

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about its contents 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.

The Directors of Daniel Stewart Securities Plc, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the rules for AIM published by the London Stock Exchange plc (“the AIM Rules”). To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued ordinary share capital of the Company to be admitted to trading on AIM. 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 listed on the Official List of the UK Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List and it is emphasised that no application is being made for admission of the Ordinary Shares to the Official List or any other recognised investment exchange. Neither London Stock Exchange plc nor the UK Listing Authority has examined or approved the contents of this document. It is expected that trading in the Ordinary Shares will commence on AIM on 18 October 2004.

This document is an admission document in relation to AIM. Whilst it has been drawn up in accordance with the Public Offers of Securities Regulations 1995, as amended, (the “POS Regulations”), it does not comprise a prospectus for the purpose of the POS Regulations.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART I OF THIS DOCUMENT.

Daniel Stewart Securities Plc

(Incorporated and registered in England and Wales with registered number 3899545)

Admission to trading on AIM

Nominated Adviser and Joint Broker:



Joint Broker:



Corporate Synergy Plc, which is authorised and regulated by The Financial Services Authority, is acting as nominated adviser and joint broker to the Company in connection with the proposed admission of the Ordinary Shares to trading on AIM. Its responsibilities as the Company’s nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Corporate Synergy Plc as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Corporate Synergy Plc will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

This document should not be distributed in, into or from the United States of America, Canada, Japan or Australia or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation. The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933 (as amended). Accordingly, such shares may not be offered, sold, renounced, taken up or delivered, directly or indirectly, in or into the United States of America. Furthermore, such shares have not been and will not be registered under any of the relevant securities laws of Canada, Japan or Australia. Accordingly unless an exception under relevant securities laws is applicable, such shares may not be offered, sold, renounced, taken up or delivered, directly or indirectly, in or into Canada, Japan or Australia. This document does not constitute an offer or the solicitation of an offer to subscribe or buy any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make an offer or solicitation in such jurisdiction.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

De-listing from OFEX becomes effective	Close of business on 15 October 2004
Admission effective and dealings in the Ordinary Shares to commence on AIM	18 October 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Peter Frederick Dicks, <i>Non-Executive Chairman</i> Peter Daniel Shea, <i>Chief Executive</i> Alastair Andrew Bertram Cade, <i>Executive Director</i> Stuart John Lucas, <i>Non-Executive Director</i> <i>all of:</i>
Registered Office:	48 Bishopsgate London EC2N 4AJ
Company Secretary:	Filex Services Limited 179 Great Portland Street London W1W 5LS
Nominated Adviser and Joint Broker:	Corporate Synergy Plc 12 Nicholas Lane London EC4N 7BN
Joint Broker:	Daniel Stewart & Company Plc 48 Bishopsgate London EC2N 4AJ
Auditors	Keelings Limited Broad House The Broadway Old Hatfield Hertfordshire AL9 5BG
Reporting Accountants:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Solicitors to the Company:	Finers Stephens Innocent 179 Great Portland Street London W1W 5LS
Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TH
Bankers:	Adam & Company PLC 24 Pall Mall London SW1 4AJ

DEFINITIONS AND GLOSSARY OF TERMS

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

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the issued Ordinary Shares to trading on AIM in accordance with the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules of AIM as published by the London Stock Exchange
“Approved Scheme”	the Company’s approved share option plan, further details of which are set out in paragraph 5.2 of Part III of this document
“Board” or “Directors”	the directors of Daniel Stewart Securities
“City Code”	the City Code on Takeovers and Mergers in force at the date of this document
“Corporate Synergy”	Corporate Synergy Plc, nominated adviser and joint broker to the Company
“CREST”	the relevant system (as defined in the Regulations) to facilitate the transfer of title of shares in uncertificated form, in respect of which CRESTCo Limited is the operator (as defined in the Regulations)
“Daniel Stewart” or “Subsidiary”	Daniel Stewart & Company Plc
“Daniel Stewart Securities” or the “Company”	Daniel Stewart Securities Plc
“ECTwo”	ECTwo Investments PLC (Daniel Stewart Securities’ previous name)
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“Group”	Daniel Stewart Securities and its subsidiaries
“IPO(s)”	initial public offerings
“London Stock Exchange”	London Stock Exchange plc
“OFEX”	the share trading market operated by OFEX plc for share dealing in unlisted and unquoted companies
“Official List”	the official list of the UKLA
“Ordinary Shares”	ordinary shares of 0.25 pence each in the capital of the Company
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Regulations”	the Uncertificated Securities Regulations 2001
“UKLA”	the FSA acting in its capacity as the competent authority for the purpose of Part VI of FSMA
“Unapproved Share Option Scheme”	the unapproved share option scheme adopted by the Company, further details of which are set out in paragraph 5.1 of Part III of this document
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland

PART I

INFORMATION ON THE GROUP

INTRODUCTION

Daniel Stewart Securities, through its principal subsidiary Daniel Stewart, provides investment banking services to small to medium sized quoted and unquoted companies and a variety of financial and corporate advisory services to institutional clients interested in participating in IPOs, secondary fundraisings and private placements. Daniel Stewart is authorised by the FSA, and is a member of the London Stock Exchange, an approved nominated adviser and broker for AIM traded companies and an OFEX corporate adviser for OFEX companies.

The Company also holds a small portfolio of both quoted and unquoted investments.

HISTORY

Daniel Stewart Securities, previously called ECTwo Investments Plc, was incorporated in 1999 to provide private investors with an opportunity to participate alongside institutions in early stage investments and IPOs, primarily those undertaken by Daniel Stewart in the course of its business activities. In February and March 2000, the Company raised approximately £8 million in aggregate, in two fundraisings, and on 27 April 2000 was admitted to trading on OFEX.

In November 2002 Daniel Stewart Securities (then ECTwo Investments Plc) acquired the entire issued share capital of Daniel Stewart for a consideration of 109,566,297 Ordinary Shares, valuing Daniel Stewart at approximately £2.2 million. Prior to the acquisition, ECTwo had invested a total of approximately £6 million in early stage companies by way of equity and convertible investments.

Daniel Stewart was incorporated in 1989 as a private limited company, initially focusing on providing mergers and acquisitions advice to smaller companies. Over the past six years, Daniel Stewart has concentrated on the provision of advisory, broking and research services to the small and medium sized corporate sector, a sector of the market which Daniel Stewart's directors felt there was a need for high quality investment banking services which had been largely overlooked by the institutional investment community. In December 2003, Daniel Stewart became an approved nominated adviser to AIM traded companies, having been approved as a registered broker in July 2001, resulting in it being able to offer comprehensive advisory, broking and research services to AIM traded companies and companies on the Official List. This has provided a platform for Daniel Stewart which has allowed it to expand and improve its client base and has also given Daniel Stewart access to a significantly larger pool of investment capital from which its clients may benefit. In 2003 Daniel Stewart expanded all aspects of its business considerably, particularly its corporate finance, trading and research teams.

Between 1 January 2004 and the date of this document, Daniel Stewart has completed fifteen transactions, including ten AIM admissions, and has raised approximately £45 million for its clients.

BUSINESS ACTIVITIES

Daniel Stewart has four key areas to its business:

Corporate Finance

Daniel Stewart's corporate finance activities principally comprise advising small and medium sized AIM traded companies, along with a smaller number of OFEX traded companies, where it acts as nominated adviser or OFEX corporate adviser. In addition Daniel Stewart provides corporate finance services to a number of unquoted companies.

Daniel Stewart has advised on a range of transactions including new issues, secondary market fundraisings, private placings, the raising of pre-flotation finance, mergers and acquisitions, debt finance, company

restructurings, company sales and takeovers under the City Code. Daniel Stewart currently acts as nominated adviser to fifteen AIM traded companies and is OFEX corporate adviser to six companies.

Equity Capital Markets

Daniel Stewart is a member of the London Stock Exchange which allows it to act as broker to companies on the Official List and as broker to companies traded on AIM. It has extensive contacts with institutions (including in particular venture capital trusts) who specialise in financing and investing in smaller companies, which has enabled it to build a reputation for raising institutional money for small companies, particularly those quoted on AIM and OFEX. It currently acts as retained broker to fifteen AIM traded companies and to one company on the Official List.

Research

Daniel Stewart's research team of three people is focused on providing research to its retained clients, together with providing independent research to a number of other AIM traded companies and other companies listed on the Official List. In addition the research team writes regular updates on various aspects of the equity markets and general economic conditions.

Sales Trading

Daniel Stewart's sales trading team was established to facilitate the secondary market transactions of Daniel Stewart's institutional clients. The team has strong relationships with market makers specialising in small and medium sized companies and has built a good foundation on which to expand as Daniel Stewart's profile increases through a wider distribution of its research and an increase in its number of quoted clients. Daniel Stewart currently out-sources its settlement services to Penson Worldwide Limited.

