form the basis of the financial information in this report are the responsibility of the Directors and have been approved by them.

The Directors and Proposed Directors 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 this report and to form an opinion on the financial information and report our opinion to you.

## **Basis of Opinion**

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

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

## **Opinion**

In our opinion the financial information set out below gives for the purpose of the Prospectus a true and fair view of the state of affairs of the Company as at 27 May 2004.

## **Consent**

We consent to the inclusion in the Prospectus of this report and accept responsibility for the report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## **2. FINANCIAL INFORMATION ON THE COMPANY FOR THE PERIOD 2 FEBRUARY 2004 TO 27 MAY 2004**

### **2.1 Balance Sheet as at 27 May 2004**

	£
<b>Current Assets</b>	
Debtors	37,500
Cash at bank	12,600
	<hr/>
Net Assets	50,100
	<hr/> <hr/>
<b>Capital and Reserves</b>	
Called up share capital	50,100
	<hr/>
<b>Shareholders' Funds</b>	50,100
	<hr/> <hr/>

## 2.2 Notes to the Financial Information

### 2.2.1 Accounting Policies

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

### 2.2.2 Share Capital

	£
<b>Authorised</b>	
1,000 ordinary shares of £1 each	1,000
50,000 redeemable shares of £1 each	50,000
	<hr/>
	51,000
	<hr/>
<b>Allotted and called up</b>	
100 ordinary shares of £1 each	100
50,000 redeemable shares of £1 each	50,000
	<hr/>
	50,100
	<hr/> <hr/>

On incorporation the Company had authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was issued.

On 18 May 2004 the Company increased the authorised share capital to £51,000 by the creation of 50,000 redeemable shares of £1 each.

On 25 May 2004 the Company issued 99 ordinary shares of £1 each at par, and 50,000 redeemable shares of £1 each (one quarter paid).

On 29 June 2004 the Company, conditionally on Admission, increased its authorised share capital from £51,000 to £125,000 by the creation of 74,000 ordinary shares of £1 each, subdivided each unissued ordinary share of £1 into 5,000 Ordinary Shares of 0.02p each, and resolved to capitalise £48,000 of the amount standing to the credit of its share premium account at Admission in paying up and distributing by way of a bonus issue 240,000,000 ordinary shares of 0.02p each on the basis of 24 new ordinary shares for each one ordinary share held and to consolidate every 25 ordinary shares of 0.02p into one Ordinary Share of 0.5p each.

On 29 June 2004 the Directors resolved, conditionally on Admission that the Company redeem the 50,000 redeemable shares of £1 each.

Yours faithfully

**CHADWICK**  
**Chartered Accountants**  
**Registered Auditor**

## PART V

### ILLUSTRATIVE PRO FORMA STATEMENT OF COMBINED NET ASSETS

#### Illustrative pro forma statement of combined net assets

The following unaudited pro forma statement of combined net assets of the Group is prepared for illustrative purposes only and may not, because of its nature, give a true picture of the financial position of the Group after the proposed Acquisition and Placing. It has been prepared to illustrate the effect on the net assets of the Group of the proposed Acquisition and Placing as if they had taken place on 29 June 2004.

	The Company (i) £'000	Pitcomp (ii) £'000	Adjustments (iii) £'000	Pro forma net assets £'000
<b>Fixed assets</b>				
Intangible	-	2,472	5,745	8,217
Tangible	-	207	-	207
	-	2,679	5,745	8,424
<b>Current assets</b>				
Stocks	-	55	-	55
Debtors	37	2,575	(37)	2,575
Cash at bank and in hand	13	1,327	(650)	690
	50	3,957	(687)	3,320
<b>Creditors: amounts falling due within one year</b>	-	(3,625)	(133)	(3,758)
<b>Net current assets/(liabilities)</b>	50	332	(820)	(438)
<b>Total assets less current liabilities</b>	50	3,011	4,925	7,986
<b>Creditors: amounts falling due after more than one year</b>	-	(1,755)	288	(1,467)
<b>Provision for liabilities and charges</b>	-	(81)	-	(81)
<b>Net assets</b>	50	1,175	5,213	6,438

#### Notes to the pro forma statement of net assets

- (i) The net assets of Prologic plc have been extracted from the audited balance sheet as at 27 May 2004 as set out in the Accountants' Report in Part IV of this document.
- (ii) The net assets of Pitcomp 192 Limited have been extracted from the audited balance sheet as at 31 March 2004 as set out in the Accountants' Report on Pitcomp 192 Limited in Part III of this document.
- (iii) Adjustments have been made to reflect:
  - (a) The pre-sale dividend paid by Pitcomp
  - (b) Purchase of Pitcomp preference shares and repayment of directors' loans
  - (c) Repayment of LDC loan
  - (d) New bank loan
  - (e) The Placing
  - (f) Redemption of the Redeemable Shares
  - (g) Acquisition of Pitcomp
  - (h) Goodwill arising on Pitcomp acquisition
  - (i) Estimated costs of the Proposals

The adjustments made are summarised below:

	Adjustment to intangible fixed assets £'000	Adjustment to cash at bank and in hand £'000	Adjustment to debtors £'000	Adjustment to creditors due within one year £'000	Adjustment to creditors due in more than one year £'000
(a) Pre-sale dividend paid by Pitcomp	-	(100)	-	-	-
(b) Purchase of Pitcomp preference shares and repayment of directors' loans	-	(520)	-	-	200
(c) Repayment of LDC loan	-	(1,555)	-	-	1,555
(d) New bank loan Receipt shown net of arrangement fee	-	1,568	-	(133)	(1,467)
(e) Placing Proceeds of the placing	-	3,130	-	-	-
(f) Redemption of Redeemable Shares	-	(13)	(37)	-	-
(g) Acquisition of Pitcomp (part cash and part shares)	-	(2,600)	-	-	-
(h) Goodwill Goodwill arising, calculated by reference to the fair value of the consideration given (£6.5 million), compared to the fair value of the net assets acquired (£755,000)	5,745	-	-	-	-
(i) Estimated costs	-	(560)	-	-	-
	<u>5,745</u>	<u>(650)</u>	<u>(37)</u>	<u>(133)</u>	<u>288</u>

(iv) No adjustment has been made for any event since 27 May 2004 (in respect of the Company) or 31 March 2004 (in respect of Pitcomp) save as disclosed above, and in particular the pro forma statement of combined net assets does not take into account any trading or working capital movements arising since those dates.

