

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

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

Application will be made for the entire issued and to be issued share capital of the Company to be admitted to trading on the AIM market of the London Stock Exchange. It is expected that dealings in the Ordinary Shares and the Offer Shares on AIM will commence on 30 April 2003.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the UK Listing Authority nor the London Stock Exchange has examined or approved the contents of this document.**

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# **OFEX HOLDINGS PLC**

*(Registered in England and Wales, No. 4606754)*

**Offer for Subscription of up to 8,000,000 new Ordinary Shares  
of 5p each at 25p per share and**

**Admission to trading on the Alternative Investment Market**

Nominated Adviser and Broker

**SEYMOUR PIERCE LIMITED**

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The Directors of OFEX Holdings, whose names appear on page 3, 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. To the best of the knowledge 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.

Copies of this document will be available to the public free of charge at the offices of Seymour Pierce Limited at 29/30 Cornhill, London EC3V 3NF, during normal business hours on any week day (excluding Saturdays and public holidays) from the date of this document until one month from Admission.

Seymour Pierce Limited which is regulated by the Financial Services Authority is acting as nominated adviser and broker to OFEX Holdings in connection with the proposed Offer for Subscription and Admission and for no one else, and will not be responsible to anyone other than OFEX Holdings for providing the protections afforded to customers of Seymour Pierce Limited or for providing advice in relation to the proposed Offer for Subscription and Admission.

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	John Jenkins, <i>Non-Executive Chairman</i> Emma Jenkins, <i>Joint Managing Director and Chief Operating Officer</i> Jonathan Jenkins, <i>Joint Managing Director and Corporate Development Director</i> Peter Freeman, <i>Director of Markets and Compliance</i> John Wedgwood, <i>Non-Executive Director</i>
	All of:
	1 Goodman's Yard London E1 8AT
<b>Company secretary and registered office:</b>	Louise Anstead ACIS 1 Goodman's Yard London E1 8AT
<b>Nominated Adviser and Broker:</b>	Seymour Pierce Limited 29/30 Cornhill London EC3V 3NF
<b>Auditors and reporting accountants:</b>	Deloitte & Touche Stonecutter Court 1 Stonecutter Street London EC4A 4TR
<b>Solicitors:</b>	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
<b>Registrars:</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Receiving Agents:</b>	Capita IRG Plc Corporate Actions PO Box 166 The Registry 34 Beckenham Road Beckenham Kent BR3 4TH
<b>Financial Public Relations:</b>	Ing Media Limited 31 Earl Street London EC2A 2AL
<b>Placing Agent:</b>	Ruegg & Co. Limited 39 Cheval Place Knightsbridge London SW7 1EW

## DEFINITIONS

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the entire ordinary share capital of the Company, issued and to be issued pursuant to the Offer for Subscription, to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to and the operation of AIM
“Application Form”	the application form to be used in connection with the Offer for Subscription
“Board” or “Directors”	the board of directors of OFEX Holdings
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Company” or “OFEX Holdings”	OFEX Holdings plc
“CREST”	the computerised settlement system operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
“CRESTCo”	CRESTCo Limited
“EEA”	European Economic Area
“EU”	European Union
“Existing Ordinary Shares”	the Ordinary Shares in issue prior to the Offer for Subscription
“Financial Promotions Order”	Financial Services and Markets Act 2000 (Financial Promotion) Order 2001
“FSA”	Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000
“Group”	the Company and its subsidiaries
“Issue Price”	25p per Offer Share
“London Stock Exchange”	London Stock Exchange plc
“OFEX”	OFEX plc, the operator of the OFEX market
“Offer for Subscription”	the proposed conditional offer for subscription by the Company of the Offer Shares at the Issue Price as described in this document
“Offer Shares”	the 8,000,000 new Ordinary Shares proposed to be offered by the Company pursuant to the Offer for Subscription
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Regulations”	the Uncertificated Securities Regulations 2001

“RIE”	Recognised Investment Exchange
“Seymour Pierce”	Seymour Pierce Limited
“Shareholders”	holders of Ordinary Shares
“Share Option Plans”	the OFEX Company Share Option Plan, the OFEX Unapproved Share Option Plan and the OFEX EMI Share Option Plan
“SMEs”	small and medium sized enterprises
“uncertificated” or “in uncertificated form”	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of FSMA

## OFFER FOR SUBSCRIPTION STATISTICS

Issue Price	25p
Number of Existing Ordinary Shares	10,000,000
New Ordinary Shares being issued pursuant to the Offer for Subscription	8,000,000
Number of Ordinary Shares in issue following the Offer for Subscription	18,000,000
Market Capitalisation at the Issue Price	£4.5 million
Estimated net proceeds of the Offer for Subscription receivable by the Company	£1.65 million
Percentage of the enlarged issued ordinary share capital represented by the Offer Shares	44.44%

**Note:**

The above table assumes full subscription under the Offer for Subscription

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## EXPECTED TIMETABLE

Subscription list opens	8.00 a.m. on 4 April 2003
Closing date for the Offer for Subscription	3.00 p.m. on 25 April 2003
Trading to commence in the enlarged issued share capital on AIM and, where applicable, Offer Shares credited to CREST	8.00 a.m. on 30 April 2003
Where applicable, definitive share certificates for Offer Shares despatched	by 7 May 2003

# **PART I**

## **INFORMATION ON THE GROUP**

### **INTRODUCTION**

OFEX operates the OFEX market in the United Kingdom, providing a secondary equities market for unlisted and unquoted companies off-exchange. The OFEX market has been refined and developed over the last seven years and, as a result, has strengthened its regulatory status and credibility. In addition, it has successfully provided access to capital for more than 450 companies which have used or continue to use the OFEX market as a way of publicly trading their shares. Since the inception of the OFEX market in October 1995 some £1 billion of development capital has been raised for constituent companies.

The OFEX market may be viewed in the United Kingdom as a “stepping stone” to more senior markets, such as the Official List or AIM. The OFEX market has been used successfully in this way by 80 companies, the majority of which have moved their shares from the OFEX market to AIM. Each market tends to cater for a certain size of company, with the OFEX market typically attracting those with smaller market capitalisations.

The Directors believe that there is considerable potential for the OFEX market to continue to expand and develop within the United Kingdom and overseas and that the developing regulatory environment should enhance these opportunities.

### **HISTORY OF THE OFEX MARKET**

The origins of the OFEX market stretch back over 35 years tracing its roots from the founding of S Jenkins and Son Limited by Sidney Jenkins and his eldest son in 1960. As a London Stock Exchange member firm S Jenkins and Son Limited traded as a market maker specialising in smaller capitalised companies principally within the leisure sector. John Jenkins joined the firm in 1962 and became senior partner in the early 1980's, steering the firm through “Big Bang” and the October 1987 crash. In February 1991, John Jenkins and Paul Brown, a former dealer from S Jenkins and Son Limited, set up J P Jenkins Limited, trading unlisted stocks such as Weetabix and Arsenal under Stock Exchange Rule 535(2) (later Rule 4.2). The trading volumes increased, as did the demand for information on the companies whose shares were being traded. The demand for this information was so strong that Newstrack Limited was incorporated in 1993 specifically to publish this data electronically. The Newstrack Service first appeared on the Reuters service and is now available on all the major professional quote vendors.

When the London Stock Exchange created AIM in 1995, 45 of the companies whose shares were traded under Rule 4.2 by J P Jenkins Limited did not choose to make the move to AIM and asked if they could continue to have their shares traded off-exchange by J P Jenkins Limited. After consultation, the decision was taken to continue to provide a trading facility, using the name OFEX, which commenced operation on 2 October 1995.

It was anticipated by many that this would be a temporary measure until the companies using it felt that they could step up to AIM. Ultimately, this did not happen. Instead, the potential for fund-raising became apparent and this resulted in many more companies joining specifically to raise capital to grow their businesses. As at the date of this document there are over 170 companies using the OFEX market covering 24 business sectors.

Following an earlier group re-organisation and de-merger in February 2003 OFEX Holdings acquired OFEX and became the holding company of the Group which operates the OFEX market. JP Jenkins Limited is no longer part of this Group.

### **REGULATORY ENVIRONMENT**

On 4 January 2002, OFEX became authorised and regulated by the FSA. Whilst the OFEX market is not a RIE, it became a prescribed market subject to Section 118 of FSMA on 5 December 2001, which means that securities traded on the OFEX market are within the scope of the FSMA market abuse regime. Securities traded on the OFEX market are traded as unlisted and unquoted.

Companies whose shares are traded on the OFEX market are also included within the scope of the Substantial Acquisition Rules (“SARs”) of the City Code on Takeovers and Mergers, and both the OFEX market and the Newstrack Service are referred to in the City Code.

The OFEX market is also included within the list of relevant EEA Markets for the purposes of the exemptions contained in the Financial Promotions Order. Securities traded on the OFEX market are treated as “unquoted” under existing tax legislation and investors generally may benefit from this treatment in relation to Enterprise Investment Scheme relief (where applicable) and business asset taper relief with regard to Capital Gains Tax and Inheritance Tax.