Income Generation

Daniel Stewart generates revenue by way of fees for specific transactions, through ongoing retainers for existing clients, from commissions on monies raised for its clients and through secondary market dealings for its institutional clients. In addition, Daniel Stewart may receive share options or warrants in client companies.

As at 30 September 2004, Daniel Stewart had 26 clients paying regular retainers for Daniel Stewart's services as either broker, nominated adviser or OFEX corporate adviser.

STRATEGY

The Directors propose to continue to develop a financial services business built around the activities of corporate finance, research and equity capital markets, with a specific focus on the small and medium sized corporate sector. It is currently anticipated that the Group's business will continue to develop organically both in terms of the number, size and quality of its retained clients, and in terms of the Group's staff, which are its primary asset.

Although the market in which the Group operates is highly competitive, the Directors believe that there is still a shortage of advisers providing a full investment banking service to the small and medium sized corporate sector. In the second half of 2003 and the first half of 2004 there have been increased levels of corporate activity within this marketplace. The AIM market in particular has experienced very high levels of activity, with 211 new issues and £1.75 billion of funds being raised in primary transactions in the 8 months to 31 August 2004. The Directors believe that this heightened level of activity is likely to continue, particularly in light of the fundraisings being progressed by a number of the venture capital trusts, resulting in a favourable climate for the Group's business.

CURRENT TRADING AND PROSPECTS

For the year ended 31 March 2004, the Group reported turnover of £8.6 million which resulted in a profit after tax for the year of £5,000. Since the year end the strong recovery in the smaller quoted company market

has continued which has allowed Daniel Stewart to complete a number of transactions as well as building its list of corporate clients.

Whilst current trading is in line with the Directors' estimates no forecast can be given of the current financial year due to the unpredictable nature of the financial markets.

DIRECTORS AND EMPLOYEES

Directors

Peter Dicks, 62, Non Executive Chairman, was a founder and director of Abingworth plc which between 1973 and 1991 specialised in making venture capital investments in the USA and the UK. Peter is currently a director of a number of companies including Polar Capital Technology Trust PLC and Graphite Enterprise Trust PLC (which are listed on the Official List) and Standard Microsystems Inc, which is traded on NASDAQ.

Peter Shea, 51, Chief Executive, is one of the founding shareholders of Daniel Stewart, which he helped set up in March 1989. Prior to joining Daniel Stewart, Peter was a director at Bear Stearns International, from 1986 to 1989, where he was responsible for establishing Bear Stearns' London Corporate Finance and Capital Markets divisions. Before this, Peter was a Senior Manager at Midland Bank plc, where his primary responsibilities were coordinating the corporate and merchant banking services to US corporations in Europe. He also spent 12 years at Chase Manhattan Bank where he was a Vice President and senior relationship manager responsible for both the chemical and aerospace sectors at various times. Peter is responsible for the strategic direction and day to day management of the Group and is the Group's designated senior executive officer as required by the FSA as well as being responsible for the Group's finance function.

Alastair Cade, 32, Executive Director, joined Daniel Stewart in 1995 upon the completion of his degree. He assisted in the establishment of Daniel Stewart's asset management team from 1995 until 1998. In 1998, he was involved in the establishment of the corporate broking and corporate finance teams and in particular the expansion of Daniel Stewart's institutional client base. He runs the Group's corporate finance division.

Stuart Lucas, 51, Non Executive Director, has 26 years experience in credit bond markets. He is a former senior managing director of Bear, Stearns & Co. Inc., where he was Head of International Fixed Income responsible for trading, sales and research. He ran international fixed income at other major investment banks including IBJ International, and Paine Webber. Stuart was formerly chairman of Premier Management Holdings Plc, the first soccer sports agency to list on the AIM market. In 2000 he founded, and was CEO of Bracken Partners Limited, an investment banking and fund management boutique. He is currently owner and a director of Blackmore Consulting Limited, a specialist debt and financing consultancy.

Senior Employees

Tom Jenkins – Broking. Tom joined the corporate finance team of Daniel Stewart in 2001. Prior to joining Daniel Stewart, Tom worked in the media corporate finance teams at Bear Stearns International and Dresdner Kleinwort Benson. He is a chartered accountant and spent five years in the audit and financial consulting divisions of Arthur Andersen. Tom is a director of Daniel Stewart, and currently runs the equity capital markets division.

Johny Armstrong – Compliance Officer. After many years in international banking and capital markets with Lloyds Bank in the Americas and the UK, he joined Daniel Stewart in 1994. He is Compliance Officer for Daniel Stewart.

The Group employs 20 full time staff, all of whom are based at its headquarters in the City of London.

ADMISSION AND REASONS FOR ADMISSION

Application has been made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and trading in the Ordinary Shares to commence on 18 October 2004.

The Directors believe that an AIM listing will assist the Group in its development by:

- raising the Group's profile, which is important given its corporate client base; and
- improving liquidity in the Ordinary Shares.

DIVIDEND POLICY

The Directors intend to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of the Group's distributable profits and the retention of funds required to finance future growth.

CORPORATE GOVERNANCE

The Directors intend to adopt policies and procedures which reflect the Principles of Good Governance and the Code of Best Practice so far as is reasonably practicable for a company of the Company's size.

An audit committee, comprising Peter Dicks and Peter Shea, and to be chaired by Peter Dicks, has been established to operate with effect from Admission. The audit committee will determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Group's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit.

A remuneration committee, comprising Peter Dicks and Peter Shea, and to be chaired by Peter Dicks, has also been established to operate with effect from Admission. It will review the performance of the executive Directors and will set their remuneration, determine the payment of bonuses to executive Directors and consider bonus and option schemes. None of the executive directors will take part in discussions concerning their remuneration.

EMPLOYEE REMUNERATION AND SHARE OWNERSHIP

The structure of employee remuneration is intended to provide a high level of incentivisation to staff, whilst minimising fixed employee costs. The Company has adopted the Approved Scheme which will allow it to grant approved options to directors, employees and staff of the Group, up to a maximum of 10 per cent. of the Company's issued ordinary share capital.

CREST

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the Regulations. The Ordinary Shares are eligible for settlement in CREST.

RISK FACTORS

There are various risk factors associated with an investment in the Ordinary Shares. The Directors consider the following risk factors to be most significant to potential investors:

- Daniel Stewart's business is highly dependent on stock market conditions. Adverse market conditions may have a significant effect on revenues and profitability.
- Daniel Stewart's ability to retain its existing clients and attract new business is dependent on the maintenance of its reputation.
- The regulatory regime applicable to companies such as Daniel Stewart is under regular review and future changes made by a regulatory body could impose a greater burden upon Daniel Stewart in terms of additional costs.
- Daniel Stewart's success depends on the continued efforts of its executive Directors and key employees. The loss of key personnel or an inability to attract additional qualified personnel as the Group grows could have an adverse effect on its business and trading results.

- The Group operates in a highly competitive market with a number of larger, well-funded competitors.
- Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share which is to be traded on AIM may be less realisable and may carry a higher degree of risk than an investment in a share quoted on the Official List. The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Group and others of which are extraneous.

The investment described 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.

FURTHER INFORMATION

Your attention is drawn to Parts II and III of this document.

PART II

ACCOUNTANTS' REPORT ON THE GROUP



Chartered Accountants
Finsgate 5-7 Cranwood
Street
London EC1V 9EE

The Directors
Daniel Stewart Securities Plc
48 Bishopsgate
London
EC2N 4AJ

12 October 2004

The Directors
Corporate Synergy Plc
12 Nicholas Lane
London EC4N 7BN

Gentlemen,

Daniel Stewart Securities Plc (“Daniel Stewart Securities” or “Company”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 12 October 2004 of Daniel Stewart Securities (the “Admission Document”).

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of Daniel Stewart Securities for the year ended 31 December 2001, fifteen months to 31 March 2003 and the year ended 31 March 2004 (together the “Financial Statements”), after making such adjustments as we considered necessary.

Responsibility

The Directors of Daniel Stewart Securities are responsible for the contents of the Admission Document in which this report is included. The Financial Statements are the responsibility of the Directors of Daniel Stewart Securities who have approved their issue.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information for the year ended 31 March 2004, period ended 31 March 2003, and the year ended 31 December 2001. 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.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Daniel Stewart Securities as at the dates stated and of its results, cash flows and recognised gains and losses for the periods then ended.

Consent

We consent to the inclusion in the Admission Document, of this report and accept responsibility for this report for the purposes of paragraph 45(1)(a)(iv) of Part VII of Schedule 1 to the Public Offers of Securities Regulations 1995.

The financial information included herein comprises:

- a statement of accounting policies;
- profit and loss accounts, balance sheets, cash flow statements;
- notes to the profit and loss accounts, cash flow statements and the balance sheets.

1. Accounting policies

These financial statements have been prepared in accordance with applicable law and United Kingdom and compatible International accounting standards.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investments to market value.