## PART VI

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated and registered in England and Wales as a private limited company under the Act on 2 February 2004 with registered number 05031466. The liability of the members of the Company is limited.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made under the Act.
- 1.3 The registered office of the Company is at Centurion House, 129 Deansgate, Manchester M3 3AA.
- 1.4 On 1 June 2004, the Company re-registered as a public limited company under the name Watchcycle plc.
- 1.5 On 16 June 2004 the Company changed its name to Prologic plc.

#### 2. Subsidiaries

- 2.1 Immediately following Admission, the Company will be the holding company of the following subsidiary companies which will be wholly owned and which are incorporated in England and Wales.

Name	Nature of Business	Date of Incorporation	Issued Share Capital (fully paid)
Pitcomp 192 Limited	Holding Company	6 August 1999	£35,397
Prologic Computer Consultants Limited	Software consultancy and development	3 July 1984	£282,765

#### 3. Share Capital

- 3.1 At the date of its incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was in issue fully paid.
- 3.2 On 18 May 2004, the subscriber share was transferred to Eric Andrew Needham.
- 3.3 Since the incorporation of the Company, the following changes have occurred in the authorised and issued share capital of the Company:
  - (a) on 18 May 2004:
    - (i) the authorised share capital of the Company was increased from £1,000 to £51,000 by the creation of 50,000 redeemable shares of £1 each;
    - (ii) the Directors were generally and unconditionally authorised (in substitution for the authority conferred on them by the existing Articles of Association of the Company) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £51,000 PROVIDED THAT such authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the date which is five years after the date of passing the resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance to such offer or agreement as if the authority conferred had not expired; and
    - (iii) the Directors were empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash as if Section 89(1) did not apply to any such allotment.
  - (b) on 25 May 2004, the Company issued:
    - (i) 99 ordinary shares of £1 each for cash at par; and
    - (ii) 50,000 redeemable shares of £1 each, one quarter paid.

- (c) on 29 June 2004 the Company resolved conditionally upon Admission that:
- (i) the capital of the Company be increased from £51,000 divided into 1,000 ordinary shares of £1 each and 50,000 redeemable shares of £1 each to 125,000 by the creation of 74,000 new ordinary shares identical in all respects with the existing ordinary shares of the Company;
  - (ii) each of the existing issued ordinary shares and each of the existing un-issued ordinary shares of £1 each in the capital of the Company to be sub-divided into 5,000 ordinary shares of 0.02 pence each;
  - (iii) £48,000 of the amount standing to the credit of the Company's share premium account at Admission be capitalised and used by the Directors in paying up and distributing by way of a bonus issue of 240,000,000 ordinary shares of 0.02p each on the basis of 24 new ordinary shares for each one ordinary share in issue;
  - (iv) every 25 ordinary shares of 0.02p each be consolidated into 1 ordinary share of 0.5p each;
  - (v) the Directors be generally and unconditionally authorised (such authority to be in substitution for all existing such authorities) to allot relevant securities (within the meaning of Section 80 of the Act up to an aggregate nominal amount of £124,900 such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 (unless previously revoked, renewed, extended, revised or varied by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred has expired;
  - (vi) the Directors be empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) wholly for cash pursuant to the authority conferred by paragraph (iii) as if Section 89(1) of the Act did not apply to any such allotment, such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 (unless previously revoked, renewed, extended, revised or varied by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred has expired, and provided further that such power be limited to:
    - (a) the allotment of the Placing Shares;
    - (b) the allotment of equity securities in connection with an offer of equity securities by way of rights to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such Ordinary Shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;
    - (c) the allotment of up to 1,480,000 Ordinary Shares pursuant to options to be granted under the Share Option Scheme to the extent that any such options are not the subject of an employees' share scheme (as defined in s743 of the Act);
    - (d) the allotment of up to 300,000 Ordinary Shares pursuant to the Share Warrants; and
    - (e) the allotment of up to 20,000 Ordinary Shares pursuant to the option to be granted to Gareth Chick; and
    - (f) the allotment (otherwise than pursuant to sub-paragraphs (a), (b), (c), (d) and (e) of section (iv) above) of equity securities up to an aggregate nominal amount of £3,750;

- (vii) to adopt new Articles of Association.
- (d) on 29 June 2004 the Directors resolved, conditionally on Admission to:
  - (i) redeem the 50,000 Redeemable Shares of £1 each;
  - (ii) to grant the Share Warrants;
  - (iii) to allot the Consideration Shares to the Vendors in accordance with the Acquisition Agreement; and
  - (iv) to grant the option to Gareth Chick and those options under the Share Option Scheme to be granted conditionally on Admission.

3.4 The following table shows the number of authorised and issued Ordinary Shares at the date of this document (following the Reorganisation) and on Admission:

	<b>Ordinary Share Capital</b>			
	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
At the date of this document	200,000	1,000	20,000	100
On Admission	15,000,000	75,000	10,000,000	50,000

3.5 As far as the Company is aware as at 28 June 2004 the latest practicable date before the publication of this document and immediately upon Admission (assuming full subscription under the Placing), the following persons had and will have interests (other than Directors', Proposed Directors' and their immediate families' interests) within the meaning of Section 208 of the Act in the issued Ordinary Share capital of the Company which, directly or indirectly, represent or will represent, on Admission, 3 per cent. or more of the issued Ordinary Share capital of the Company:

	<b>As at the date of this document</b>		<b>On Admission</b>	
	<b>Number of Ordinary Shares</b>	<b>Percentage of issued Ordinary Share Capital</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of issued Ordinary Share Capital</b>
ISIS Asset Management Ltd	Nil	Nil	1,500,000	15.0%
Unicorn Asset Management Ltd	Nil	Nil	1,075,000	10.8%
Monica Mary Tourlamain	Nil	Nil	916,946	9.2%
Christina Jane Baker	Nil	Nil	916,946	9.2%
Legal & General Investment Management Ltd	Nil	Nil	800,000	8.0%
Northern Ventures Managers Ltd	Nil	Nil	400,000	4.0%

Save as disclosed above and in paragraph 5.1 of this Part VI the Directors are not aware of any person who, directly or indirectly, is or will be following the Placing, interested in 3 per cent or more of the Company's issued Ordinary Share capital.