Further information on the regulatory environment is set out in Part IV of this document.

## **HOW THE OFEX MARKET WORKS**

The OFEX market provides a trading platform for the securities of its constituent companies, the issuers. Issuers seeking to join the OFEX market must make an application for admission through a corporate adviser member of the OFEX market. The membership rules are contained within the OFEX Rule Book, which also details rules for the issuers using the OFEX market as a means of trading their shares.

OFEX is required to ensure that its rules and practices provide for OFEX market business to be conducted in an orderly manner so as to afford proper protection to investors in securities traded on the OFEX market. In accordance with this objective, OFEX at all times seeks to maintain a fair and orderly market in securities traded on the OFEX market and ensure that its facilities are not used for any improper purpose. OFEX uses its powers under the OFEX Rule Book to achieve such objectives and it is the responsibility of each OFEX member firm to support OFEX in this purpose. A failure in this respect by a member may lead to the imposition of sanctions by OFEX on such a member firm.

The OFEX market has three categories of member: specialists, broker dealers and corporate advisers.

### *Specialist Members*

The OFEX market provides the trading mechanism by requiring that each security is traded by one specialist or market maker, which must be a member of OFEX. This specialist must be regulated by the FSA and is responsible for making a market in and trading the relevant security.

### *Broker Dealer Members*

Private investors cannot approach the specialist themselves if they wish to deal in securities traded on the OFEX market – they must instead retain the services of a stockbroker (broker dealer) which is an OFEX member and appropriately regulated. The broker dealer acts on behalf of the private investor, buying and selling securities traded on the OFEX market, thus providing the demand and supply for the relevant security to the specialist.

### *Corporate Adviser Members*

The third type of member is a corporate adviser member. An issuer looking to apply to have its shares traded on the OFEX market must retain the services of a corporate adviser, which in turn makes the application to OFEX on behalf of the issuer. A corporate adviser must be regulated by the FSA and acts as the link between the issuer and OFEX. In addition, companies which are defined as “overseas” or “start-up” companies under the OFEX Rule Book must retain the services of a corporate adviser member at all times.

## **OFEX FACILITIES**

OFEX provides the following services to issuers and OFEX members:

### *Admission to the OFEX Market*

OFEX operates a detailed application procedure in accordance with the OFEX Rule Book. Applications are received and processed by the applications department.



Applicant companies are subject to scrutiny of their application by OFEX. The Applications Manager oversees this process, including a review of documentation and background information, and also seeks the opinion of a panel of external advisers. This panel includes a range of experienced professionals including bankers, lawyers, accountants and fund managers, as well as industry specialists. An application must then satisfy the board of OFEX that it meets the requirements in the OFEX Rule Book for admission.

There is no maximum or minimum size of company that is entitled to make an application to OFEX, nor does it matter whether a company is public or private. However, if the company wishes to raise capital, public company status is a requirement.

There is no requirement for a defined trading history, although the information disclosure requirements required by OFEX under the OFEX Rule Book on a start-up business are more onerous than those for more mature companies.

#### *The Newstrack Service*

OFEX provides a news and information service – the Newstrack Service – which provides prices, details of all announcements required by the OFEX Rule Book, trading information and background financial information for all securities traded on the OFEX market and their underlying issuers.

The Newstrack Service is disseminated via the OFEX website but is also licensed to be distributed by six third party professional quote vendors. These are Bloomberg LP; FT Interactive Data (Europe) Limited; McGraw-Hill International (UK) Limited (Standard & Poor's); Reuters Limited; Telekurs Finanzinformationen AG and Thomson Financial Limited.

Private investors can access information via the OFEX website and certain closing prices from a selection of newspapers, in particular the Financial Times and the London Evening Standard.

#### *Market Supervision*

OFEX is required to provide an orderly market at all times, and as such must monitor all market participants, i.e. issuers and all types of OFEX members. OFEX seeks to ensure that trading on the OFEX market is conducted by OFEX members in accordance with the OFEX Rule Book. In addition, OFEX and the FSA have agreed arrangements for the deterrence and detection of abusive behaviour on the OFEX market.

#### *Continuing Obligations*

Issuers of securities using the OFEX market must abide by the OFEX Rule Book, particularly with regard to continuing disclosure obligations. OFEX maintains a continuing obligations department whose role is to ensure that issuers are complying with the OFEX Rule Book. If an issuer breaches the rules, then, depending upon the nature of the breach, the issuer's securities may be suspended from trading on the OFEX market and/or withdrawn by OFEX.

### **CURRENT REVENUE STREAMS**

The current OFEX revenue model depends principally on the number of companies trading on the OFEX market and the number of corporate members in the market. Revenue is generated from the following sources:

*Issuer Levy* – the application process for proposed issuers includes a fixed one-off application fee. There is also an annual charge which applies to all companies throughout their time on the market.

*Membership Levy* – Annual fees became payable by the corporate adviser community in 2003. However, due to the low level of trading activity on markets in general, the Directors felt it inappropriate to levy any broker dealer or specialist levies at this time.

*Information Sales* – OFEX is currently contracted to provide OFEX market-specific data to the information vendors noted above. Not only does this ensure the adequate circulation of OFEX market data to the investment community, but OFEX also receives a fee for this data provision.

## **BENEFITS OF THE OFEX MARKET**

The OFEX market provides similar benefits to a company as any other public market place. The choice of appropriate market place will usually depend on the size and funding requirements of the company concerned and the costs incurred in joining and remaining on that market.

Some of the main reasons for using the OFEX market include:

- to raise equity-based finance from private and institutional investors;
- to provide shareholders with a way of buying and selling their shares, independently of the company itself. The OFEX market provides an open market valuation for the securities, which avoids any conflict of interest within the company and in particular for any person attempting to value the shares internally;
- to allow the company to provide visibility and transparency of price and share transactions for its shareholders;
- to assist the company in setting up and administering employee share schemes;
- to create a visible profile for the company, allowing it to broaden its shareholder base and generate awareness of the company's products and services. In the case of overseas companies, the OFEX market can be used to introduce UK investors to their businesses; and
- to act as the first step towards growing the business and moving to a more senior market in due course, should a company so choose.

In addition, shares traded on the OFEX market are defined as unlisted and unquoted, and therefore UK investors may be eligible to benefit from certain types of UK tax relief.

## **OPPORTUNITIES FOR DEVELOPMENT**

The organic growth of the OFEX market will largely depend upon the number of issuers. The potential for the increase in this number is, in the opinion of the Directors, significant:

- As at the end of March 2002 there were approximately 12,400 public companies in the UK. Only approximately 2,400 currently have their shares traded on a public market.
- As at 6 April 2002 at least 7,000 companies participated in Inland Revenue approved share schemes. If these companies do not have their shares traded on a public market then they are largely without independent valuation or a trading platform.
- As at the end of January 2003 there were approximately 500 companies trading on other UK markets with a market capitalisation of below £5m that might consider the OFEX market more appropriate in terms of professional costs/benefits.
- Introducing more specialists (market makers) to the OFEX market in 2003 may encourage more companies from existing markets to choose the OFEX market as the most appropriate according to their size and cost/benefit considerations.
- Existing OFEX relationships with business angels, venture capital firms, UK science parks, universities, regional development agencies, the Department of Trade and Industry, the Institute of Directors and the Confederation of British Industry should provide marketing opportunities to access a pool of potential OFEX market participants associated with these organisations.
- The EU has embarked upon a process referred to as the Financial Services Action Plan ("FSAP") as a result of which a number of changes are being made to directives affecting the financial services industry. However, as the OFEX market is not an EEA regulated market under the Investment Services Directive, the directives covered by the FSAP as currently drafted do not directly affect it.
- The Directors believe that the OFEX market's position vis-a-vis the FSAP should lead to significant opportunities. In particular, the Listing and Prospectus Directive seeks to harmonise the prospectus requirements for all public offers or admissions to an EEA regulated market. It is currently understood

that there will be no distinction in the documentation required for admission to the Official List or any other regulated market. The Directors believe that the OFEX market will become increasingly attractive to smaller companies due to the increased flexibility regarding documentation that the OFEX market's exclusion from the directive will allow.

The Directors have been approached by several overseas exchanges and regulatory authorities with a view to replicating or franchising the OFEX brand in their domestic markets. The Directors believe overseas expansion represents a significant growth opportunity for the OFEX market.

## **CURRENT TRADING AND PROSPECTS**

The results for the Group for the year ended 31 December 2002 are set out in the accountants report on OFEX in Part III of this document and show a loss before taxation of £662,478.

During the course of 2002, despite difficult market conditions, 29 companies joined the OFEX market and trading was in line with Directors' expectations. The Directors are confident that despite continuing difficult conditions in the UK equity markets, they can maintain and improve the level of new applicants to the OFEX market. The number of companies and members that have joined and left the OFEX market in the current financial period are in line with Directors' expectations.

In addition, the Directors are of the opinion that the OFEX market could benefit from the directives contained within the EU's Financial Services Action Plan as the OFEX market is not an EEA regulated market and therefore not affected by the directives as currently drafted.