Turnover

Turnover comprises income from advisory and asset management services inclusive of disbursements and represents the value of work carried out during the accounting period.

Turnover and profit on individual corporate finance fund raising assignments is taken only when the outcome can be foreseen with reasonable certainty at the time of the approval of the accounts and is apportioned on a straight-line basis over the period from the date the agreement is signed to the date the funds are raised. Corporate finance signing-on fees are recognised as turnover when invoiced.

Turnover also derives from principal share dealing and commissions receivable. Turnover is stated after deduction of value added tax.

Basis of consolidation

The consolidated financial statements include the subsidiary company; Daniel Stewart & Company Plc. Subsidiaries are bought into the consolidation at the time of acquisition on the basis of the fair value of the assets.

Deferred taxation

Deferred tax is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Tangible fixed assets

Depreciation is provided at the rate of 25 per cent. per annum on a written down value basis on office equipment and furniture in order to reduce to estimated realisable values over useful working lives. Improvements to leasehold property are written off over the remaining period of the lease.

Fixed asset investments

Quoted investments are valued at the closing bid price on the relevant stock exchange. The market value of certain securities may be discounted where there are restrictions on their disposal or whether other special factors apply.

Unlisted investments are valued by the directors on the basis of all the information available to them at the time. In the cases of companies which are in the early stage, valuation will normally be at cost unless, in the directors' opinion there has been a permanent diminution in value or a change of valuation is justified by reference to subsequent issues of capital or dealings between third parties at a different price.

Unrealised gains or losses are recognised in the revaluation reserve.

Realised profits or losses on disposal and provision for permanent diminution in value of investments are transferred to the profit and loss account from the revaluation reserve.

Current asset investments

Current asset investments are valued at market value. Any unrealised loss is recognised in the profit and loss account.

1. Accounting policies (continued)

Goodwill and amortisation

Goodwill arising on consolidation, which represents the excess of the fair value of consideration given over the fair value of the separable net assets of the subsidiary undertaking, is capitalised and written off over its estimated useful economic life, which in the opinion of the directors is twenty years.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

2. Consolidated Profit and Loss Accounts

		<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
	<i>Notes</i>			
Turnover	7.1			
Continuing operations		8,597	233	–
Acquired operations		–	205	–
		<u>8,597</u>	<u>438</u>	<u>–</u>
Cost of sales				
Continuing operations		(6,896)	(236)	–
		<u>(6,896)</u>	<u>(236)</u>	<u>–</u>
Gross profit				
Continuing operations		1,701	(3)	–
Acquired operations		–	205	–
		<u>1,701</u>	<u>202</u>	<u>–</u>
Administrative expenses				
Continuing operations		(1,638)	(388)	(192)
Acquired operations		–	(246)	–
Amortisation of goodwill		(99)	(133)	–
Depreciation		(25)	(7)	–
		<u>(1,762)</u>	<u>(774)</u>	<u>(192)</u>
Operating loss	7.2	(61)	(572)	(192)
Interest receivable and similar income	7.3	66	129	274
		<u>5</u>	<u>(443)</u>	<u>82</u>
Profit/(loss) on ordinary activities before taxation				
Tax on ordinary activities	7.4	–	–	–
		<u>5</u>	<u>(443)</u>	<u>82</u>
Profit/(loss) on ordinary activities after taxation				
Profit/(loss) for the financial period	7.14	<u>5</u>	<u>(443)</u>	<u>82</u>
Basic earnings per share (“EPS”)	7.5			
Including amortisation of goodwill		0.003p	(0.39)p	0.09p
Excluding amortisation of goodwill		0.057p	(0.28)p	0.09p

3. Consolidated Statements of Total Recognised Gains and Losses

	<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
Profit/(loss) for the financial period	5	(443)	82
Creation of capital redemption reserve	–	(50)	–
Revaluation of fixed asset investments	(2,235)	(3,082)	(4,150)
Provided in respect of quoted company	(354)	–	–
Realised gains in respect of investments	–	–	47
Unrealised losses in respect of investments	–	–	(250)
	<u>(2,584)</u>	<u>(3,575)</u>	<u>(4,271)</u>

4. Consolidated Balance Sheets

		<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
	<i>Notes</i>			
Fixed assets				
Tangible	7.6	78	47	–
Intangible	7.7	1,839	1,938	–
Investments	7.8	1,200	1,946	5,497
		<u>3,117</u>	<u>3,931</u>	<u>5,497</u>
Current assets				
Investments	7.9	768	67	–
Debtors	7.10	1,029	789	62
Cash at bank and in hand	7.11	1,155	1,575	2,072
		<u>2,952</u>	<u>2,431</u>	<u>2,134</u>
Creditors: amounts falling due within one year	7.12	(217)	(161)	(46)
Net current assets		<u>2,735</u>	<u>2,270</u>	<u>2,088</u>
Total assets less current liabilities		<u>5,852</u>	<u>6,201</u>	<u>7,585</u>
Capital and reserves				
Called up share capital	7.13	457	457	233
Share premium account	7.14	1,917	1,917	8,727
Capital redemption reserve fund	7.14	50	50	–
Revaluation reserve	7.14	(707)	(2,588)	(1,355)
Capital reserve	7.14	8,524	8,524	(203)
Profit and loss account	7.14	(4,389)	(2,159)	183
Shareholders' funds	7.15	<u>5,852</u>	<u>6,201</u>	<u>7,585</u>

5. Consolidated Cash Flow Statements

	<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
Net cash inflow/(outflow) from operating activities	19	(612)	(203)
Returns on investments and servicing of finance			
Interest received	66	129	213
Taxation	–	–	(26)
Net cash inflow/(outflow) from operations	<u>85</u>	<u>(483)</u>	<u>(16)</u>
Capital expenditure			
Payments to acquire tangible fixed assets	(56)	(65)	–
Receipts from the sale of tangible fixed assets	–	11	–
Acquisition of fixed asset investments	(150)	(143)	(3,349)
Receipts from the sale of fixed asset investments	–	233	297
Net cash (outflow)/inflow from investing	<u>(206)</u>	<u>36</u>	<u>(3,052)</u>
Financing			
Loans made to third parties	(173)	–	–
Loans made to associated parties	(126)	–	–
Redemption of share capital	–	(50)	–
Net cash outflow from financing	<u>(299)</u>	<u>(50)</u>	<u>–</u>
Decrease in cash in the period	<u>(420)</u>	<u>(497)</u>	<u>(3,068)</u>

6. Notes to the Consolidated Cash Flow Statements

(a) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
Operating loss	(61)	(572)	(192)
Depreciation and amortisation	124	140	–
(Increase) in financial assets	(160)	(68)	–
Decrease/(increase) in debtors	59	(227)	–
Increase/(decrease) in creditors	57	115	(11)
Net cash inflow/(outflow) from operating activities	<u>19</u>	<u>(612)</u>	<u>(203)</u>

(b) Analysis of net funds

	<i>At 1 January 2001 £000</i>	<i>Cash flow £000</i>	<i>At 31 December 2001 £000</i>
Cash at bank and in hand	5,140	(3,068)	2,072
Net funds	<u>5,140</u>	<u>(3,068)</u>	<u>2,072</u>

	<i>At 1 January 2002 £000</i>	<i>Cash flow £000</i>	<i>At 31 March 2003 £000</i>
Cash at bank and in hand	2,072	(497)	1,575
Net funds	<u>2,072</u>	<u>(497)</u>	<u>1,575</u>

	<i>At 1 April 2003 £000</i>	<i>Cash flow £000</i>	<i>At 31 March 2004 £000</i>
Cash at bank and in hand	1,575	(420)	1,155
Net funds	<u>1,575</u>	<u>(420)</u>	<u>1,155</u>

7. Notes to the financial information

7.1 The total turnover of the company for the period has been derived from its principal activities wholly undertaken in the United Kingdom. The directors consider it prejudicial to the interests of the group to disclose the segmental analysis of turnover, operating profit and net assets.

7.2 Operating loss

	<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
Operating loss is stated after charging:			
Auditors remuneration – audit services	12	4	2
– non-audit services	3	28	5
Directors' remuneration	325	142	32
Operating lease rentals	127	33	–
	<hr/>	<hr/>	<hr/>

7.3 Interest receivable

	<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
On bank deposit	38	82	189
Loan stock interest receivable	27	47	85
Dividends receivable	1	–	–
	<hr/>	<hr/>	<hr/>
	66	129	274

7.4 Taxation

Current tax reconciliation

	<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
Profit/(loss) on ordinary activities before tax	5	(443)	82
Theoretical tax credit at 30%	2	(130)	25
Items not allowable for corporation tax	24	15	–
Amortisation and depreciation	37	42	–
Capital allowances	(10)	(1)	–
Losses (utilised)/ carried forward	(15)	149	–
Provision against investments	(30)	(75)	–
Unrealised gains on investments	(4)	–	(14)
Other	(4)	–	(11)
	<hr/>	<hr/>	<hr/>
Group current taxation	–	–	–

No provision has been considered necessary for deferred taxation.