3.6 Save as disclosed in this paragraph 3 or paragraph 12.4 of this Part VI:

- (a) no share or loan capital of the Company or (so far as is material) any of its subsidiaries has within the three years immediately preceding the date of this document been issued or agreed to be issued, or is now proposed to be issued fully or partly paid, for cash or any other consideration or has been purchased by the Company or any of its subsidiaries;
- (b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any such capital; and
- (c) no share or loan capital of the Company or any of its subsidiaries is under option or has been agreed, conditionally or unconditionally, to be put under option.

#### **4. Directors and Proposed Directors**

4.1 Other than their directorships of the Company, the current directorships and partnerships of the Directors and the Proposed Directors and directorships and partnerships held by them over the previous five years were as follows:

## Directorships and Partnerships

Name	Age	Current	Previous
Derek Lewis	57	PJH Holdings Limited Reliance Secure Task Management Limited PJH Company Limited Capital Investment Partners	Heracles Limited Derek Lewis Consulting Limited Templar Court & Squire Gardens Management Company Limited Guardian IT Smartsource IT Services Limited Smartsource IT Resources Limited MNN Holdings Limited Crown Business Communications Limited Amey IT Services Limited Amey Information Services Limited Ameyasis Limited BCN Data Systems Limited DataGroup Limited DataGroup Support Services Limited Thesaurus Computer Services Limited
Eric Andrew Needham	53	DWF Neolab Limited Davies Wallis Foyster Limited Davies Wallis Limited Capital Investment Partners	DataGroup Limited DataGroup Support Services Limited Thesaurus Computer Services Limited
Samuel Jackson	50	Pitcomp 192 Limited Prologic Computer Consultants Limited	
Gareth John Chick	47	Spring Partnerships Limited	Pitcomp 192 Limited Prologic Computer Consultants Limited Red Kite Business Development Limited

Other than their directorships of the Company following Admission, neither David Little nor Conor Cahill have any current directorships and partnerships nor have they held any such positions over the previous five years.

4.2 The business address of each of the Directors is Centurion House, 129 Deansgate, Manchester M3 3AA.

4.3 As at the date of this document, none of the Directors or the Proposed Directors has:

- (a) any unspent convictions in relation to indictable offences; or
- (b) been declared bankrupt or made any individual voluntary arrangement; or
- (c) been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
- (d) been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or

- (e) had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or
- (f) been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 5. Directors', Proposed Directors' and Other Interests

5.1 The interests of the Directors and the Proposed Directors in the share capital of the Company, all of which are beneficial unless otherwise stated, as notified to the Company pursuant to Section 324 or 328 of the Act, as they appear or will appear in the register of directors' interests required pursuant to Section 325 of the Act, or which are interests of persons connected with the Directors or the Proposed Directors (within the meaning of Section 346 of the Act) as at the date of this document (following Reorganisation) and immediately upon Admission are and will be as follows:

	As at the date of this document		On Admission	
	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital	Number of Ordinary Shares	Percentage of Enlarged Issued Share Capital
Derek Lewis	250,000	50%	250,000	2.50
Eric Andrew Needham	250,000	50%	250,000	2.50
Sam Jackson*	Nil	Nil	2,296,357	22.96
Gareth Chick**	Nil	Nil	103,050	1.03
David Little**	Nil	Nil	221,031	2.21
Conor Cahill**	Nil	Nil	Nil	Nil

\* Including 4,150 Ordinary Shares held by his wife Baljit Jackson

\*\* Conditionally on Admission, Conor Cahill has been granted an option over 300,000 Ordinary Shares under the Share Option Scheme. Conditionally on Admission and subject to meeting certain performance criteria, Conor Cahill and David Little have been granted options over 100,000 and 120,000 Ordinary Shares respectively under the Share Option Scheme and Gareth Chick has been granted options over 20,000 Ordinary Shares. Further details of these options are given in the paragraph headed "Share Option Scheme and Share Warrants" in Part I of this document.

Derek Lewis and Eric Andrew Needham hold 25,000 Redeemable Shares each which will be redeemed on Admission.

- 5.2 Save as disclosed in paragraph 5.1 of this Part VI, the Directors and the Proposed Directors are not aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to the Company pursuant to Section 324 or Section 328 of the Act and would be required to be entered in the register of directors' interests pursuant to Section 325 of the Act.
- 5.3 Save as disclosed in paragraphs 3.5 and 5.1 of this Part VI, the Company is not aware of any person, other than the Directors or the Proposed Directors and their immediate families, who immediately following Admission will, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 5.4 Save as disclosed in paragraph 5.1 of this Part VI, none of the Directors or the Proposed Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 5.5 No Director or Proposed Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of the Group.
- 5.6 There are no outstanding loans granted by the Company to any of the Directors or Proposed Directors, nor are there any guarantees provided by the Company for their benefit.
- 5.7 As at the date of this document:
  - (a) none of the Directors own, control or are interested in any shares in Pitcomp 192 and none of them has dealt for value in any shares of Pitcomp during the twelve months prior to the date hereof;