## **THE DIRECTORS**

### **John Peter Jenkins, aged 56, Non-Executive Chairman**

John started his city career with his father's jobbing firm, S Jenkins & Son Limited, in 1962 at the age of 15. S Jenkins & Son Limited specialised in trading in leisure stocks and small cap companies generally on the London Stock Exchange, and made a name for itself in this sector. He became Senior Partner in 1981 following the death of his father. He successfully sold the firm to Guinness Peat Group plc ("GPG") in 1986.

In 1988, GPG demerged its investment banking activities through Guinness Mahon Holdings plc and decided to withdraw from market making in October 1989. John decided to set up his own business again, having researched the potential for trading in unlisted securities, something he had always been interested in doing. J P Jenkins Limited was created specifically for this purpose in February 1991.

### **Emma Maxwell Jenkins, aged 34, Joint Managing Director and Chief Operating Officer**

Having gained her degree in property valuation and finance, Emma trained as a surveyor before joining J P Jenkins Limited in December 1992. She was instrumental in first setting up the Newstrack business in 1993, which has now been absorbed into OFEX, and subsequently in setting up the news and data service that OFEX continues to provide. She is responsible for the day-to-day operation of the OFEX market, including the news service, in conjunction with compliance to ensure that OFEX performs its regulatory obligations in terms of transparency and processes.

### **Jonathan Maxwell Jenkins, aged 32, Joint Managing Director and Corporate Development Director**

On completion of his degree in Banking and International Finance, Jonathan joined J Henry Schroder Wagg, eventually becoming head of forward foreign exchange for the Schroder London Group. He joined J P Jenkins Limited as a market maker in OFEX securities in 1997, and created ofexmedia limited in early 1999 in order to market the OFEX brand. ofexmedia limited was merged into the newly-formed OFEX in January 2002, where he became Communications Director. He is responsible for the Group's strategic development and marketing strategy both nationally and internationally, providing presentations and seminars to potential companies, investors and advisers alike.

### **Peter Anthony Freeman, aged 43, Director of Markets and Compliance**

On leaving University, Peter lectured in Farm Business Management for four years before moving to work for what became the Baltic Futures Exchange, assisting it through the process of becoming an RIE and implementing the changes arising from the Financial Services Act 1986. He then joined the Investment Management Regulatory Organisation. During his time there, Peter gained his MBA and experience as a financial services regulator before returning to industry as a compliance consultant. He subsequently worked as a tutor for the Financial Training Company, specialising in Regulation and Registered Persons Examination training. Peter joined the Group in November 1998.

Peter is now responsible for overseeing all regulatory aspects of OFEX's business (the OFEX market and its relationship with its issuers and members), ensuring the OFEX Rule Book is properly maintained and administered. He also liaises with external bodies on UK and European legislation and policy. He is the Compliance Officer and Money Laundering Reporting Officer for OFEX.

### **John Arthur Thomas Wedgwood – aged 62, Non- Executive Director**

John began his City career, in banking, with Westminster Bank in 1960. Having qualified as a Company Secretary, in 1963, he moved first to Wiggins Teape Limited, then to Slater Walker Securities Limited and, from there, to Ozalid Group Holdings Limited. In 1978, he was appointed Group Secretary of Guinness Peat Group Limited and, following the demerger of its investment banking division, he was appointed Director and Group Secretary of Guinness Mahon Holdings plc. In 1992, he became Group Secretary of LASMO plc. In 1998, he was appointed Executive Chairman of ProVen Holdings Limited, the then parent company of a private equity firm. He joined OFEX as a Non-Executive Director in 2001. He is Chairman of the Trustees of two pension schemes.

## **DIRECTORS' INTENTIONS**

The Directors intend to subscribe for Offer Shares under the Offer for Subscription for a total, in aggregate, of 708,000 Offer Shares. In addition, J P Jenkins Limited, a company controlled by John Jenkins, has agreed to subscribe for 400,000 Offer Shares. Further details of the Directors' shareholdings are detailed in Part V of this document.

In addition, each of the Directors and Paul Brown has agreed not to dispose of any interest in Ordinary Shares for a period of 12 months following Admission save in certain limited circumstances and thereafter for a further period of 12 months on an orderly market basis.

## **SHARE OPTION PLANS**

The Company has adopted the Share Option Plans for the purposes of retaining and incentivising key members of staff. The main provisions of the Share Option Plans are summarised in Part V of this document. The number of Ordinary Shares which may be issued under the Share Option Plans will be limited to 20 per cent. of the issued share capital of the Company from time to time.

## **THE OFFER FOR SUBSCRIPTION**

The Company is offering a total of 8,000,000 Offer Shares for subscription at the Issue Price payable in full on application. The Company has received commitments to apply for Offer Shares in excess of the minimum amount of £1.2 million required to be raised under the Offer for Subscription.

Application may be made for a minimum of 2,000 Offer Shares, which at the Issue Price equates to £500, and thereafter in multiples of 400 Offer Shares. If the Offer for Subscription is over-subscribed, allotments of the Offer Shares will be at the discretion of Seymour Pierce and the Company. Applications must be made on the Application Form attached to this document.

The Offer Shares will be offered free of expenses and will rank *pari passu* in all respects with the Ordinary Shares currently in issue, including all rights to receive dividends and other distributions declared paid or made after the date of issue.

The subscription list will open at 8.00 a.m. on 4 April 2003, and may be closed at any time at the discretion of the Directors, but in any event not later than 3.00 p.m. on 25 April 2003. The Offer for Subscription is conditional on Admission.

Further details of the Offer for Subscription are set out in Part II of this document and in the Application Form and related guidance notes.

### **USE OF PROCEEDS**

The Company proposes to raise up to £2,000,000 before expenses by the issue of the Offer Shares. The net proceeds of the Offer for Subscription will be used as follows:

- up to £500,000 will be used to settle the amount due to J P Jenkins Limited in respect of the acquisition of the intellectual property rights used in connection with the OFEX market; and
- the balance will be used as working capital to accelerate growth within the UK and elsewhere.

### **ENTERPRISE INVESTMENT SCHEME AND VENTURE CAPITAL TRUSTS**

The Directors have obtained confirmation from the Inland Revenue that the issue of Ordinary Shares in the Company will rank as a qualifying investment for the purposes of the Enterprise Investment Scheme (“EIS”) and will be a “qualifying holding” for the purposes of investment by Venture Capital Trusts (“VCTs”).

The continuing availability of EIS reliefs and the status of the Ordinary Shares as a “qualifying holding” for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making his investment (under EIS), and, for VCT purposes, throughout the period the Ordinary Shares are held as a “qualifying holding”.

The EIS allows the following tax reliefs for individual investors provided investments are held for five years:

- Initial income tax relief of 20 per cent; and
- Exemption from capital gains tax (“CGT”).

The EIS also allows CGT payable on chargeable gains realised by individuals and certain trustees to be deferred. To qualify for CGT deferral, a sum up to the amount of the chargeable gain must be subscribed (usually not more than one year before nor more than three years after the date on which the chargeable gain arises) in new ordinary shares of a qualifying trading company or an unquoted company which is the parent of a qualifying trading group. For this purpose, shares quoted on AIM are regarded as unquoted.

A claim for CGT deferral relief is made by the individual investors and/or trustees claiming the relief.

Investors considering taking advantage of any of the reliefs under the EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.

### **DIVIDEND POLICY**

It is the intention of the Directors to reinvest any profits in order to achieve capital growth. It is not, therefore, the Directors’ intention to pay any dividends in the short term.

### **CORPORATE GOVERNANCE**

The Company has taken steps to ensure that, where practicable for a company of its size, the principles of good governance and code of best practice (the “Combined Code”) will be complied with and the appropriate corporate governance structures have been put in place.

The Board comprises three executive Directors and two non-executive Directors. The Company will hold at least ten Board meetings throughout the year at which reports relating to the Company’s operations, together

with financial reports, will be considered. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The Audit Committee is comprised of John Wedgwood (who chairs the committee) and John Jenkins. It meets whenever there is business to discuss and in any event, at least twice a year and, within its agreed terms of reference, it is responsible for ensuring that the financial performance of the Company is properly monitored and reported on. It has the opportunity to meet with the Company's auditors without executive Board members being present and will review reports relating to accounts and internal control systems.

The Remuneration Committee comprises John Wedgwood (who chairs the committee), and John Jenkins. Within its agreed terms of reference, the Remuneration Committee considers and determines the remuneration of the executive Directors and will also consider and determine incentive arrangements for executives and employees including the Company's share option arrangements. The terms of reference prevent any member of the Remuneration Committee who is an executive Director taking part in any discussions or decisions relating to his own remuneration.

The remuneration committee's policy is to grant options to executive Directors on a basis designed to produce proportionately similar after tax benefits for each Director. This involves making use of the Government's tax advantaged share option arrangements to the extent Directors are eligible under these arrangements. Neither Emma Jenkins nor Jonathan Jenkins are currently eligible to benefit under the Company's tax advantaged share option arrangements.

The Company will take all reasonable steps to ensure compliance by Directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities.