The Group has tax losses carried forward of approximately £294,000 at 31 March 2004 (2003: £277,000; 2001: £nil).

7. Notes to the financial information (continued)

7.5 Earnings per share

The calculations of earnings/(loss) per share are based on the following profit/(losses) and numbers of shares.

	<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
Profit/(loss) for the financial year	5	(443)	82
Profit/(loss) for the financial year excluding amortisation of goodwill	104	(310)	82
	<i>No.</i>	<i>No.</i>	<i>No.</i>
Weighted average number of shares	182,610,495	112,496,663	93,043,200

7.6 Tangible fixed assets

	<i>Land and buildings Leasehold £000</i>	<i>Fixtures, fittings & equipment £000</i>	<i>Total £000</i>
Cost			
At 1 January 2002	–	–	–
Additions	–	65	65
Disposals	–	(11)	(11)
At 31 March 2003	–	54	54
Additions	20	36	56
At 31 March 2004	20	90	110
Depreciation			
At 1 January 2002	–	–	–
Charge for the period	–	7	7
At 31 March 2003	–	7	7
Charge for the year	5	20	25
At 31 March 2004	5	27	32
Net book value			
31 March 2004	15	63	78
31 March 2003	–	47	47

7. Notes to the financial information (continued)

7.7 Intangible fixed assets – Goodwill

	<i>Goodwill</i> £000
Cost	
At 1 January 2002	–
Goodwill on purchase of investments in subsidiary	2,071
At 31 March 2003, 31 March 2004	<u>2,071</u>
Amortisation	
At 1 January 2002	–
Charge for the period	133
At 31 March 2003	133
Charge for the year	99
At 31 March 2004	<u>232</u>
Net book value	
31 March 2004	<u>1,839</u>
31 March 2003	<u>1,938</u>

Acquisitions

Goodwill arising on acquisition represents the excess of purchase consideration of £2,398,000 over the book value of net assets of £327,000 acquired in Daniel Stewart & Company Plc on 11 December 2002, and was being amortised over a five year period in the period to 31 March 2003 and over twenty years from 1 April 2003.

The issue of ordinary share capital satisfied consideration for the purchase.

The Directors consider that in the period since acquisition there has been no permanent diminution in the value of goodwill.

7. Notes to the financial information (continued)

7.8 Fixed asset investments

	<i>Investments In Quoted Companies £000</i>	<i>Investments In Unquoted Companies £000</i>	<i>Total £000</i>
At 1 January 2001	2,810	5,186	7,996
Additions	896	2,453	3,349
Revaluation	(652)	(4,946)	(5,598)
Disposals	–	(250)	(250)
At 31 December 2001	<u>3,054</u>	<u>2,443</u>	<u>5,497</u>
Reclassification to debtors	(500)	–	(500)
Additions	143	–	143
Revaluation	(1,752)	(1,329)	(3,081)
Disposals	(50)	(53)	(103)
Written off to Profit and Loss account	–	(10)	(10)
At 31 March 2003	<u>895</u>	<u>1,051</u>	<u>1,946</u>
Reclassification of investment in de-listed company	(355)	355	–
Reclassification as current asset investments	(540)	(1)	(541)
Additions	150	–	150
Revaluation	–	(355)	(355)
At 31 March 2004	<u>150</u>	<u>1,050</u>	<u>1,200</u>

The Company has acquired certain OFEX and AIM quoted shares. The directors intend to retain the holdings for the foreseeable future. The market value of the quoted investments at 31 March 2004 was £150,000 (31 March 2003: £892,000; 31 December 2001: £3,093,000).

7.9 Current assets – Investments

	<i>At 31 March 2004 £000</i>	<i>At 31 March 2003 £000</i>	<i>At 31 December 2001 £000</i>
Investments in quoted companies at market valuation	<u>768</u>	<u>67</u>	<u>–</u>

7. Notes to the financial information (continued)

7.10 Debtors

	<i>At</i> <i>31 March</i> <i>2004</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2003</i> <i>£000</i>	<i>At</i> <i>31 December</i> <i>2001</i> <i>£000</i>
Trade debtors	152	42	–
Amounts recoverable on contracts	357	–	–
Loan to group EBT	126	–	–
Loans outstanding	173	500	–
Other debtors and prepayments	221	247	62
	<u>1,029</u>	<u>789</u>	<u>62</u>

All debtors are receivable within one year of the balance sheet date, except a lease deposit of £40,000, refundable on lease expiry in January 2007.

An employee benefit trust was established during 2003 to provide future benefits to the directors and employees of the group. No benefits have vested at 31 March 2004.

7.11 Cash and cash equivalents

	<i>At</i> <i>31 March</i> <i>2004</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2003</i> <i>£000</i>	<i>At</i> <i>31 December</i> <i>2001</i> <i>£000</i>
Held by clearing bank	946	1,575	2,072
Held by third party service providers	209	–	–
	<u>1,155</u>	<u>1,575</u>	<u>2,072</u>

7.12 Creditors: amounts falling due within one year

	<i>At</i> <i>31 March</i> <i>2004</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2003</i> <i>£000</i>	<i>At</i> <i>31 December</i> <i>2001</i> <i>£000</i>
Trade creditors	81	95	–
Tax and social security	45	32	–
Accruals	91	34	46
	<u>217</u>	<u>161</u>	<u>46</u>

7. Notes to the financial information (continued)

7.13 Share capital

	<i>At</i> <i>31 March</i> <i>2004</i> <i>£000</i>	<i>At</i> <i>31 March</i> <i>2003</i> <i>£000</i>	<i>At</i> <i>31 December</i> <i>2001</i> <i>£000</i>
Authorised			
322,098,000 Ordinary shares of 0.25p each	805	805	293
2,901,870 Deferred shares of 0.25p each	<u>7</u>	<u>7</u>	<u>7</u>
	<u>812</u>	<u>812</u>	<u>300</u>
Allotted, called up and paid			
182,610,495 Ordinary shares of 0.25p each (2001– 90,141,528)	457	457	226
2,907,870 Deferred shares of 0.25p each	<u>–</u>	<u>–</u>	<u>7</u>
	<u>457</u>	<u>457</u>	<u>233</u>

On 10 December 2002 the authorised ordinary share capital was increased to 322,098,000 ordinary shares of 0.25p each.

On 11 December 2002 the Company issued a further 109,566,297 ordinary shares.

On 11 December 2002 the Company bought back 17,097,330 ordinary shares and 2,901,870 deferred shares.

7. Notes to the financial information (continued)

7.14 Reserves

	<i>Share premium account £000</i>	<i>Capital Redemption reserve £000</i>	<i>Revaluation reserve £000</i>	<i>Capital reserve £000</i>	<i>Profit and Loss account £000</i>
At 1 January 2001	8,727	–	2,795	–	101
Revaluation during the year	–	–	(4,150)	–	–
Profit for the year	–	–	–	–	82
Unrealised losses in respect of fixed asset investment	–	–	–	(250)	–
Realised gains in respect of fixed asset investment	–	–	–	47	–
At 31 December 2001	<u>8,727</u>	<u>–</u>	<u>(1,355)</u>	<u>(203)</u>	<u>183</u>
Transfer to capital reserve	(8,727)	–	–	8,727	–
Arising on issue of ordinary shares	1,917	–	–	–	–
Arising on redemption of shares	–	50	–	–	(50)
Realised gains in respect of fixed asset investment	–	–	(1)	–	1
Realised losses in respect of fixed asset investment	–	–	1,850	–	(1,850)
Unrealised losses in respect of fixed asset investment	–	–	(3,082)	–	–
Loss for the period	–	–	–	–	(443)
At 31 March 2003	<u>1,917</u>	<u>50</u>	<u>(2,588)</u>	<u>8,524</u>	<u>(2,159)</u>
Transfer on reclassification of investments	–	–	2,235	–	(2,235)
Provided in respect of unquoted company	–	–	(354)	–	–
Profit for the year	–	–	–	–	5
At 31 March 2004	<u>1,917</u>	<u>50</u>	<u>(707)</u>	<u>8,524</u>	<u>(4,389)</u>

7.15 Reconciliation of movements in Shareholders' funds

	<i>At 31 March 2004 £000</i>	<i>At 31 March 2003 £000</i>	<i>At 31 December 2001 £000</i>
Profit/(loss) for the financial period	5	(443)	82
Opening shareholders funds	6,201	7,585	11,856
Other recognized gains and losses	(354)	(3,082)	(4,353)
Issue of ordinary share capital	–	2,191	–
Redemption of ordinary and deferred share capital	–	(50)	–
	<u>5,852</u>	<u>6,201</u>	<u>7,585</u>

7. Notes to the financial information (continued)

7.16 Financial commitments

There were no contingent liabilities as 31 March 2004, 31 March 2003 or 31 December 2001.