- (b) Pitcomp does not own or control and is not interested in any shares in the issued share capital of the Company and has not dealt for value in any Ordinary Shares from incorporation to 28 June 2004 (the latest practicable date prior to the publication of this document);
  - (c) The Directors of Pitcomp do not own or control and are not interested in any shares of the Company; neither have the directors of Pitcomp dealt in any shares of the Company;
  - (d) Sam Jackson and Gareth Chick, two of the directors of Pitcomp are interested in 15,504 Ordinary Shares of £1.00 each and 270,100 Preference Shares of 10p each (in the case of Sam Jackson) and 498 Ordinary Shares of £1.00 each (in the case of Gareth Chick) in Pitcomp (representing approximately 34 per cent. of the entire issued share capital of Pitcomp);
  - (e) Save as disclosed in paragraph 5.1 of this Part VI none of the Directors nor the Proposed Directors nor any member of the Concert Party is interested in any Ordinary Shares or has dealt for value in any Ordinary Shares or has dealt for value in any Ordinary Shares from incorporation to the date of publication of this document; and
  - (f) Save under the Acquisition Agreement details of which are set out in paragraph 12.2 of this Part VI, the Company is not interested in any shares in Pitcomp and has never dealt for value therein.
- 5.8 As at the date of this document, the directors of Pitcomp are Christina Baker, Gareth Chick, Samuel Jackson and Monica Tourlmain.
- 5.9 There are no agreements, arrangements or understandings existing between the Vendors, or any person acting in concert with the Vendors or, any of the Directors, shareholders or recent shareholders of the Company which have any dependence upon the Proposals.
- 5.10 There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the New Ordinary Shares will be conferred to any other person.
- 5.11 Neither the Directors nor the Proposed Directors have dealt for value in the Ordinary Shares of the Company from the date of incorporation to the date of publication of this document.
- 5.12 Save as disclosed in this document, neither the Directors, nor the Proposed Directors, nor any pension fund of the Company or bank, financial or other professional advisers (including stockbrokers) to the Company (other than exempt market makers) or person controlling, controlled by or under the same control as such banks, financial and other professional advisers controls or is interested in (beneficially or otherwise) any relevant securities in the Company as at the date of this document.
- 5.13 There are no financing agreements or arrangements in place between Pitcomp 192 and the Company which depend to a significant extent on the business of the Company.
- 5.14 Derek Lewis, a partner of CIP and a Director as at the date of this document, is interested in 250,000 Ordinary Shares as at the date of this document.
- 5.15 Eric Andrew Needham, a partner of CIP, a partner of DWF and a Director as at the date of this document, is interested in 250,000 Ordinary Shares as at the date of this document.
- 5.16 CIP is to be paid a fee of £25,000 plus VAT (if applicable) for its services in procuring the Admission. Such fee is provided for in the expenses referred to in paragraph 17 of Part VI of this document.
- 5.17 There are no shareholdings and there have been no dealings in the Company or Pitcomp 192 which are managed on a discretionary basis by fund managers (other than exempt fund managers connected with the Company).
- 6. Memorandum of Association**
- 6.1 The principal objects of the Company are set out in Clause 4 of the Company's memorandum of association and are to carry on the business of a holding company.
- 7. Articles of Association**
- 7.1 The Articles of Association contain *inter alia*, provisions which are summarised below. The summary does not purport to be complete and is qualified in its entirety by the full terms of the Articles of Association.

## 7.2 **Votes of Members**

### (a) Votes attaching to Shares

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any shares or class of shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

### (b) No voting rights where calls outstanding

No member shall, unless the board otherwise determines, be entitled to vote:

- (i) if any call or other sum presently payable by him to the Company in respect of the shares remains unpaid; or
- (ii) if a member has been served with a restriction notice and failed to provide the Company with information concerning interest in those shares required to be provided under the Act.

## 7.3 **Transfer of Shares**

### (a) Form of transfer

Transfers of shares may be effected by an instrument of transfer in any usual form or in any other form approved by the board. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares.

### (b) Right to refuse to register a transfer

The board may in its absolute discretion and without assigning any reason for its actions refuse to register any transfer of any share which is not a fully paid share. The board may decline to recognise any instrument of transfer unless:

- (i) the duly stamped instrument of transfer:
  - (1) is in respect of only one class of shares;
  - (2) is lodged at the registered office or such other place as the board may appoint; and
  - (3) is accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; and
- (ii) in the case of a transfer to joint holders, the number of joint holders does not exceed four.

The board may also decline to register a transfer of shares (except for certain types of transfer) after there has been a failure to provide the Company with information concerning interest in those shares required to be provided under the Articles or the Act until such failure has been remedied.

## 7.4 **Dividends**

### (a) Final dividends

The Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the board

### (b) Interim and fixed dividends

In so far as, in the opinion of the board, the profits of the Company justify such payments, the board may declare and pay the fixed dividends on any class of shares carrying fixed dividends expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment of such dividends and may also from time to time declare and pay interim dividends on shares of any class of such sums and on such dates and in respect of such periods as it thinks fit.

(c) Retention of dividends

The board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

The board may withhold dividends payable on shares after there has been failure to provide the Company with information concerning interests in those shares required to be provided under the Act until such failure has been remedied.

(d) Unclaimed dividend

Any dividend unclaimed after a period of twelve years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

(e) Distribution in specie

The Company may upon the recommendation of the board by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid up shares or debentures of any other company) and the board shall give effect to such resolution.

#### 7.5 Distribution of assets on a winding up

If the Company shall be wound up the liquidator may, with the authority of an extraordinary resolution and subject to any provision of law, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes or property and may determine how such division shall be carried out as between the members or different classes of members.

#### 7.6 Capitalisation of profits and reserves

(a) The board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account.

(b) Such capitalisation shall be effected by appropriating such sum to the holders of Ordinary Shares in proportion to their holdings of Ordinary Shares and applying such sum on their behalf in paying up in full unissued shares.

#### 7.7 Share capital

(a) Variation of rights

The special rights attached to any class may, subject to the provisions of the Act, be varied either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of any extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

(b) Increase in share capital

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

(c) Consolidation, subdivision and cancellation

The Company may by ordinary resolution:

(I) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;

(II) subject to the provisions of the Act, sub-divide its shares.

(d) Reduction or cancellation

The Company may by special resolution reduce or cancel its share capital or any revaluation reserve or share premium account or any other reserve fund in any manner and with and subject to any confirmation or consent required by law.