#### **FURTHER INFORMATION**

Your attention is drawn to Parts II to V of this document which provide additional information.

#### **ACTION TO BE TAKEN**

If you wish to apply for Offer Shares under the Offer for Subscription you should complete and return the enclosed Application Form in accordance with the instructions set out therein and in Part II of this document. You should then return the Application Form with the appropriate remittance for the full amount payable on application, to be received no later than 3.00 p.m. on 25 April 2003 at the offices of **Capita IRG plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH.**

#### **RISK FACTORS**

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

##### **Constituent Companies**

The number of companies on the OFEX market is affected by economic conditions, and any fall in the number of companies who have securities traded on the OFEX market will affect the success of its business.

##### **Members**

The Company does not currently charge membership or transaction fees to broker dealer members or to specialist members, and a decline in the number of those members would not, therefore, impact on current revenue projections. The Company is seeking further specialists to reduce its dependence on any one specialist. OFEX has introduced membership fees for corporate adviser members from 2003, and as a consequence there has been a small reduction in the number of corporate advisers. This reduction has been lower than expected and the Directors do not anticipate a further significant fall in the number of corporate adviser members.

## **Competition**

There are no barriers to entry into the area in which OFEX operates, although the Directors believe that the costs of establishing credible competition would be significant.

## **Employees**

The future success of the OFEX market depends largely on the expertise of the executive Directors and key employees. Whilst the Company has entered into contractual arrangements with the Directors and key employees, the retention of their services is not guaranteed. The loss of key personnel could have a material adverse effect on OFEX's future by seriously impairing its ability to expand and develop the OFEX market.

## **Future Funding**

Whilst the Directors have no current plans for raising additional capital after completion of the Offer for Subscription and are satisfied that the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the next twelve months, it is possible that the Company will need to raise extra capital in the future to develop fully the OFEX market.

## **Suitability**

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

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

**The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult their stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under FSMA.**

## PART II

### DETAILS OF THE OFFER FOR SUBSCRIPTION

#### 1. Terms of the Offer for Subscription

- (a) The Company is offering 8,000,000 Offer Shares at 25p per Offer Share payable in full on application. The Company has received commitments to apply for Offer Shares in excess of the minimum amount of £1.2 million required to be raised under the Offer for Subscription.
- (b) Application must be for a minimum of 2,000 Offer Shares and thereafter in multiples of 400 Offer Shares. Only one application can be made by an applicant (or for his/her benefit) on an Application Form.
- (c) The Offer Shares will, when allotted, be fully paid and rank *pari passu* in all respects with the Ordinary Shares then in issue, including the right to receive all dividends and distributions hereafter declared, made or paid. They will be issued free from all liens, charges and encumbrances.
- (d) The Company and Seymour Pierce reserve the right to reject in whole or in part, or to scale down or limit any application as they shall, in their absolute discretion, think fit. If rejected in whole or in part, monies will be returned to applicants, without interest, at their own risk, by 7 May 2003.
- (e) By completing and delivering an Application Form, each applicant (and, if he/she signs the Application Form on behalf of somebody else or a corporation, that person or corporation):
  - (i) offers to subscribe for the number of Offer Shares specified in his/her Application Form (or such lesser number for which his/her Application Form is accepted) at the Placing Price on the terms of and subject to this document, including these terms and conditions of application, and the memorandum and articles of association of the Company;
  - (ii) warrants that his/her cheque or banker's draft will be honoured on first presentation and agrees that if it is not so honoured he/she will not be entitled to receive a share certificate in respect of the shares applied for or to enjoy or receive any rights or distributions in respect of the shares unless and until payment is made in cleared funds for such shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that the applicant indemnifies it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of his/her remittance to be honoured on first presentation) and he/she agrees that, at any time prior to the unconditional acceptance by the Company of any such later payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe for such shares and may allot such shares to some other person, in which case he/she will not be entitled to any payment in respect of such shares other than the refund to him/her at his/her risk of any proceeds of the cheque or banker's draft accompanying his/her application, without interest;
  - (iii) agrees that, in respect of those Offer Shares for which his/her application has been received and is not rejected, acceptance of that application shall be constituted by notification of acceptance thereof to Capita Registrars;
  - (iv) agrees that any monies returnable to the applicant may be retained by Capita Registrars pending clearance of his/her remittance and that such monies will not bear interest;
  - (v) warrants that, if he/she signs the Application Form on behalf of somebody else or on behalf of a corporation, he/she has due authority to do so on behalf of that other person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertakes to enclose his/her power of attorney or a copy thereof duly certified by a solicitor with the Application Form;



- (vi) agrees that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with English law, and that he/she submits to the exclusive jurisdiction of the English Courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (vii) confirms that, in making such application, neither the applicant nor any person on whose behalf he/she is applying is relying on any information or representation in relation to the Company other than the information contained in this document and accordingly agrees that no person responsible solely or jointly for this document or any part hereof or involved in the preparation hereof shall have any liability for any such information or representation;
- (viii) authorises Capita Registrars or any person authorised by them, as his/her agent to do all things necessary to effect registration of any Offer Shares subscribed by him/her into his/her name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such Offer Shares has been transferred and authorises any representative of Capita Registrars to execute any document required therefor;
- (ix) agrees that, having had the opportunity to read this document, he/she shall be deemed to have had notice of all information and representations concerning the Company and the Offer Shares contained herein;
- (x) warrants that he/she is not under the age of 18;
- (xi) agrees on request by the Company or at its discretion on behalf of the Company, to disclose promptly in writing to it, any information which it may reasonably request in connection with his/her application and authorises it to disclose any information relating to his/her application as it considers appropriate;
- (xii) warrants that he is not a person in the United States and is not applying on behalf of or with a view to the re-offer, sale, transfer, delivery or distribution to, or for the benefit of, any person within the United States or who is a US person, and will not, as principal or agent, offer, sell, transfer, renounce, deliver or distribute, directly or indirectly, any Offer Shares being acquired by him to any person within the United States or who is a US person. As used herein "United States" means the United States of America (including the States thereof and the District of Columbia) its territories and possessions and "US person" means any person or entity defined as such in Rule 902(o) under the United States Securities Act of 1933 (as amended); and
- (xiii) warrants that he is not a Canadian person (which expression shall mean any individual resident in Canada, any corporation, partnership or firm organised under or governed by the laws of Canada (or any political sub-division thereof), any branch in Canada of a corporation, partnership or firm incorporated or established outside Canada and any investment fund, estate or trust organised under or governed by the laws of Canada (or any political sub-division thereof)) and is not applying on behalf of, or with a view to the re-offer, sale or transfer to or for the benefit of, any such person.

## **2. Procedure for Application**

- (a) The Application Form, which accompanies this document, contains full details regarding application and payment.
- (b) Applicants who wish to apply for Offer Shares under the Offer for Subscription, must complete the Application Form in accordance with the instructions printed thereon and return it, together with the appropriate remittance for the full amount payable on application, either by post or by hand, to Capita IRG plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to arrive as soon as possible but, in any event, no later than 3.00 p.m. on 25 April 2003.

Application Forms received after that time may not be treated as valid. It is recommended that at least two working days are allowed for delivery. Applications will not be acknowledged.

- (c) Cheques or banker's drafts should be crossed "Account Payee only" and made payable to "Capita IRG Plc a/c OFEX". They must be drawn in sterling on a bank or building society or branch thereof in the United Kingdom, the Channel Islands or the Isle of Man, which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies or committees and must bear the appropriate sort code in the top right hand corner. The Company reserves the right to reject applications unless these requirements are fulfilled. Cheques and banker's drafts are liable to be presented for payment upon receipt. It is a term of the Offer for Subscription that cheques shall be honoured on first presentation. The Company may elect to treat as invalid any application in respect of which a remittance is not so honoured. Cheques or banker's drafts will be presented for payment on receipt.

### **3. Money Laundering**

- (a) It is a term of the Offer for Subscription that, to ensure compliance with the Money Laundering Regulations 1993, as amended by the Money Laundering Regulations 2001, each of the Company and Capita Registrars as receiving agent on its behalf is entitled to require, at its absolute discretion, verification of identity from any person lodging an Application Form (an "applicant") including, without limitation, any person who either:

- (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant; or
- (ii) appears to the Company or Capita Registrars to be acting on behalf of some other person.

Pending the provision of evidence satisfactory to the Company or Capita Registrars as to the identity of the applicant and/or any person on whose behalf the applicant appears to be acting, the Company or Capita Registrars, in its absolute discretion, may retain an Application Form lodged by an applicant and/or the cheque or other remittance relating thereto and/or not enter the applicant on the register of members or issue any share certificate in respect of them.