The Group had had capital commitment amounting to £3,000 at 31 March 2004 (31 March 2003: £51,000; 31 December 2001: £Nil).

The financial statements remain subject to inland revenue agreement on the corporation tax position.

A contingent liability in respect of exposure to client share trading will exist at any given time. All unsettled trades at 31 March 2004 had been fully satisfied by the date of the approval of the accounts.

7.17 Operating leases

The Group had annual commitments under operating leases as follows:

	<i>At</i>	<i>At</i>	<i>At</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Expiry date:			
Within one year – Property	–	–	–
– Other	–	–	–
In two to five years – Property	110	110	–
– Other	13	13	–
Over five years – Property	–	–	–
– Other	5	5	–
	<u>128</u>	<u>128</u>	<u>–</u>

The Group has a seven year lease of premises at 48 Bishopsgate, London EC2N 4AJ with an initial rent-free period commencing from November 1999 and an annual commitment of £110,000 until rent review in 2003. A rent deposit of £40,000 has been advanced to the landlord.

7.18 Directors' emoluments

	<i>Year</i>	<i>15 months</i>	<i>Year</i>
	<i>ended</i>	<i>ended</i>	<i>ended</i>
	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
PD Shea	120	36	–
TG Galgey (resigned 30 September 2003)	73	26	–
AAB Cade	80	24	–
D Quysner	15	26	12
M Cummings	15	14	10
P Dicks	20	15	10
	<u>323</u>	<u>141</u>	<u>32</u>

7. Notes to the financial information (continued)

7.19 *Employees*

T Galgey received £30,000 compensation for loss of office during the year to 31 March 2004. This is included above.

	<i>Year ended 31 March 2004 £000</i>	<i>15 months ended 31 March 2003 £000</i>	<i>Year ended 31 December 2001 £000</i>
Wages and salaries	818	249	32
Social security charges	85	27	1
	<u>903</u>	<u>276</u>	<u>33</u>
Number of employees	<u>16</u>	<u>15</u>	<u>3</u>

7.20 *Related party transactions*

Consultancy fees of £29,000 have been rendered to Daniel Stewart & Company Plc by the Daniel Stewart Partnership in which PD Shea is a partner (31 March 2003: £10,000; 31 December 2001: £ Nil).

Consultancy fees of £55,000 have been rendered to Daniel Stewart Securities Plc by St Helen's Place Investments Limited in the period ended 31 March 2004. TG Galgey holds the controlling interest in St Helen's Place Investments Limited (31 March 2003: £55,000; 31 December 2001: £ Nil).

At 31 March 2004 The Daniel Stewart Employee Benefit Trust owed the group £126,400 (31 March 2003 and 31 December 2001: £ Nil).

7.21 *Control*

The Company was controlled by the directors during the period.

Yours faithfully

Jeffreys Henry LLP

PART III

ADDITIONAL INFORMATION

1. Incorporation

- 1.1 The Company was incorporated in England and Wales on 24 December 1999 as a private limited company under the Act with the name Goalset Limited and with registered number 3899545. On 19 January 2000 the Company changed its name to ectwo.com Limited and on 7 February 2000 the issued and unissued share capital of the Company was sub-divided into ordinary shares of 0.25 pence each. On 15 February 2000 the Company was re-registered as a public limited company under the Act with the name ectwo.com plc and on 20 June 2001 the Company changed its name to ECTwo Investments plc. On 10 December 2002 the Company changed its name to Daniel Stewart Securities plc.
- 1.2 The Company's registered office is at 48 Bishopsgate, London EC2N 4AJ.
- 1.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.4 The liability of the members of the Company is limited.
- 1.5 Details of the subsidiaries of the Company, including Daniel Stewart, are set out in paragraph 4 below.

2. Share capital of the Company

- 2.1 The table below sets out the authorised and issued and fully paid share capital of the Company as at the date of this document and as it will be upon Admission:

<i>Authorised Amount</i>	<i>Class of Shares</i>	<i>Number</i>	<i>Issued and Fully Paid Amount</i>	<i>Class of Shares</i>	<i>Number</i>
£805,245	Ordinary Shares of 0.25p each	322,098,000	£463,276	Ordinary Shares of 0.25p each	185,310,495
£7,255	Deferred Shares of 0.25p each	2,901,870	nil	Deferred Shares of 0.25p each	nil

- 2.2 Pursuant to resolutions of the Company dated 20 August 2004:
- 2.2.1 the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £500,000, such authority to expire at the next annual general meeting of the Company to be held after the date thereof or, if earlier, fifteen months from the date thereof, save that the Company may, at any time prior to 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 an offer or agreement as if the authority had not expired;
- 2.2.2 the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred upon them by the resolution set out in paragraph 2.2.1 above as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
- (i) the allotment of equity securities in connection with any invitation made to the holders of Ordinary Shares to subscribe by way of rights in the same proportions (as nearly as may be) to their respective holdings but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with Ordinary Shares representing fractional entitlements or on account of either legal or

practical problems arising in connection with the laws of any territory or of the requirements of any applicable regulatory body or stock exchange in any territory; and

- (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £500,000;

and shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, fifteen months after the date thereof save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred thereby had not expired; and

2.2.3 the Company was generally and unconditionally authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) of Ordinary Shares provided that:

- (a) the maximum number of Ordinary Shares authorised to be purchased shall be 9,130,524 representing approximately 5 per cent. of the then issued share capital of the Company;
- (b) the minimum price which may be paid for an Ordinary Share is 0.25p;
- (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations taken from OFEX for the five business days immediately preceding the day on which the Ordinary Share is purchased;
- (d) the authority conferred shall expire at the conclusion of the annual general meeting of the Company in 2005 or, if earlier, on the expiry of fifteen months from the date of the passing of the resolution, unless such authority is renewed prior to such time; and
- (e) the Company may make a contract to purchase Ordinary Shares under the authority thereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

2.3 On 12 July 2002, the Company's share premium account, which as at that date was £8,727,642, was cancelled following the confirmation of such reduction in the High Court of Justice, Chancery Division, Companies Court.

2.4 On 11 December 2002, the Company bought back a total of 17,097,330 Ordinary Shares of 0.25 pence each and 2,901,870 Deferred Shares of 0.25 pence each. All of these shares were cancelled on completion of this share buy-back.

3. Directors and Other Interests

3.1 The names of the Directors and their functions are given below:

Peter Dicks	<i>(Non-Executive Chairman)</i>
Peter Shea	<i>(Chief Executive)</i>
Alastair Cade	<i>(Executive Director)</i>
Stuart Lucas	<i>(Non-Executive Director).</i>

3.2 The interests (all of which are beneficial save where otherwise stated) of the Directors in the issued share capital of the Company as at the date of this document and following Admission such interests being those which are required to be entered into the register of interests maintained under section 325 of the Act or which are required to be notified to the Company pursuant to section 324 or 328 of the Act or which are the interests of persons connected with the Directors (within the meaning of section 346 of the Act) the existence of which is known, or which could with reasonable diligence be ascertained by a Director, are and will be as follows:

	<i>Number of Ordinary Shares as at the date of this document and Admission</i>	<i>Options as at the date of this document and Admission</i>	<i>Percentage of issued share capital as at the date of this document and Admission</i>
<i>Directors</i>			
Peter Dicks	40,000	250,000	0.02%
Peter Shea	61,453,721 ⁽¹⁾	750,000	33.2%
Alastair Cade	9,896,067	750,000	5.3%
Stuart Lucas	250,000	Nil	0.1%

(1) The direct beneficial interest of Peter Shea in 49,964,068 Ordinary Shares is held by Adam & Company International Nominees Limited. Peter Shea's interest in the issued share capital of the Company noted in this table includes a further 2,714,433 Ordinary Shares which are held by members of his immediate family and 8,775,220 Ordinary Shares which are legally and beneficially owned by his wife, Mrs Elaine Shea.

3.3 The Company has granted an option under the terms of the Unapproved Share Option Scheme to Peter Dicks and has granted options under the terms of the Approved Scheme to Peter Shea and Alastair Cade. No options have been granted under either the Unapproved Share Option Scheme or the Approved Scheme to Stuart Lucas. The options are exercisable at any time from the first exercise date to the expiry date as follows:

<i>Name</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>First Exercise Date</i>	<i>Expiry Date</i>
Peter Dicks	250,000	11p	16 February 2002	16 February 2010
Peter Shea	750,000	4p	19 August 2007	19 August 2014
Alastair Cade	750,000	4p	19 August 2007	19 August 2014

3.4 Save as disclosed in paragraphs 3.2 and 3.3 above, none of the Directors (or any of their connected persons within the meaning of section 346 of the Act) have any interest in the share capital of the Company whether beneficial or non-beneficial.