- (e) Purchase of own shares

Subject to the provisions of the Act, the Company may purchase or may enter into any contract under which it will or may purchase, any of its own shares.

## 7.8 Forfeiture and lien

- (a) Notice on failure to pay a call

If a member fails to pay in full any call or instalment of a call on the due date of payment the board may at any time after the failure serve a notice on him requiring payment and shall state that in the event of non-payment in accordance with such notice the shares on which the call was made will be liable to be forfeited.

- (b) Lien on partly-paid shares

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share.

- (c) Sale of shares subject to lien

The Company may sell in such manner as the board thinks fit any share on which the Company has a lien, fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell.

## 7.9 Directors

- (a) Number of directors

Unless otherwise determined by ordinary resolution the directors shall not be fewer than two nor more than ten in number.

- (b) Directors' fees

The ordinary remuneration of the directors shall from time to time be determined by the board except that such remuneration shall not exceed £750,000 per annum in aggregate or such higher sum as may from time to time be determined by ordinary resolution of the Company.

- (c) Directors' expenses

The board may repay to any director any such reasonable expenses as he may incur in attending meetings of the board or of any committee of the board or shareholders' meetings or otherwise in connection with the business of the Company.

- (d) Age limit

Any provision of the Act which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment or election as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment or election of any director over a specified age, shall not apply to the Company.

- (e) Retirement by rotation

At each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

- (f) Restrictions on voting

A director shall not vote (save as provided in the Articles) in respect of any contract or arrangement or any other proposal whatsoever in which the persons connected with him have a material interest otherwise than by virtue of his interest in shares or debentures or other securities of, or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is entitled to vote.

- (g) Subject to the provisions of the Act, a director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution:

- (i) relating to the giving of any security, guarantee or indemnity in respect of:
  - (1) money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or
  - (2) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or part under a guarantee or indemnity or by the giving of security;
- (ii) where the Company or any of its subsidiary undertakings is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
- (iii) relating to any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of a beneficial interest in 1 per cent or more of any class of share capital of such company or of the voting rights available to the members of the relevant company;
- (iv) relating to a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which has been approved by the Inland Revenue or is conditional upon such approval or does not award him any privilege or benefit to the employees to whom such scheme relates; or
- (v) concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

#### 7.10 **Borrowing powers**

The board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property and 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.

### **8. The Share Option Scheme**

8.1 The Share Option Scheme was adopted by the Company in general meeting on 29 June 2004 and will be administered by the committee (the "Committee") (comprising a majority of non-executive directors of the board).

The main features of the Share Option Scheme may be summarised as follows:

#### 8.2 **Eligibility**

All bona fide employees (including executive directors) of the Group who are nominated by the Committee are eligible to participate if they are not expected by the Committee to retire within six months from the date of grant.

#### 8.3 **Grants of Options**

Grants of options may normally be made within 42 days after: (a) the date on which the Share Option Scheme is adopted by the Company in general meeting; (b) the announcement of the Company's interim or final results in each year and (c) the commencement of an individual's employment with the Group. No options may be granted more than 10 years after the date the Scheme is adopted.

#### 8.4 **Option Price**

Where options are granted following Admission and when the Ordinary Shares are listed on the Official List, or admitted for trading on AIM the option price per Ordinary Share will not be listed less than the middle market quotation of such ordinary shares as derived from the Official List or the Financial Times as appropriate on the dealing day immediately preceding the date of grant (or the nominal value of an ordinary share if greater). For periods up to and including Admission and where the ordinary shares are not so listed or traded the Directors (prior to Admission) and the Committee (following Admission) will determine the option price per ordinary share (not being less than the nominal value of an ordinary share).

In the event of a variation in the share capital of the Company, the option price and/or the number of Ordinary Shares comprised in each option may be adjusted as the auditors of the Company confirm in writing to be fair and reasonable. No adjustment may be made which will reduce the option price below the nominal value of an Ordinary Share.

#### **8.5 Rights and Restrictions**

An option granted under the Share Option Scheme is not transferable and generally may only be exercised within the period from the date specified in the option agreement until the tenth anniversary of the date of grant of the option. The exercise of an option may be subject to such performance-related conditions as the Committee may determine. In certain circumstances, the Committee may waive or vary the performance-related conditions.

An option is exercisable within a limited period if the option holder ceases to be employed within the Group by reason of disability, ill-health or retirement; or because his employing company ceases to be a member of the Group; or because his employing business is being transferred out of the Group; or, at the discretion of the Committee, for any other reason. The personal representatives of an option holder may exercise an option within 12 months of the death of the option holder.

Options are exercisable within a limited period in the event of a takeover or voluntary winding-up of the Company and will in certain circumstances lapse if not so exercised.

#### **8.6 Allotment of ordinary shares**

The Ordinary Shares allotted under the Share Option Scheme will rank *pari passu* with the Company's issued Ordinary Shares save that any allotment made after the earlier of the date of announcement of a proposed dividend or other distribution and the record date of a proposed dividend or other distribution will be made upon terms that the ordinary shares so allotted are not entitled to participate therein.

#### **8.7 Scheme Limits**

The aggregate number of Ordinary Shares issued or remaining issuable under the Share Option Scheme on (and including) any date of grant together with the number of Ordinary Shares issued or remaining issuable pursuant to options granted in the previous ten years under any other employee share option scheme approved by the Company in general meeting and the number of Ordinary Shares issued in those previous ten years under any employee profit sharing scheme approved by the company in general meeting may not exceed fifteen per cent of the number of Ordinary Shares in issue immediately before the date of grant.

#### **8.8 Alteration**

The Committee may alter the Share Option Scheme except that (apart from minor amendments to benefit the administration of the Share Option Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Group) no alteration which is to the advantage of participants can be made to the Share Option Scheme without the prior approval of shareholders in general meeting.

#### **8.9 Tax**

The Share Option Scheme makes provision for options to be granted as Enterprise Management Incentives pursuant to Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 where the individual meets the relevant conditions.