- (b) If verification of identity is required, this may result in a delay in dealing with an application and in rejection of the application. In order to avoid this, payment should ideally be made by means of a cheque drawn by the person named on the Application Form. If this is not practicable and a cheque drawn by a third party or building society cheque or banker's draft is used, the applicant should:
  - (i) write the name and address of the person named on the Application Form on the back of the cheque, building society cheque or banker's draft and, in the case of an individual, record his/her date of birth against his/her name;
  - (ii) if a building society cheque or banker's draft is used, the building society/bank should be asked to endorse on the cheque or banker's draft the name and account number of the person whose building society or bank account is being debited. The building society or bank endorsement should be overlaid with the branch stamp;
  - (iii) if the application is being made as agent for one or more persons, the applicant should indicate on the Application Form whether he is a United Kingdom or EU regulated person or institution (e.g. bank or broker) and specify his status. If he is not a United Kingdom or EU regulated person or institution, he should contact Capita Registrars in the first instance for guidance.
- (c) The Company reserves the right, in its absolute discretion, for it or Capita Registrars to reject any application in respect of which the Company or Capita Registrars considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In

the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the monies payable to or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Offer Shares in question (but in each case without prejudice to any rights which the Company and/or Capita Registrars may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute a warranty and undertaking by the applicant to the Company and to Capita Registrars to provide promptly to Capita Registrars such information as may be specified by the Company or Capita Registrars as being required for the purpose of the Money Laundering Regulations 1993, as amended by the Money Laundering Regulations 2001.

- (d) None of the Company, Capita Registrars and their advisers shall be responsible or have any liability for loss or damage (whether actual or alleged) arising from the election by the Company or Capita Registrars or their advisers to treat an application in respect of Offer Shares lodged by any applicant as invalid or to terminate any contract of allotment as a result of the Company or Capita Registrars not having received evidence as to the identity of the person lodging the relevant Application Form reasonably satisfactory to it within a reasonable time of having requested such information.

#### **4. Overseas Persons**

- (a) No person receiving a copy of this document and/or any Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without compliance with any unfulfilled registration or other legal requirements. Any person receiving a copy of this document and/or an Application Form outside the United Kingdom and wishing to make an application for any Offer Shares must satisfy himself as to the full observance of the laws of the relevant territory, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in such territory and is responsible for paying any issue, transfer or other taxes due in such territory.
- (b) The Company reserves the right, in its absolute discretion, to treat the Offer for Subscription as having not been made in any particular case if it believes any application thereunder would or may violate applicable legal or regulatory requirements.
- (c) The Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities laws of Canada. Offer Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or Canada or to, or for the benefit of, any US person, any Canadian person or to any person purchasing such shares for re-offer, sale, renunciation or transfer in the United States or Canada or as a result of a purchase order known to originate in the United States or Canada. The Company has not and will not be registered under the United States Investment Company Act of 1940 (as amended).
- (d) Persons resident in other overseas territories should consult their professional advisors as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Offer Shares under the Offer for Subscription.

#### **5. Settlement and Dealings**

- (a) Definitive certificates in respect of the Offer Shares are expected to be dispatched by 7 May 2003. No temporary documents of title will be issued and pending the issue of definitive share certificates, transfers will be certified against the register.

- (b) All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her own risk. All payments under the Offer for Subscription must be made in pounds sterling.
- (c) Dealings in the Offer Shares on AIM are expected to commence on 30 April 2003.

**6. Further Information**

Your attention is drawn to the further information set out in this document and the terms and conditions set out in the Application Form and the guidance notes relating thereto.

## PART III

### ACCOUNTANTS' REPORTS ON THE COMPANY AND OFEX

Deloitte & Touche  
180 Strand  
London WC2R 1BL

Tel: National 020 7438 3000  
International + 44 20 7438 3000  
Fax (Gp.3): 020 7304 1340  
LDE: DX 599  
www.deloitte.co.uk

**Deloitte  
& Touche**

The Directors  
OFEX Holdings plc  
1 Goodman's Yard  
London E1 8AT

Seymour Pierce Limited  
29-30 Cornhill  
London  
EC3V 3NF

3 April 2003

Dear Sirs

#### **OFEX Holdings plc ("the Company")**

##### **Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the Prospectus dated 3 April 2003 relating to the admission of the issued share capital of the Company to trading on AIM ("the Prospectus").

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

The financial information set out in this report is based on the non-statutory financial statements of the Company from incorporation to 31 December 2002, to which no adjustments were considered necessary.

##### **Responsibility**

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

The Directors of the Company are responsible for the contents of the Prospectus in which this report is included.

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

##### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It 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.

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

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at 31 December 2002.

**Consent**

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

## BALANCE SHEET

	<i>31 December</i>
	2002
	£
<b>Current Assets</b>	
Debtors (Note 3)	<u>2</u>
<b>Capital</b>	
Called up share capital (Note 4)	<u>2</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1 Accounting convention

The financial information has been prepared under the historical cost convention.

### 2 History

The Company was incorporated on 3 December 2002 as Kudsoption Public Limited Company. On 27 February 2003, Kudsoption Public Limited Company changed its name to OFEX Holdings plc. It has not traded and no dividends have been declared or paid. Accordingly no profit and loss account or cashflow statement is presented.

### 3 Debtors

	<i>31 December</i>
	2002
	£
Unpaid share capital	<u>2</u>

### 4 Called up share capital

	<i>Number</i>	<i>Ordinary Shares of £1 each</i>
Authorised – Ordinary shares at £1 each	100,000	100,000
Issued – Ordinary shares at £1 each	<u>2</u>	<u>2</u>

### 5 Post balance sheet events

Subsequent to the year end, there have been the following changes in the authorised and issued share capital of the Company:

- On 21 February 2003, each £1 share was divided into 20 x 5p shares and the amounts due on the shares paid in cash.
- On the same date 160 further shares of 5p each were issued for cash at par value.
- On 27 February 2003, the Company acquired the whole of the issued share capital of S J & S plc in exchange for the issue of 9,999,800 shares of 5p each in the Company, issued at par.

Yours faithfully

Deloitte & Touche  
*Chartered Accountants*

Deloitte & Touche  
180 Strand  
London WC2R 1BL

Tel: National 020 7438 3000  
International + 44 20 7438 3000  
Fax (Gp.3): 020 7304 1340  
LDE: DX 599  
www.deloitte.co.uk

**Deloitte  
& Touche**

The Directors  
OFEX Holdings plc  
1 Goodman's Yard  
London E1 8AT

Seymour Pierce Limited  
29-30 Cornhill  
London  
EC3V 3NF

3 April 2003

Dear Sirs

### **OFEX plc (“OFEX” or “the Company”)**

#### **Introduction**

We report on the financial information of OFEX set out below. The whole of the issued share capital of OFEX was acquired by OFEX Holdings plc (“OFEX Holdings”) on 28 February 2003 by way of a group reconstruction. This financial information has been prepared for inclusion in the Prospectus dated 3 April relating to the admission of the entire issued share capital of OFEX Holdings to trading on AIM (“the Prospectus”).

On 1 January 2002, OFEX acquired the whole of the issued share capital of Newstrack Limited (“Newstrack”) and Ofexmedia Limited (“Ofexmedia”) from SJ&S plc, its then holding company, by way of a share for share exchange. In this report we refer to OFEX, for the period from 1 January 2002 to 31 December 2002, and to Newstrack and Ofexmedia together, for the period from 1 January 2000 to 31 December 2001, as “the OFEX Group”. The acquisition of Newstrack and Ofexmedia qualifies as a group reconstruction under Financial Reporting Standard Number 6 “Acquisitions and mergers” and accordingly the principles of merger accounting have been applied to the financial statements of OFEX, Newstrack and Ofexmedia as if the OFEX Group had been in existence throughout the period covered by this report.

#### **Basis of preparation**

The financial information set out in this report, which has been prepared on the basis set out above and in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited financial statements of the OFEX Group for the year ended 31 December 2002 and the audited financial statements of Newstrack and Ofexmedia for the two years ended 31 December 2001, after making such adjustments as we considered necessary.

#### **Responsibility**

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

The Directors of OFEX Holdings are responsible for the contents of the Prospectus in which this report is included.

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



**Basis of opinion**

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

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

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the OFEX Group at 31 December 2000, 31 December 2001 and 31 December 2002 and of its losses and cash flows for the periods then ended.

**Consent**

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

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	<i>Note</i>	<i>Year ended 31 December</i>		
		<i>2000</i>	<i>2001</i>	<i>2002</i>
		£	£	£
<b>TURNOVER</b>	1	913,141	1,047,934	908,841
Administrative expenses		<u>(1,234,520)</u>	<u>(1,771,361)</u>	<u>(1,572,828)</u>
<b>OPERATING LOSS</b>	3	<u>(321,379)</u>	<u>(723,427)</u>	<u>(663,987)</u>
Bank interest receivable		522	342	332
Other income		–	–	1,177
Bank interest payable		–	<u>(225)</u>	–
<b>LOSS ON ORDINARY ACTIVITIES</b>				
<b>BEFORE TAXATION</b>		<u>(320,857)</u>	<u>(723,184)</u>	<u>(662,478)</u>
Tax credit/(charge) on loss on ordinary activities	4	85,605	<u>(435)</u>	–
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u><u>(253,252)</u></u>	<u><u>(723,745)</u></u>	<u><u>(662,478)</u></u>

All results are in respect of continuing operations.

There are no gains or losses other than those disclosed in the profit and loss account.