3.5 No Director has or has had any interest in any transaction which was entered into by the Company which is or was unusual in its nature or conditions or is or was significant to the business of the Company and were effected during the current financial year or any earlier financial year and which remains in any respect outstanding or unperformed.

3.6 There are no outstanding loans granted by the Company to any of the Directors nor any guarantees provided by the Company for their benefit.

3.7 Save as disclosed in paragraphs 3.2 and 3.3 above, the Company is only aware of the following persons who at the date of this document and following Admission, have or will have, interests of 3 per cent. or more of the issued share capital of the Company who could otherwise exercise control over the Company directly or indirectly, jointly and severally:

<i>Shareholder</i>	<i>At the date of this document and on Admission Number of Ordinary Shares</i>	<i>Percentage of existing issued share capital</i>
James Capel (Nominees) Limited	27,923,457	15.1%
BGL Reads Trust Company Limited ⁽¹⁾	10,170,098	5.5%
Elaine Shea	8,775,220	4.7%
HSBC Global Custody Nominee (UK) Limited 764685 Acct	8,000,000	4.3%

Note

(1) This shareholder is the trustee of the Daniel Stewart Securities Plc Employee Benefit Trust which was established on 6 May 2003 and has purchased the above Ordinary Shares for the benefit of Group employees.

3.8 The Directors currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within five years prior to the publication of this document, of the following firms or partnerships:

Peter Dicks

Current Directorships

Daniel Stewart Securities Plc
VenCap International Plc
The East German Investment Trust Plc
Gartmore Fledging Trust Plc
Second London American Trust Plc
Polar Capital Technology Trust Plc
Foresight Technology VCT Plc
Sportingbet Plc
Mercia Fund Management Limited
SVM UK Emerging Fund Plc
Graphite Enterprise Trust Plc
GEI Group Limited
United Industries Plc
Private Equity Investor Plc
Standard Microsystems Corporation (USA company)
Champion Communications Services inc. (USA company)
Lebanon Holdings (Luxembourg company)
Boostcareer Limited
London Trust Productions Limited
ISEC Securities Limited
PCT Finance Limited
Foresight 3 VCT plc
Foresight 4 VCT plc
Unicorn AIM VCT plc
CM Group Holdings Limited
This company was placed into members voluntary liquidation in 1996.

Former Directorships

East European Frontiers Fund (Ireland company)
Enterprise Capital Plc. Peter Dicks resigned on 20 September 2004 and this company was placed into members voluntary liquidation on 21 September 2004.
PNC Telecom Plc
London American Growth Trust Plc. Peter Dicks resigned on 6 September 1996 and this company went into members voluntary liquidation.
Action Limited
UKLS Investor 3 Limited
Second Consolidated Trust Plc. This company was placed in members voluntary liquidation and was dissolved on 20 November 2004.
Rodata Limited. This company was dissolved on 11 September 2001.
Future Technology Systems Limited. Held appointment as the nominee director of VCT Abingworth Plc. This company went into receivership on 17 August 1988.
Dellfield Digital Limited. Held appointment as the nominee director of VCT Abingworth Plc. This company was put into creditors liquidation in December 1986 and dissolved on 8 March 2000.
Manakin Holdings Plc. Held appointment as the nominee director of VCT Abingworth Plc. In 1991 this company was put into members voluntary liquidation and was dissolved on 13 February 2001.
Enterprise Capital Trust Plc. On 18 May 2001 this company was put into members voluntary liquidation as part of the solvent liquidation of the company.
Spectrum Venture Management Limited
Docufile Limited
Themis FTSE Fledgling Index Trust plc
D.S.I Data Systems International Limited
Insidespace Art & Design Limited
UKLS Investment Services Limited
Edinburgh UK Smaller Companies Tracker Trust Plc

Peter Shea

Current Directorships

Daniel Stewart Securities Plc
The Street Limited
East End Arts Limited
Private & Commercial Finance
Group Limited
Daniel Stewart & Company Plc
Flying Scotsman Plc
Flying Scotsman Railways
Limited
Daniel Stewart Capital Limited
Daniel Stewart Partnership
Carnivores U.K. Ltd

Former Directorships

Daily Fish Supplies Limited
Lowestoft Assured Homes
Limited.
Commercial Finance Specialists
Limited.
Kakston Holdings Limited.
This was placed into a company
voluntary arrangement and was
dissolved on 15 April 2001.
Personality Profiles Limited.
This was placed into a company
voluntary arrangement and
dissolved on 4 July 2000.
Standard Press Analysts
Limited. This was placed in
members voluntary liquidation
and dissolved on 20 June 2000.
Kelsey Instruments Limited.
Peter Shea resigned as a
director on 5 February 1998 and
a liquidator was appointed on 4
September 2001 and the
company is currently in
liquidation.
Cityexec.com Limited. Peter
Shea resigned on 21 November
2001 and the company was
placed into members voluntary
liquidation and was dissolved
on 21 October 2003.

Alastair Cade

Daniel Stewart Securities Plc
Daniel Stewart & Company Plc
Daniel Stewart Capital Limited

Commercial Finance Specialists
Limited.
Ellen Trustees Limited. Alastair
Cade resigned as a director on
31 August 2001 and the
company was subsequently
struck-off the Register on 6
August 2002 and dissolved by
Notice in the London Gazette
dated 13 August 2002.

Stuart Lucas	<i>Current Directorships</i>	<i>Former Directorships</i>
	Daniel Stewart Securities Plc	Premier Management
	Blackmore Consulting Limited	Recruitment Limited.
	Bracken Partners Limited	Premier Management
	Bracken Partners Group	Holdings Plc.
	Limited	Timeframed Limited. This was
	Bracken Partners Securities	a collectable memorabilia
	Limited	company which was placed in
		creditors voluntary liquidation
		and dissolved on 6 February
		2004. The total deficiency to
		creditors was approximately
		£8.3 million.
		Bracken Partners Property
		Investment Limited. This was
		placed into members voluntary
		liquidation and dissolved on 2
		September 2003.
		Bracken Partners Capital
		Management Limited. This was
		placed into members voluntary
		liquidation and dissolved on 2
		September 2003.

- 3.9 Save as set out in paragraph 3.8, no Director has:
- 3.9.1 any unspent convictions in relation to indictable offences;
 - 3.9.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
 - 3.9.3 been a director of a company at the time of or within 12 months preceding the date it had a receiver appointed, or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into any company or partnership voluntary arrangements or made any composition or arrangements with its creditors;
 - 3.9.4 been a partner in any partnerships at the time of or within 12 months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement;
 - 3.9.5 been the owner of any asset which has been subject to a receivership or has been a partner in a partnership at the time of or within 12 months preceding an asset of the partnership being subject to a receivership;
 - 3.9.6 had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies); or
 - 3.9.7 been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.
- 3.10 In June 2000 the Securities and Futures Authority Limited brought disciplinary proceedings against the Subsidiary which were concluded by settlement. The proceedings were raised because the Subsidiary permitted an employee of the firm to carry out the duties of an SFA Registered Representative from January 1996 to March 1998 when he was not in fact registered. The Subsidiary was reprimanded and fined £12,500 and required to pay costs of £8,000 and the SFA issued a Board Notice dated 24 October 2000.

4. Subsidiaries

- 4.1 The Company has a subsidiary, Daniel Stewart & Company Plc, which is a company incorporated in England and Wales on 1 March 1989 with company number 2354159. The authorised share capital of Daniel Stewart & Company Plc is £1,057,750 divided into 211,550,000 ordinary shares of 0.5 pence each of which 86,549,900 ordinary shares of 0.5 pence each are issued and are fully paid and are held by the Company. The Subsidiary is authorised and regulated in the United Kingdom by The Financial Services Authority for designated investment business and is a member of the London Stock Exchange.
- 4.2 The Company has a wholly owned subsidiary called Daniel Stewart Capital Limited, which is a company incorporated in England and Wales on 22 September 2004 with company number 5238051. The authorised share capital of Daniel Stewart Capital Limited is £100,000 divided into 100,000 ordinary shares of £1 each of which one ordinary share of £1 is issued and is fully paid and is held by the Company.