Option holders are required to pay the amount of employer's national insurance due on the exercise of an option under the Share Option Scheme as a condition of exercise and PAYE income tax and employee's national insurance must be paid as a condition of exercise of an option under the Share Option Scheme.

### **9. Directors' and Proposed Directors' Service Contracts**

- 9.1 Samuel Jackson has entered into a service agreement with the Company dated 29 June 2004 which is conditional upon Admission. The agreement is for indefinite duration, terminable by either party on 6 months' notice. Mr Jackson is entitled, under the terms of the agreement, to an annual salary (subject to

annual review) of £90,000 and a bonus, on such terms to be agreed by the parties. Mr Jackson is entitled to the use of a Company car. The service agreement contains post-termination restrictive covenants by him which place limitations on the solicitation of customers and employees and from acting in competition with the business of the Group. The service agreement also contains restrictions on the use by him of confidential information obtained as a result of his employment.

- 9.2 David Little has entered into a service agreement with the Company dated 29 June 2004 which is conditional upon Admission. The agreement is for indefinite duration, terminable by either party on 6 months' notice. Mr Little is entitled, under the terms of the agreement, to an annual salary (subject to annual review) of £95,000 and a bonus, on such terms to be agreed by the parties. Mr Little is entitled to a non-pensionable car allowance of £7,200 per annum. The service agreement contains post-termination restrictive covenants by him which place limitations on the solicitation of customers and employees and from acting in competition with the business of the Group. The service agreement also contains restrictions on the use by him of confidential information obtained as a result of his employment.
- 9.3 Conor Cahill has entered into a service agreement with the Company dated 29 June 2004 which is conditional upon Admission. The agreement is for indefinite duration, terminable by either party on 6 months' notice. Mr Cahill is entitled, under the terms of the agreement, to an annual salary (subject to annual review) of £75,000 and a bonus, on such terms to be agreed by the parties. Mr Cahill is entitled to a non-pensionable car allowance of £6,000 per annum. The service agreement contains post-termination restrictive covenants by him which place limitations on the solicitation of customers and employees and from acting in competition with the business of the Group. The service agreement also contains restrictions on the use by him of confidential information obtained as a result of his employment.
- 9.4 Derek Lewis has entered into an agreement with the Company dated 29 June 2004 which is conditional upon Admission for the provision of his services as non-executive chairman for an initial period of 12 months. The agreement is terminable at any time on 6 months notice by either party such notice not to expire earlier than 12 months from the date of the agreement. The agreement provides for an annual fee of £35,000 plus VAT (if applicable). The agreement includes provisions preventing the disclosure of confidential information in relation to the Group.
- 9.5 Gareth Chick has entered into an agreement with the Company dated 29 June 2004 which is conditional upon Admission for the provision of his services as a non-executive director for an initial period of 12 months. The agreement is terminable at any time on 6 months notice by either party such notice not to expire earlier than 12 months from the date of the agreement. The agreement provides for an annual fee of £25,000 plus VAT (if applicable). The agreement includes provisions preventing the disclosure of confidential information relating to the Group.
- 9.6 The aggregate remuneration (including benefits in kind) payable to the Directors and Proposed Directors in the current financial year ending 31 March 2005 under the arrangements in force at the date of this document is estimated to be £353,000.
- 9.7 Save as mentioned in this paragraph 9 there are no Directors or Proposed Directors' service contracts or contracts in the nature of services with the Group other than those which expire or cannot be determined without payment of compensation on no more than 12 months' notice and no such contracts are proposed.

## **10. Taxation**

### **10.1 Introduction**

The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes. In particular, this information does not take into account any prospective changes included in the Finance Bill 2004 which has yet to be enacted.

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM) and assuming that the Company remains the holding company of a trading group for UK tax purposes, the Ordinary Shares should continue to be treated as unquoted securities qualifying for certain reliefs from UK taxation.

**The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.**

## 10.2 Capital Gains Tax (“CGT”)

### (a) Disposals

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the “pooling” of shares (i.e. treating them as one asset) no longer applies. Generally, any disposal of shares is treated on a last in, first out basis for the purposes of calculating gains which are chargeable to tax.

### (b) Taper Relief

On 5 April 1998, “taper relief” was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a “business” or “non-business” asset. The scale of relief is enhanced for those assets which qualify as “business” assets.

Business assets includes shares in qualifying unquoted trading companies or holding companies of trading groups. For these purposes, prospective Investors should note that companies admitted to trading on AIM are regarded as unquoted. However, shares in the Company do not currently qualify as business assets as the Company is not a trading company, and therefore, the reduced levels of taper relief currently apply.

However, if the Company makes an acquisition so that it is deemed to be a trading company or a holding company of a trading company or group and satisfies the relevant criteria to qualify as a business asset, the classification will change so that shares in the Company will be deemed to be business assets with the associated accelerated scales of taper relief applicable. In these circumstances, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

## 10.3 Inheritance Tax (“IHT”)

Shares in qualifying trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes. The Company does not qualify currently for business property relief. Business Property Relief would also apply to shares in an AIM company if that company were a trading company or holding company of a trading group.

## 10.4 Income Tax

### (a) Taxation of Dividends

(i) The statements that follow assume that no dividends paid by the Company will be treated as foreign income dividends pursuant to the provisions of the Finance Act 1997. Since 1999 the Company cannot elect to pay any foreign income dividends under the provisions contained in the Finance Act 1994.

(ii) Under current UK tax legislation, no tax is now withheld from dividends paid by the Company. Advance Corporation Tax (“ACT”) has been abolished since 6 April 1999.

(iii) UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder’s lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate

(currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. i.e. an effective rate of 25 per cent. on the amount of the dividend. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

- (iv) Prior to 6 April 1999, in appropriate cases, individuals and charities were able to reclaim all or part of the tax credit attaching to a dividend in cash from the Inland Revenue. From 6 April 1999 they are no longer able to do so. Over a transitional period to 2003/04, charities (but not individuals) will be able to claim a compensatory payment calculated as a percentage payment of their dividend income.
- (v) A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.
- (vi) A UK pension fund, as defined in Section 231A Income and Corporation Taxes 1988, is restricted from claiming a repayment of the tax credit.
- (vii) Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim payment of all or part of the tax credits carried by the dividends they receive from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

(b) Loss Relief:

If a loss arises on the arms length disposal of shares in a qualifying trading company or a holding company of a trading group, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year (with priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years. The Company does not currently qualify for the purpose of this relief.