The accompanying notes are an integral part of these consolidated profit and loss accounts.

## CONSOLIDATED BALANCE SHEETS

	<i>Note</i>	<i>Year ended 31 December</i>		
		<i>2000</i>	<i>2001</i>	<i>2002</i>
		£	£	£
<b>FIXED ASSETS</b>				
Intangible assets	5	–	–	500,000
Tangible assets	6	<u>119,726</u>	<u>93,476</u>	<u>55,340</u>
		119,726	93,476	555,340
<b>CURRENT ASSETS</b>				
Debtors	8	350,119	241,131	315,816
Cash at bank and in hand		39	130	8,929
		<u>350,158</u>	<u>241,261</u>	<u>324,745</u>
<b>CREDITORS: amounts falling due</b>				
<b>within one year</b>	9	<u>(1,033,550)</u>	<u>(921,115)</u>	<u>(1,878,941)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(683,392)</u>	<u>(679,854)</u>	<u>(1,554,196)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>(563,666)</u></u>	<u><u>(586,378)</u></u>	<u><u>(998,856)</u></u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	11	202	1,115,410	1,365,410
Profit and loss account	12	<u>(563,868)</u>	<u>(1,701,788)</u>	<u>(2,364,266)</u>
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<u><u>(563,666)</u></u>	<u><u>(586,378)</u></u>	<u><u>(998,856)</u></u>

The accompanying notes are an integral part of these consolidated balance sheets.

## CONSOLIDATED CASH FLOW STATEMENTS

	<i>Note</i>	<i>Year ended 31 December</i>		
		<i>2000</i>	<i>2001</i>	<i>2002</i>
		£	£	£
Net cash outflow from operating activities – continuing		(221,065)	(129,090)	(246,883)
Net cash outflow from operating activities – non-continuing		(50,156)	(414,174)	–
<b>Net cash outflow from operating activities</b>	13	<u>(271,221)</u>	<u>(543,264)</u>	<u>(246,883)</u>
<b>Returns on investments and servicing of finance</b>				
Interest paid		–	(225)	–
Interest received		522	342	332
Other income		–	–	1,177
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>522</u>	<u>117</u>	<u>1,509</u>
<b>Taxation</b>				
Tax credit/(paid)		<u>28,055</u>	<u>(689)</u>	<u>–</u>
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		<u>(89,596)</u>	<u>(33,237)</u>	<u>(20,490)</u>
<b>Financing</b>				
Issue of ordinary share capital		100	–	250,000
Net financing from parent company		<u>339,900</u>	<u>573,000</u>	<u>81,870</u>
<b>Net cash inflow from financing</b>		<u>340,000</u>	<u>573,000</u>	<u>331,870</u>
<b>INCREASE/(DECREASE) IN CASH</b>		<u>7,760</u>	<u>(4,073)</u>	<u>66,006</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>				
		£	£	£
Net debt at 1 January		(60,764)	(53,004)	(57,077)
Increase in cash in the year		<u>7,760</u>	<u>(4,073)</u>	<u>66,006</u>
<b>Net debt at 31 December</b>		<u>(53,004)</u>	<u>(57,077)</u>	<u>8,929</u>

The accompanying notes are an integral part of these consolidated cash flow statements.

## NOTES TO THE FINANCIAL INFORMATION

### 1. ACCOUNTING POLICIES

The financial information is prepared in accordance with applicable United Kingdom law and accounting standards and on the going concern basis due to the continuing existence of the support of SJ&S Limited. The particular accounting policies adopted are described below.

#### **Accounting convention**

The financial information is prepared under the historical cost convention.

#### **Consolidation**

The group accounts consolidate the financial statements of the company and its subsidiaries all of which make up their accounts to the same date. As set out in the introduction, the acquisition of these subsidiaries was part of a group reconstruction, and has been accounted for as a merger.

#### **Turnover**

Turnover represents amounts derived from the provision of services which fall within the OFEX Group's ordinary activities after deduction of value added tax. The turnover and pre-tax loss are attributable to one activity, the operation of the OFEX™ market. This activity is undertaken solely in the UK. Deferred income arises on renewals of membership fees for the OFEX™ market.

#### **Intangible fixed assets**

The right to operate the OFEX™ market, acquired during the year, is valued at cost of acquisition less provision for any impairment.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. A full year's charge is made in the year of acquisition. The following rates are used:

Furniture and fittings, office equipment and computer equipment:	33⅓% per annum
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#### **Deferred taxation**

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recovered.

## 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	<i>Year ended 31 December</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£</i>	<i>£</i>	<i>£</i>
The average number of persons employed by the company (including directors) in the operation of the OFEX™ market during the period was:	<u>13</u>	<u>10</u>	<u>13</u>
<b>Aggregate staff costs during the period were:</b>			
Wages and salaries	496,173	386,337	630,799
Social security costs	52,632	41,442	52,667
Other benefits	12,740	6,932	13,634
	<u>561,545</u>	<u>434,711</u>	<u>697,100</u>
<b>Emoluments of the directors of the company (which are included in the above figures) were as follows:</b>			
Emoluments	<u>268,172</u>	<u>184,941</u>	<u>182,427</u>
<b>Highest paid director's remuneration:</b>			
Aggregate of emoluments	<u>123,485</u>	<u>82,826</u>	<u>67,341</u>

There were no pension scheme contributions during the period.

Further details of directors' remuneration are provided in Part V, sections 4, 5 and 6 of this document.

## 3. OPERATING LOSS

	<i>Year ended 31 December</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£</i>	<i>£</i>	<i>£</i>
<b>The operating loss was arrived at after charging:</b>			
Depreciation	47,074	59,487	58,626
Auditors' remuneration:			
– audit fees	<u>5,865</u>	<u>4,250</u>	<u>5,500</u>

## 4. TAX CREDIT/(CHARGE) ON LOSS ON ORDINARY ACTIVITIES

	<i>Year ended 31 December</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Group relief	85,859	–	–
Deferred tax	(254)	–	–
Prior period adjustment	–	(435)	–
	<u>85,605</u>	<u>(435)</u>	<u>–</u>

#### 4. TAX CREDIT/(CHARGE) ON LOSS ON ORDINARY ACTIVITIES (continued)

The difference between the current tax shown and the amount calculated by applying the standard rate of UK Corporation tax to the loss before tax is as follows:

	<i>Year ended 31 December</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Loss on ordinary activities before tax	<u>(320,857)</u>	<u>(723,184)</u>	<u>(662,478)</u>
Tax credit on loss on ordinary activities at standard rate	96,257	216,955	198,743
Add/(less) tax effect of:			
Expenses not deductible for tax purposes	(9,761)	(17,411)	(11,864)
Utilisation/(increase) in tax losses	–	(148,370)	(198,730)
Capital allowances in excess of depreciation	(891)	(55,825)	11,851
Other timing differences	–	4,651	–
Tax credit/(charge) on loss on ordinary activities	<u>85,605</u>	<u>(435)</u>	<u>–</u>

The Company has losses available to offset against future profits.

#### 5. INTANGIBLE FIXED ASSETS

	<i>Year ended 31 December</i>	
	<i>2001</i>	<i>2002</i>
	<i>£</i>	<i>£</i>
<b>Cost</b>		
At 1 January	–	–
Additions	–	500,000
At 31 December	<u>–</u>	<u>500,000</u>

During the period, the Company acquired trademarks relating to the OFEX™ market from SJ&S plc.

#### 6. TANGIBLE FIXED ASSETS

	<i>Furniture and fittings</i>	<i>Office equipment</i>	<i>Computer equipment</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Cost</b>				
At 1 January 2001	44,183	93,246	115,712	253,141
Additions	<u>1,253</u>	<u>1,389</u>	<u>30,595</u>	<u>33,237</u>
At 31 December 2001	45,436	94,635	146,307	286,378
Additions	<u>2,690</u>	<u>11,563</u>	<u>6,237</u>	<u>20,490</u>
At 31 December 2002	<u>48,126</u>	<u>106,198</u>	<u>152,544</u>	<u>306,868</u>
<b>Accumulated depreciation</b>				
At 1 January 2001	32,505	43,385	57,525	133,415
Charge for the period	<u>9,194</u>	<u>22,856</u>	<u>27,437</u>	<u>59,487</u>
At 31 December 2001	41,699	66,241	84,962	192,902
Charge for the period	<u>5,522</u>	<u>21,283</u>	<u>31,821</u>	<u>58,626</u>
At 31 December 2002	<u>47,221</u>	<u>87,524</u>	<u>116,783</u>	<u>251,528</u>
<b>Net book value</b>				
At 31 December 2002	<u>905</u>	<u>18,674</u>	<u>35,761</u>	<u>55,340</u>
At 31 December 2001	<u>3,737</u>	<u>28,394</u>	<u>61,345</u>	<u>93,476</u>

## 7. INVESTMENTS

The company has investments in the following principal subsidiary undertakings:

<i>Principal subsidiary undertakings</i>	<i>Country of registration and operation</i>	<i>Principal activity</i>	<i>Proportion of ordinary shares and voting rights held</i>
Newstrack Limited	England and Wales	Dormant	100%
Ofexmedia Limited	England and Wales	Dormant	100%

As part of a group reorganisation, the Company acquired 100% of the issued share capital of Newstrack Limited and Ofexmedia Limited on 1 January 2002 for a consideration of 11,154,100 shares issued at par. These acquisitions have been accounted for using merger accounting principles. In addition, the Company discontinued its operations of the promotion of the OFEX market and as events organiser. These operations were transferred to a sister Company, Enriched Events Limited (“Enriched Events”) on 1 January 2002. The loss for the 2001 year, including Enriched Events, comprises:

Newstrack Limited	£
	179,454
Ofexmedia Limited	958,466
	<u>1,137,920</u>

The following analysis summarises the book and fair values of the major categories of assets and liabilities included in the consolidated financial statements at the date of the acquisitions.