5. Share Option Schemes

5.1 The Unapproved Share Option Scheme

- 5.1.1 The Unapproved Share Option Scheme was adopted by the board on 16 February 2000. The summary below sets out the relevant terms of the Unapproved Share Option Scheme as they apply to the outstanding options. As at the date of Admission, options over a total of 3,450,000 Ordinary Shares are currently granted and not yet exercised under the terms of the Unapproved Share Option Scheme.
- 5.1.2 The Unapproved Share Option Scheme is not designed to be capable of approval by the Board of Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1998.
- 5.1.3 Options are currently satisfied by the allotment of Ordinary Shares.
- 5.1.4 Options are not transferable, nor are they pensionable. Options may normally be exercised between the second and tenth anniversaries of the date of grant by a person who is a director or employee on the date of exercise. No performance conditions are required to be met. If the holder of an option ceases to be an eligible employee for any reason other than voluntary resignation (other than where there is constructive dismissal) or serious misconduct, the holder may exercise any subsisting option or part thereof within 6 months from the date of cessation. If the holder of an option ceases to be an eligible employee by reason of bankruptcy or dismissal for serious misconduct options shall lapse with immediate effect. Where the holder of an unexercised option dies before exercising that option, to the extent that it has vested, it may be exercised by his personal representatives within 12 months of the date of his death. Options may also be exercised in the event of a voluntary winding-up of the Company. Options will normally lapse on the expiry of the tenth anniversary after the date of the grant.
- 5.1.5 Ordinary Shares will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment. In all other respects the Ordinary Shares so allotted shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares on issue on the date of such allotment.
- 5.1.6 In the event of any variation of the share capital of the Company, the number of shares subject to options and/or the option price shall be adjusted by the Board in such manner as confirmed by the Company's auditors to be fair and reasonable.

5.2 The Daniel Stewart Securities Plc Approved Scheme

5.2.1 Adoption

The Approved Scheme was adopted by the board on 31 January 2003 following approval by the board of the Inland Revenue and was amended on 2 May and such amendments were approved by the Inland Revenue on 23 May 2003. The summary below therefore sets out the relevant terms of the Approved Scheme as they apply to the outstanding options.

5.2.2 *Eligibility*

Any director of the Company or of any other company within the Group (who devotes at least 25 hours of their working time each week to the business of the Company and/or its subsidiaries) and any employee other than those precluded by Schedule 9 to the Income and Corporation Taxes Act 1988 is eligible to be granted an option to acquire Ordinary Shares.

5.2.3 *Grant of Options*

Options may be granted at any time unless the Board is prevented from granting options for any period by statute or by the rules of the UK Listing Authority (to the extent applicable to the Company) or any other appropriate regulatory body, in which case the options shall be granted as soon as possible after such period shall have ended.

If the Board so determines at its absolute discretion in any particular case, it may make the grant of any options conditional upon the satisfaction of objective performance criteria. Such performance criteria can be amended, relaxed or waived at the discretion of the Board.

5.2.4 *Option Price*

The option price to be paid for each Ordinary Share on the exercise of an option shall be determined by the Board and will not be less than the lower of the nominal value of an Ordinary Share; and the average of the middle market quotations of an Ordinary Share as derived from the Daily Official List published by the London Stock Exchange on the 3 dealing days immediately preceding the date of grant of the relevant option, or, in the case of a share not listed on the Official List, not less than market value of an Ordinary Share determined in accordance with the provisions of the Taxation of Chargeable Gains Act 1992 and agreed for the purposes of the Approved Scheme with the Board of the Inland Revenue on or before that day.

5.2.5 *Exercise of Options*

Options are normally exercisable, subject to the satisfaction of any performance criteria imposed, after three years have elapsed from the date of grant. Options which have not been exercised will normally lapse on the tenth anniversary of grant of or on cessation of employment, whichever is earlier. However, options may be exercised early, or lapse at different times, in certain circumstances, as follows (see 5.2.6 below). Where an optionholder dies before exercising his options, his personal representatives may exercise the options, to the extent that they have vested, within 12 months of the date of his death. If an optionholder ceases to be an eligible employee due to ill health, injury, disability or redundancy, contractual retirement or early retirement by agreement, the sale of the optionholder's employing company or his employing company transferring its undertaking to a third party, he may exercise his options, to the extent that they have vested, within six months from the date of cessation (this period can be extended by up to 42 months at the discretion of the Board). If an optionholder ceases to be an eligible employee for any other reason, he may not exercise his options unless permitted to do so by the Directors and, if he is so permitted, his options must be exercised within six months from the date of cessation. After each of the above periods, the options will lapse. Options are not transferable and may only be exercised by the person to whom they are granted.

5.2.6 *Limits*

- (i) No eligible employee may be offered options if the grant of such options would result in the aggregate of all options granted to him under the Approved Scheme and under any other Inland Revenue approved option scheme (except a savings-related scheme) established by the Company or by an associated company of the Company under the provisions of Schedule 9 of the Taxes Act or under the provisions of Schedule 14 of the Finance Act 2000, exceeding £30,000.

- (ii) Subject to the prior approval of the Inland Revenue, the number of shares comprised in any particular option and the option, may be adjusted by the Board to take account of any capitalisation or rights issue or any sub-division, consolidation, reduction or other variation of the Company's share capital.
- (iii) The aggregate number of Ordinary Shares for which options may be granted under the Approved Scheme at any time shall be further limited so that it shall not exceed 10 per cent. of the issued ordinary share capital of the Company at the relevant time, when aggregated with any such shares that have been issued or remain issuable under the Unapproved Share Option Scheme or under any other employee share scheme in respect of rights granted during the preceding 10 years and with any such shares which have been issued or remain issuable pursuant to any other employee share scheme during the preceding 10 years.

5.2.7 *Exchange of Options on a Takeover*

If, as a result of a takeover offer, the offeror obtains control of the Company the holder of an option may, within the limitations set out in the rules of the Approved Scheme, exercise his options. Options may also be exercised in the event of a reconstruction or amalgamation of the Company. In the event of notice being given of a voluntary winding-up of the Company, options may also be exercised.

In the event of a takeover of the Company by another company or following a reconstruction or amalgamation, the holder of an option may, with the agreement of the acquiring company, release his subsisting options under the Approved Scheme in consideration for the grant of options over shares in the acquiring company of an equivalent value.

5.2.8 *Allotment*

Ordinary Shares allotted on the exercise of an option will rank *pari passu* with the Ordinary Shares then in issue except in respect of any dividend payable or other rights distributable by reference to a record date prior to the date of allotment. The Company is obliged to apply to the London Stock Exchange or the UK Listing Authority or any other recognised investment exchange for the grant of permission to deal in any Ordinary Shares allotted on the exercise of an option, on AIM, the Official List or any other recognised investment exchange (as the case may be).

5.2.9 *Amendments*

The Approved Scheme may be amended by the Board provided that:

5.2.9.1 no amendment may be made to principal terms of the Approved Scheme to the advantage of the participants without the prior approval by ordinary resolution of the members of the Company in general meeting including amendments to:

- (i) the eligibility of persons able to participate in the Approved Scheme;
- (ii) the limits on the number of Ordinary Shares over which options may be granted under the Approved Scheme;
- (iii) the maximum number of Ordinary Shares in respect of which an eligible employee may be granted options;
- (iv) the market value of options on the date of grant;
- (v) the option price payable on the exercise of an option;
- (vi) the conditions of exercise of an option.

5.2.9.2 no amendment may be made without the prior approval of the Inland Revenue.

6. Directors' Service Agreements and Remuneration

- 6.1 The following agreements have been entered into by the Directors and the Company:
- 6.1.1 a service agreement entered into on 15 November 2002 between (1) the Company and (2) Peter Shea for the provision of his services as Chief Executive of the Company to continue until terminated by twelve months' notice in writing by either party under which he receives a salary of £175,000 per annum such salary to be reviewed annually;
 - 6.1.2 a service agreement entered into on 15 November 2002 between (1) the Company and (2) Alastair Cade for the provision of his services as director of the Company to continue until terminated by twelve months' notice in writing by either party under which he receives a salary of £125,000 per annum such salary to be reviewed annually;
 - 6.1.3 a letter of appointment entered into on 15 November 2002 with Peter Dicks relating to his continuing appointment as Non-Executive Chairman of the Company to continue until terminated by 3 months' notice in writing by either party, under which he receives a £20,000 fee per annum;
 - 6.1.4 a letter of appointment entered into on 5 July 2004 with Stuart Lucas relating to his appointment as a non-executive director of the Company to continue until terminated by 3 months' notice in writing by either party, under which he receives a £20,000 fee per annum.
- 6.2 The aggregate remuneration and benefits paid to the Directors (including pensions, bonuses and other benefits in kind) during the last financial year ended 31 March 2004 amounted to £325,000. It is estimated that the aggregate remuneration and benefits payable to the Directors for the financial period ending 31 March 2005 under the arrangements in force at the date of this document will be £595,000.
- 6.3 There will be no variation in the total emoluments receivable by the Directors as a result of Admission.