#### 10.5 Stamp duty and stamp duty reserve tax

Transfers or sales of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 50p per £100 or part thereof rounded up to the nearest £5 and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at that rate). However, if within 6 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 SDRT will be cancelled or repaid.

#### 10.6 Enterprise Investment Scheme ("EIS")

The Company's current structure and activities would not enable it to meet the requirements of a qualifying company under the EIS but the Company may qualify once an acquisition has been made. On 29 June, Pitcomp redeemed some of its share capital. This will deny EIS deferral relief under TCGA 1992 Schedule 5B and restrict the income tax relief under s289 ICTA 1988.

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

## 11. Registered Office and Premises

- 11.1 The registered office of the Company will be changed following Admission to Redwood House, Rectory Lane, Berkhamsted, Hertfordshire, HP4 2DH.
- 11.2 The Prologic CCL Group occupies the following leasehold premises:
- (i) Redwood House, Rectory Lane, Berkhamsted, Hertfordshire which has an approximate area of 4,500 sq.ft. which is occupied under a lease expiring in September 2007.
  - (ii) 4 Churchgates, Berkhamsted, Hertfordshire which has an approximate area of 1,200 sq.ft. which is occupied under a lease expiring in May 2006.

## 12. Material Contracts

Other than set out below there are no contracts (not being contracts entered into in the ordinary course of business) entered into by the Company since the Company's incorporation or entered into by any member of the Prologic CCL Group within the two years immediately preceding the date of this document which are or may be material or which contain any provision under which the Company, or any member of the Prologic CCL Group has any obligation or entitlement which is material to the Company, or any member of the Prologic CCL Group as at the date of this document save as disclosed in this paragraph 12 of this Part VI.

- 12.1 By a letter of engagement dated 6 May 2004 the Company appointed W.H. Ireland as financial adviser in connection with the Placing and Admission.
- 12.2 By a conditional agreement dated 29 June 2004 made between the Company (1) the Vendors (2) and Lloyds Vendors (3), Lloyds Vendors and the Vendors agreed to sell (or procure the sale of) and the Company agreed to acquire the entire issued share capital of Pitcomp for a consideration of £6,500,000 by the payment of £2,600,000 to Lloyds Vendors and the issue of the Consideration Shares to the Vendors. The Acquisition Agreement is conditional, *inter alia*, on Admission and contains warranties and indemnities in connection with the Prologic CCL Group, given by the Vendors.
- 12.3 By Nominated Adviser and Broker agreements both dated 29 June made between the Company (1) and W.H. Ireland (2) the Company appointed W.H. Ireland to act as nominated adviser and broker respectively to the Company for the purposes of the AIM Rules. The Company agreed to pay W.H. Ireland annual fees of £20,000 and £10,000 under such agreements respectively, plus value added tax, per annum. The agreements are for a fixed term of 12 months and subject to termination on 90 days notice by either party thereafter.
- 12.4 By a Placing Agreement dated 29 June 2004 made between the Company (1), W.H. Ireland (2) the Directors and the Proposed Directors (3) W.H. Ireland has agreed to use its reasonable endeavours to procure subscribers on behalf of the Company for the Placing Shares at the Placing Price. W.H. Ireland is under no obligation to subscribe for any Placing Shares for which it is unable to procure subscribers. The Company, the Directors and the Proposed Directors have given certain warranties and the Company has given certain indemnities to W.H. Ireland as to the accuracy of information contained in this document and other matters in relation to the Group and its business. The Placing Agreement is conditional, *inter alia*, upon certain documents specified in the Placing Agreement being delivered to W.H. Ireland and Admission taking place not later than 2 August 2004 or such later date as is agreed in writing. Under the Placing Agreement the Company has agreed to pay W.H. Ireland for its services a fee of £67,500 and commission calculated at the rate of 5% of the aggregate value of the Placing Shares issued at the Placing Price. The Placing agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The Company has subject to Admission agreed to indemnify W.H. Ireland against all costs and commissions payable by it. The Placing Agreement is terminable in certain circumstances by W.H. Ireland before Admission.
- 12.5 By an agreement dated 29 June 2004 made between the Company (1) and Gareth Chick (2) the Company granted, conditionally on Admission, an option to Gareth Chick to subscribe for up to 20,000 Ordinary Shares at the Placing Price. The option is exercisable, subject to the Company having met certain performance criteria, during the period from the second anniversary of Admission until the tenth anniversary of Admission. Should Gareth Chick cease to be a non-executive Director the option is exercisable at the discretion of the Company.