	<i>Newstrack Limited</i>	<i>Ofexmedia Limited</i>	<i>Total</i>
	£	£	£
Tangible fixed assets	81,905	11,571	93,476
Current assets			
Debtors	143,793	97,338	241,131
Cash	33	97	130
Current liabilities			
Overdraft	(18,812)	(38,395)	(57,207)
Other creditors	(753,458)	(110,450)	(863,908)
	<u>(546,539)</u>	<u>(39,839)</u>	<u>(586,378)</u>
Consideration: shares issued	<u>102</u>	<u>1,115,308</u>	<u>1,115,410</u>

## 8. DEBTORS

	<i>Year ended 31 December</i>	
	<i>2001</i>	<i>2002</i>
	£	£
Trade debtors	145,397	231,561
Prepayments	21,764	79,513
Other debtors	73,870	1,804
Amounts owed from group undertakings	100	2,938
	<u>241,131</u>	<u>315,816</u>

## 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Year ended</i>	
	<i>31 December</i>	
	<i>2001</i>	<i>2002</i>
	<i>£</i>	<i>£</i>
Bank Overdraft	57,207	–
Trade creditors	–	69,883
Amounts owed to group undertaking	412,372	1,156,231
VAT payable	39,651	42,667
Other creditors	7,384	16,298
Accruals	4,250	30,609
Deferred income	400,251	563,253
	<u>921,115</u>	<u>1,878,941</u>

## 10. DEFERRED TAXATION

A deferred tax asset has not been recognised in respect of timing differences relating to losses carried forward and negative accelerated capital allowances. The amount of the asset not recognised is £565,299 (2001: £244,326; 2000: £28,286).

## 11. CALLED UP SHARE CAPITAL

	<i>Year ended</i>	
	<i>31 December</i>	
	<i>2001</i>	<i>2002</i>
	<i>£</i>	<i>£</i>
<b>Authorised:</b>		
1,995,000 “A” Voting Shares of £1 each	1,995,000	–
5,000 “A” Non-voting shares of £1 each	5,000	–
10,000 ordinary shares of £1 each	10,000	–
500,000,000 ordinary shares of 10p each	–	50,000,000
	<u>2,010,000</u>	<u>50,000,000</u>
	<i>£</i>	<i>£</i>
<b>Allotted and fully paid:</b>		
1,115,208 “A” Voting shares of £1 each	1,115,208	–
202 ordinary shares of £1 each	202	–
13,654,102 ordinary shares of 10p each	–	1,365,410
	<u>1,115,410</u>	<u>1,365,410</u>

The Company was incorporated as Dozzer plc on 24 October 2001 with issued capital of 2 shares at par. On 9 November 2001, it changed its name to OFEX plc (“OFEX”).

On 30 November 2001, in accordance with section 123 of the Companies Act 1985, a special resolution was passed by the sole shareholder to increase the nominal capital of OFEX by 499,500,000 ordinary shares of 10p each beyond the registered capital of 500,000 ordinary shares of 10p each. The new shares are to rank *pari passu* and form one class with the shares in issue.

On 30 November 2001 OFEX issued 2,500,000 shares at par for cash. On the same date OFEX acquired the whole of the issued share capital of Newstrack and Ofexmedia from SJ&S plc, its then holding company, by way of a share for share exchange by issuing 11,154,100 shares at par. On 1 January 2002, the businesses of Newstrack and Ofexmedia were transferred to OFEX, and from that date Newstrack and Ofexmedia ceased to trade. We refer to OFEX, for the period from 1 January 2002 to 31 December 2002, and to Newstrack and Ofexmedia together, for the period from 1 January 2000 to 31 December 2001.



## 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Shareholders' Deficit Total</i>
	£	£	£
At 1 January 2000	202	(278,460)	(278,258)
Retained loss for the year	–	(253,196)	(253,196)
Retained loss for the year - discontinued operations	–	(32,212)	(32,212)
At 31 December 2000	202	(563,868)	(563,666)
Share issue	1,115,208	–	1,115,208
Retained loss for the year	–	(723,746)	(723,746)
Retained loss for the year - discontinued operations	–	(414,174)	(414,174)
At 31 December 2001	1,115,410	(1,701,788)	(586,378)
Share issue	250,000	–	250,000
Retained loss for the year	–	(662,478)	(662,478)
Retained loss for the year - discontinued operations	–	–	–
At 31 December 2002	<u>1,365,410</u>	<u>(2,364,266)</u>	<u>(998,856)</u>

## 13. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<i>Year ended 31 December</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	£	£	£
Operating loss continuing	(321,379)	(723,427)	(663,987)
Operating loss discontinuing	(32,212)	(414,174)	–
Depreciation	47,074	59,487	58,626
(Increase)/decrease in debtors	(124,642)	115,642	(74,685)
(Decrease)/increase in creditors	159,938	419,208	433,163
<b>Net cash inflow from operating activities</b>	<u>(271,221)</u>	<u>(543,264)</u>	<u>(246,883)</u>

As noted earlier, the profit and loss accounts are presented for continuing operations only. The cashflow statements include discontinued operations, as it is not possible to analyse the opening and closing cash balances between continuing and discontinued operations.

## 14. ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR

	<i>Year ended 31 December</i>		
	<i>2000</i>	<i>2001</i>	<i>2002</i>
	£	£	£
Balance at 1 January	(60,764)	(53,004)	(57,077)
Net cash inflow	7,760	(4,073)	66,006
Balance at 31 December	<u>(53,004)</u>	<u>(57,077)</u>	<u>8,929</u>

## 15. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No.8, "Related Party Disclosures", transactions with other group undertakings 90 per cent owned by the ultimate parent company have not been disclosed in these financial statements. There were no other related party transactions requiring disclosure.

## **16. SUBSEQUENT EVENTS**

Kudosoption plc (formerly named S J & S plc) is in the process of assigning the lease of property at 1 Goodman's Yard to OFEX Holdings. Under the terms of the lease agreement there is a requirement to make a payment to the landlord to reinstate the property to its former state. Once the assignment is completed OFEX will bear this responsibility and will be required to make a provision for these costs, which are estimated at £200,000.

As at 31 December 2002, OFEX owed an amount of £1,156,231 to JP Jenkins Limited ("JP Jenkins"). This amount is shown in the balance sheet as amounts owed to group undertakings. As part of a group reorganisation on 28 February 2003 JP Jenkins and OFEX are no longer within the same group of companies. On 2 April 2003, OFEX Holdings signed a loan agreement with JP Jenkins. Under this agreement OFEX Holdings will repay up to £500,000 of the amount owed out of the proceeds of the Offer for Subscription. The balance shall be repaid in equal monthly repayments of £10,000 commencing from 1 May 2004 onwards. Based on this, the balance falls due after more than one year.

## **17. ULTIMATE PARENT COMPANY**

The ultimate parent company is OFEX Holdings plc, a company incorporated in Great Britain.

Yours faithfully,

Deloitte and Touche  
*Chartered Accountants*

## **PART IV**

### **THE REGULATORY POSITION OF THE OFEX MARKET**

Under FSMA, those conducting regulated activities must be either an authorised person or an exempt person. Any other person who carries on a regulated activity in contravention of this general prohibition commits an offence. Exempt persons include the Bank of England, RIEs and Recognised Clearing Houses. Any person wishing to carry on regulated activities may apply for permission by the FSA under Part IV of FSMA. OFEX, the operator of the OFEX market, is authorised and regulated by the FSA under Part IV of FSMA.

As the OFEX market is not an RIE, it is not an exempt person and does not automatically receive treatment as an RIE under FSMA and derived regulation. However, OFEX has agreed with the FSA the permissions under Part IV that are appropriate for OFEX's activities, as well as inclusion of OFEX in particular regulatory regimes by Order of the Secretary of State.

The OFEX market has also been included within the scope of the UK's insider dealing legislation under Part V of the Criminal Justice Act 1993 since July 2000. In December 2001, OFEX was made a prescribed market for the purposes of Section 118 of FSMA, which included OFEX within the scope of the FSMA market abuse regime. The RIEs are also prescribed markets. FSA has agreed operating arrangements individually with all the prescribed markets including OFEX.