7. Material Contracts

7.1 The Group

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Group in the two years immediately prior to the date of this document and are or may be material:

- 7.1.1 an investment adviser agreement dated 16 February 2000 made between the Company (1) and the Subsidiary (2) ("the Investment Adviser Agreement") whereby the Company agreed to pay the Subsidiary a corporate finance advisory fee equivalent to 1 per cent. of the monies raised by the Subsidiary for the Company less the costs of any realised investments and out of pocket and other expenses. The annual fee was paid quarterly in arrears. The Subsidiary may attend but has no right to vote or count as part of the quorum of meetings of the Board. This agreement was for an initial fixed term of 3 years and thereafter was terminable by either party giving to the other 12 months' notice in writing;
- 7.1.2 a deed of termination dated 15 November 2002 made between the Company (1) and the Subsidiary (2) pursuant to which the Investment Adviser Agreement was terminated ;
- 7.1.3 an acquisition agreement (the "Acquisition Agreement") dated 10 December 2002 made between St. Helen's Place Investments Limited, Alastair Cade, Johnny Armstrong, Peter Shea, Mrs Elaine Shea, Michael Shea and Jackie Barker (together "the Vendors") (1) and the Company (2) for the acquisition by the Company of the entire issued share capital of the Subsidiary. The consideration under the Acquisition Agreement consisted of the issue and allotment of the Vendors of 109,566,297 new Ordinary Shares in the Company, at an issue price per share of 2 pence, credited as fully paid on completion of the Acquisition Agreement;

- 7.1.4 each of the Vendors entered into a lock-in agreement dated 10 December 2002 with the Company and Corporate Synergy under which each Vendor undertook to the Company and to Corporate Synergy not to sell, transfer or otherwise dispose of any shares which he received under the Acquisition Agreement for the six month period following the date of admission of such shares to trading on OFEX.
- 7.1.5 an agreement dated 11 December 2002 whereby the Company purchased 17,097,330 Ordinary Shares and 2,901,870 Deferred Shares held by the Subsidiary in the capital of the Company at a purchase price equal to their nominal value, resulting in a total purchase price of £49,998;
- 7.1.6 an agreement dated 12 October 2004 between the Company (1) the Directors (2) and Corporate Synergy (3) pursuant to which Corporate Synergy has been appointed nominated adviser and broker to the Company in connection with the Admission. The agreement contains certain representations and warranties given by the Company and the Directors and (in respect only of the Company) an indemnity in favour of Corporate Synergy together with provisions which enable Corporate Synergy to terminate the agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. Under the terms of the agreement, the Company has agreed, subject to Admission, to pay to Corporate Synergy a corporate finance fee. In addition, the Company will pay all of the costs, charges and expenses of Corporate Synergy incurred in connection with the Admission, including the fees of its professional advisers, the reporting accountants and costs of printing, distribution, registrars' fees and listing fees; and
- 7.1.7 an agreement dated 12 October 2004 between the Directors (1) the Company (2) and Corporate Synergy (3) pursuant to which the Company appointed Corporate Synergy as nominated adviser and joint broker in relation to the Admission and continuing thereafter. The appointment commenced on 12 October 2004 and shall continue for a fixed period of one year and is subject to termination on the giving of three months' notice by either party such notice not to expire earlier than the end of 12 months. The Company is to pay a fee to Corporate Synergy for its services as nominated adviser and joint broker. The agreement contains certain undertakings by the Company to comply with the AIM Rules and other relevant obligations, and contains an indemnity in favour of Corporate Synergy.

8. Memorandum and Articles of Association

- 8.1 The Company's memorandum of association provides that the Company's primary object is that of a trading company. The objects of the Company are set out in full in clause 4 of its memorandum of association.
- 8.2 The Articles of Association of the Company contain provisions *inter alia*, to the following effect:
- (a) *Share capital*
- The Company may by ordinary resolution:
- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
 - (ii) consolidate its share capital into shares of larger amounts than its existing shares;
 - (iii) cancel any shares which have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
 - (iv) sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the memorandum of association of the Company.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or

the shareholders. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

(b) *Voting*

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or by proxy not being himself a member or (being a corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

(c) *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company under section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

There is no fixed date on which an entitlement to a dividend arises.

(d) *Modification of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated either:

- (i) in such manner (if any) as may be provided by such rights; or
- (ii) in the absence of any such provision, with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. To every such meeting all the provisions of the Articles relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

(e) *Transferability*

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. 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 Directors may decline to recognise any instrument of transfer unless:

- (i) the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of share;
- (iii) the instrument of transfer is in favour of not more than four transferees; and
- (iv) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

(f) *Directors of the Company*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternative directors) shall be not less than two and not more than eight. Subject to certain exceptions, a Director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

Any remuneration paid for the services of the Directors, as fixed by the Company in general meeting, may be divided between the Directors as they shall agree or, failing agreement, equally and shall be deemed to accrue from day to day. The Directors may remunerate a Director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring Director may, if eligible, offer himself for re-election. In addition, any Director who as at the date of the relevant annual general meeting has been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting, and who in either case is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each Director (other than an alternate director) may appoint another Director or (subject to the approval of a majority of the Directors) any other person to be an alternate director of the Company, and may at any time remove an alternate director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any Director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

No person is capable of being appointed a Director of the Company if at the time of the appointment he has attained the age of 70.

(g) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of either four times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles of Association but excluding certain amounts as defined therein.

(h) *Distribution of assets on liquidation*

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the contributories.

(i) *Uncertificated Shares*

The Directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

(j) *Deferred shares*

The rights attaching to the deferred shares of 0.25 pence each in the capital of the Company:

- (i) The holders of the deferred shares shall not be entitled to receive notice of nor to attend and vote at general meetings of the Company;
- (ii) The holders of the deferred shares shall not be entitled to receive any dividend or other distribution by the Company in respect thereof; and
- (iii) On a winding up of the Company the deferred shares shall rank *pari passu* with the Ordinary Shares in respect of a return of capital but thereafter they shall not be entitled to participate in any further distributions of the Company.

9. Litigation

9.1 No member of the Group has engaged in, nor is currently engaged in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on its financial position nor are any such proceedings pending or threatened against any member of the Group.

10. United Kingdom Taxation on dividends

10.1 The following paragraphs are intended as a general guide only for shareholders who are resident in the UK for tax purposes, holding shares as investments and not as securities to be realised in the course of a trade. They do not purport to be comprehensive nor to describe all potential relevant considerations. They are based on current legislation and UK Inland Revenue practice. Any shareholder who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his or her own professional advisor immediately.

10.2 *UK Stamp duty and duty reserve tax*

Any transfer of shares will generally be subject to UK stamp duty or stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of the consideration given. An unconditional agreement to subsequently transfer shares will generally be subject to SDRT at 0.5 per cent. of the amount or value of the agreed consideration if not completed by a stock transfer by the seventh day of the month following the month in which the agreement is made and becomes unconditional. However, if within six years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument, any liability to SDRT will be cancelled and, if already paid, repaid.

10.3 *UK Taxation of dividends*

Individual shareholders whose income is within the lower or basic rate bands are liable to tax at 10 per cent. on their gross dividend income. Individual shareholders resident for tax purposes in the UK are entitled to a non-refundable tax credit of an amount equal to 10 per cent. of the aggregate of the dividend and the tax credit. The effect of this is that the tax credit attaching to the dividend will satisfy the income tax liability on UK dividends of an individual shareholder whose income is within the lower or basic rate bands. Shareholders liable to higher rate tax are liable to tax at 32.5 per cent. on the gross dividend (dividend received plus tax credit) and, taking into account the 10 per cent. tax credit, will have further tax to pay equal to 25 per cent. of the net dividend received (22.5 per cent. of the gross dividend).

A corporate shareholder resident for tax purposes in the UK will generally not be liable for UK corporation tax on any dividend received from the Company.

UK resident trustees of discretionary or accumulation trusts are liable to income tax on UK company dividends at 32.5 per cent. of the gross dividend. After taking into account the 10 per cent. tax credit, the trustees will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

Any person who is in any doubt as to his taxation position should consult an appropriate professional adviser without delay.

11. **Working Capital**

The Directors are of the opinion that, having made due and careful enquiry, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

12. **General**

- 12.1 The total costs and expenses in connection with Admission (including professional fees and the costs of printing) and which are payable by the Company are estimated to be £150,000 plus VAT.
- 12.2 Corporate Synergy has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 12.3 Jeffrey's Henry LLP, Chartered Accountants, have given and not withdrawn their consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which it appeared.
- 12.4 There has been no material change in the financial or trading position of the Group since 31 March 2004, the date to which the latest audited financial statements were made up.
- 12.5 No person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) has in the last 12 months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission, any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into contractual arrangements to receive the same from the Company at the date of Admission.

- 12.6 The financial information relating to the Company contained in this document does not comprise statutory accounts of the Company for the purposes of section 240 of the Act.
- 12.7 There are no significant investments in progress by the Group.
- 12.8 No exceptional factors have influenced the Group's activities.
- 12.9 The Group is not dependent on any intellectual property rights, licences or particular contracts, where any of these are of fundamental importance to the Group's business.
- 12.10 There is no Director or member of a Director's family who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

13. Availability of this document

Copies of this document will be available, for collection only, free of charge, from the Company at its registered office and from the offices of Corporate Synergy Plc, 12 Nicholas Lane, London EC4N 7BN during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document for a period of one month from Admission.

Dated: 12 October 2004