- 12.6 By a warrant instrument dated 29 June 2004 made between the Company (1) and Lloyds Vendors (2), the Company granted, conditionally on Admission, the right to Lloyds Vendors to subscribe for up to 150,000 Ordinary Shares at the Placing Price. The warrants are to be issued as to 142,500 to Lloyds TSB Development Capital Limited and as to 7,500 to Lloyds TSB Venture Nominees Limited. The right to subscribe is exercisable during the period from the first anniversary of Admission until the tenth anniversary of Admission and is assignable.
- 12.7 By a warrant instrument dated 29 June 2004 made between the Company (1) and W.H. Ireland Limited (2) the Company granted, conditionally on Admission, the right to W.H. Ireland to subscribe for up to 150,000 Ordinary Shares at the Placing Price. The right to subscribe is exercisable during the period from the first anniversary of Admission until the tenth anniversary of Admission and is assignable.
- 12.8 By a compromise agreement dated 29 June 2004 made between Prologic CCL and David Richard Parry, Prologic CCL agreed to pay David Parry the sum of £46,000 in full and final settlement of claims he may have against Prologic CCL or any associated company in respect of his employment, which is to terminate on or before Admission. There is provision for Mr Parry to perform up to 10 days of consultancy work after termination of his employment at a daily rate of £700 per day.
- 12.9 By a facility agreement dated 29 June 2004 made between Pitcomp (1) and Lloyds TSB Bank plc (“the Bank”)(2), the Bank has agreed to make available a term loan facility of £1,600,000 repayable in 23 quarterly instalments terminating on 30 June 2010. The standard rate of interest applicable to the loan is 2.25% above the Bank’s base rate subject to a margin ratchet and an increase by 2% in the event of default. Pitcomp is to pay an arrangement fee of £36,000 on Completion.
- 12.10 Lock-in Agreements dated 29 June 2004 between the Company and W. H. Ireland and respectively each of the Vendors (other than LDC), Eric Andrew Needham and Derek Lewis whereby each of the Vendors has respectively undertaken to W H Ireland and the Company, save in specified circumstances and save for David Parry, Sam Jackson, Christina Baker and Monica Tourlamain who may sell or dispose of up to 73,628, 29,629, 11,852, and 11,852 Ordinary Shares respectively, not to sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in the Ordinary Shares held by them for the 12 month period commencing on the date of Admission (the “First Restricted Period”) and further during the period commencing at the end of the First Restricted Period and ending on the anniversary thereof not to sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in Ordinary Shares held by them respectively other than through W. H. Ireland and in such a manner as W. H. Ireland may reasonably require with a view to maintaining an orderly market in the Shares.

### **13. Litigation**

Neither the Company, Pitcomp nor Prologic CCL is engaged in any legal or arbitration proceedings nor, so far as the Directors and the Proposed Directors are aware, are any such proceedings pending or threatened against the Company, Pitcomp or Prologic CCL which are having or may have a significant effect on the Company’s, Pitcomp’s or Prologic CCL’s financial position.

### **14. Intellectual Property Rights**

There are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group’s business.

### **15. Working Capital**

The Directors and the Proposed Directors are of the opinion that, taking into account the proceeds of the Placing and having made due and careful enquiry, the working capital available to the Group will, from the time the Ordinary Shares are admitted to AIM, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

### **16. Investments**

Save as set out in this document there are no investments in progress which are significant.

### **17. Information relating to the Placing**

In the opinion of the Directors, the Company needs to raise £2,600,000 pursuant to the Placing in order to provide the sums required to fund the Acquisition and £560,000 to meet the expenses of the Proposals.

## 18. General

- 18.1 The accounting reference date of the Company is 31 March. The Company's first reference period will end on 31 March 2005.
- 18.2 Chadwick, Chartered Accountants, of Television House, 10/12 Mount Street, Manchester M2 5NT has given and not withdrawn its written consent to the issue of this document with the inclusion of its reports and of references to its name in the form and context in which they appear and accept responsibility for its reports.
- 18.3 W.H. Ireland Limited of 11 St. James's Square, Manchester, M2 6WH, has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which they appear.
- 18.4 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act.
- 18.5 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since the date on which the financial statements contained in Parts III, IV and V of this document were made up.
- 18.6 The total proceeds of the Placing are expected to be approximately £3,200,000. The estimated amount of the expenses of effecting the Proposals which are payable by the Company (including professional fees, printing costs and commissions) are estimated to be £560,000 (excluding value added tax).
- 18.7 Of the Placing Price 0.5p represents the nominal value of each Placing Share and 74.5p represents the premium.
- 18.8 Save in connection with the application for Admission, none of the Ordinary Shares have been admitted to dealings on a recognised investment exchange and no application for such admission has been made.
- 18.9 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the placing letters issued by W.H. Ireland until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 2 August 2004 application monies will be refunded to applicants at their risk without interest.
- 18.10 The Existing Ordinary Shares are and the New Ordinary Shares will be, in registered form and will be in uncertificated form in CREST. Definitive share certificates are not expected to be despatched to those placees who have elected to receive Ordinary Shares in uncertificated form if, and only if, that person is a "system member" (as defined in the Uncertificated Securities Regulations 1995) in relation to CREST. For those placees who elect to receive Ordinary Shares to be issued pursuant to the Placing in certificated form, share certificates are expected to be despatched to such applicants by post at their own risk within seven days of Admission. Temporary documents of title will not be issued in connection with the Placing.
- 18.11 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade supplier dealing with members of the Group) has:
- (a) received, directly or indirectly, from any member of the Group within the twelve months preceding the Company's application for Admission; or
  - (b) entered into any contractual arrangement (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Group on or after Admission any of the following:
    - (i) fees totalling £10,000 or more;
    - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
    - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 18.12 This prospectus is published on 29 June 2004.

## **19. Availability of Prospectus**

Copies of this document containing full details about the Company and its application for Admission will be available free of charge to the public at the offices of DWF, Centurion House, 129 Deansgate, Manchester M3 3AA and W.H. Ireland Limited, 11 St James's Square, Manchester M2 6WH from the date of this document until one month after admission to trading on AIM.

## **20. Documents available for inspection**

Copies of the following documents may be inspected at the offices of DWF, Centurion House, 129 Deansgate, Manchester M3 3AA and W.H. Ireland Limited, 11 St James's Square, Manchester M2 6WH during the usual business hours on any week day (weekends and public holidays excepted) for the period of 14 days following the date of Admission:

- The Memorandum and Articles of Association of the Company;
- The Memorandum and Articles of Association of Pitcomp and Prologic CCL;
- The audited and consolidated accounts of the Prologic CCL Group for the financial year ended 31 March 2004;
- The accountants reports by Chadwick Chartered Accountants on the Company and the Prologic CCL Group reproduced in Parts III and IV, respectively, of this document;
- The illustrative pro forma statement of combined net assets appearing in Part V of this document;
- The Directors' and the Proposed Directors' service agreements and letters of appointment referred to in paragraph 9 above;
- The material contracts referred to in paragraph 12 above; and
- The written consents referred to in paragraphs 18.2 and 18.3 above.

29 June 2004