In addition, OFEX has been included in the list of relevant EEA markets for the purposes of the Financial Promotions Order. This provides an equivalent treatment for OFEX as for other relevant EEA Markets and Investment Exchanges in that certain documents required to be produced by the rules of an EEA Market do not require prior approval by an authorised person.

Under the Finance Act 2002, the provisions for exemptions relating to RIEs were extended to include OFEX, the effect of this being to extend to the OFEX market the intermediary exemptions from stamp duty and stamp duty reserve tax, and for stock lending and borrowing.

From 4 January 2002, the OFEX Code of Conduct was replaced with the OFEX Rule Book, with which both member firms and issuers are required to comply. Failure to comply with the requirements of the Rule Book by members or issuers is an act of misconduct that can lead to sanctions being imposed by OFEX. For members, sanctions include warnings, reprimands, fines, restitution and compensation, suspension of membership and withdrawal of membership. For issuers, the sanctions are private censure, public censure, suspension and withdrawal.

## PART V

### ADDITIONAL INFORMATION

#### 1. Incorporation and Status of the Company

- (a) The Company was incorporated in England and Wales on 3 December 2002 under the name of Kudosophion Public Limited Company with registered number 4606754 as a public company with limited liability under the Act. On 27 February 2003 the Company changed its name to OFEX Holdings plc. On 28 February 2003 the Company obtained a certificate pursuant to section 117 of the Act entitling it to trade and do business. The liability of the members of the Company is limited.

#### 2. Share capital of the Company

- (a) The authorised and issued share capital of the Company at the date of this document and immediately following Admission is and (assuming full subscription under the Offer for Subscription) will be as follows:

<i>Authorised share capital</i>			<i>Issued share capital</i>	
	<i>Number of</i>			<i>Number of</i>
<i>£</i>	<i>Ordinary Shares</i>		<i>£</i>	<i>Ordinary Shares</i>
5,000,000	100,000,000	At present	500,000	10,000,000
5,000,000	100,000,000	Following Admission	900,000	18,000,000

- (b) By a written resolution of the members of the Company passed on 21 February 2003 the following resolution was passed:
- (i) generally and unconditionally to authorise the Directors, until the conclusion of the Company's annual general meeting to be held in 2004, to allot relevant securities in accordance with section 80 of the Act up to an aggregate nominal amount of £1,750,000 provided always that (in the case of any allotment made other than an allotment of relevant securities pursuant to the Offer for Subscription or an allotment of up to 10,000,000 Ordinary Shares to John Jenkins or Paul Brown) the authority conferred by this resolution shall be limited to the allotment of relevant securities up to an aggregate nominal amount of 40 per cent. of the issued ordinary share capital of the Company immediately following the Offer for Subscription; and
- (ii) to empower the Directors, until the conclusion of the Company's next annual general meeting to be held in 2004, pursuant to section 95 of the Act, to allot equity securities for cash up to an aggregate nominal amount of £930,008 pursuant to the authority referred to in the above paragraph b(i).
- (c) The provisions of Section 89 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are paid up in cash) apply to the authorised but unissued share capital of the Company except to the extent disapplied by the resolution referred to in the above paragraph b(ii).
- (d) The new Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.
- (e) Save as disclosed in this document, no share or loan capital of the Company is proposed to be issued or is under option or is the subject of an agreement, conditional or unconditional, to be put under option.
- (f) The Company's articles of association permit the Company to issue shares in uncertificated form. Application will be made for the Offer Shares to be admitted to CREST on Admission.

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

The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.

The Articles include provisions to the following effect:

(a) *Voting Rights*

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

(b) *Alteration of Capital*

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

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

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

(c) *Variation of Rights*

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

(d) *Purchase of Own Shares*

Subject to the provisions of the Act and to the sanction by an extraordinary resolution passed at a separate class meeting of the holders of any convertible shares, the Company may purchase any of its own shares of any class (including redeemable shares) at any price.

(e) *Transfer of Shares*

Any member may transfer all or any of his shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid or on which the Company has a lien.

(f) *Dividends and other distributions*

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

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

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

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

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

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

(g) *Restrictions on Shares*

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

(h) *Directors*

(i) At every annual general meeting of the Company as near as possible (but greater than) one third of the Directors for the time being shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.

(ii) Save as provided in paragraph (iii) below, a Director shall not vote at a meeting of the Board or any committee of the Board on any resolution of the Directors concerning a matter in which he has an interest which together with any interest of any person connected with him is to his knowledge a material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(iii) The prohibition in paragraph (ii) above shall not apply to a Director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect

of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries; (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company or any of its subsidiaries by him; (iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company); (v) any resolution relating to an arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not provide in respect of any Director as such any privilege or benefit not accorded to the employees to whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.

- (iv) The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £500,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. The Directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as Directors. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. The Directors may pay pensions and other benefits to, inter alios, present and past employees and Directors and may set up and maintain schemes for the purpose.
- (v) The provisions of Section 293 of the Act relating to the mandatory retirement of Directors at age 70 do not apply to the Company.
- (vi) Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two. There is no maximum number of Directors. A Director shall not be required to hold any shares of the Company by way of qualification.

(i) *Borrowing Powers*

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

(j) *Limitations on Share Ownership*

As long as the Company is regulated by the FSA and required not to permit any person to acquire control (as defined in Section 179 of FSMA) or increase control (as defined in Section 180 of FSMA) unless the FSA has granted its prior written consent then it must be able to avoid or prevent registration of a person who would be an unauthorised new controller (the “Regulatory Requirement”).

The Board may refuse to register the transfer of a certificated share if it believes that registration of the transfer might constitute a breach of the Regulatory Requirement or registration of an unauthorised new controller. If registration of a transfer would lead to a breach of a Regulatory Requirement or registration

of an unauthorised new controller then the Directors may identify those shares the transfer of which would result in a breach of the Regulatory Requirement or registration of an unauthorised new controller and resolve to deal with such shares as affected shares (“Affected Shares”). The Directors shall send an Affected Share Notice to the registered holder of any Affected Share and to any other persons who appear to be interested in that share, stating how the Affected Share is to be treated. A registered holder of an Affected Share shall not be entitled, in respect of such share, to attend, speak or vote at any general meeting and the rights which would have attached to the Affected Share shall vest in the Chairman of that meeting.

The transfer of any shares shall be subject to the approval of the Directors if, in their opinion, such share would upon transfer become or be capable of becoming an Affected Share and the Directors may refuse to register the transfer of any such share provided that, in the case of a share held in uncertificated form, the Directors may only exercise their discretion not to register a transfer if allowed to do so by regulation 23 of the Uncertificated Securities Regulations 1995.

If the Directors have identified any shares as Affected Shares then any person may enquire of the Directors whether a transfer of the shares would, if registered, result in the breach of the Regulatory Requirement or registration of an unauthorised new controller or whether the shares would be capable of being treated as Affected Shares and the Directors shall, on sufficient information being provided, notify the enquirer whether the shares would become or be capable of becoming Affected Shares, although any such notification will not prevent such shares being subsequently identified as Affected Shares.

The Directors shall, so long as they act reasonably and in good faith, be under no liability to the Company or any other persons for failing to treat any share as an Affected Share or any person as an unauthorised new controller, nor shall any Director be liable to the Company or any other person if, having acted reasonably and in good faith, they determine erroneously that any share is an Affected Share or that any person is an unauthorised new controller.

#### 4. Directors’ and Other Interests

- (a) The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the Act in the issued share capital of the Company which have been notified to the Company pursuant to Section 324 and 328 of the Act (or are required to be disclosed in the Register of Directors’ interests pursuant to Section 325 of the Act) as at the date of this document and as expected to be immediately following Admission (assuming full subscription under the Offer for Subscription) are as follows:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares immediately following Admission</i>	<i>% of enlarged share capital</i>
J P Jenkins	4,315,000 <sup>(1)</sup>	43.2	4,715,000 <sup>(2)</sup>	26.2
E M Jenkins	2,250,000	22.5	2,650,000	14.7
J M Jenkins	2,250,000	22.5	2,450,000	13.6
P A Freeman	–	–	8,000	0.04
J A T Wedgwood	–	–	100,000	0.6

**Notes:**

- (1) This includes 2,250,000 Ordinary Shares registered in the name of his wife Carole Jenkins.
- (2) This includes the shares referred to in note (1) above and 400,000 Offer Shares for which J P Jenkins Limited, a company controlled by John Jenkins, has agreed to subscribe in the Offer for Subscription.



- (b) The Directors have been granted options under the Share Option Plans as follows:-

<i>Name</i>	<i>Date of grant</i>	<i>Number of Ordinary Shares subject to option</i>	<i>Exercise Price per Ordinary Share</i>
E M Jenkins	1 April 2003	145,000	25p
J M Jenkins	1 April 2003	145,000	25p
P A Freeman	1 April 2003	85,000	25p

**Note:**

Peter Freeman's options have been granted under the EMI plan and each of Emma Jenkins' and Jonathan Jenkins' options have been granted under the unapproved plan.

- (c) Save as disclosed in sub-paragraphs (a) and (b) above and this sub-paragraph the Directors are not aware of any interest (within the meaning of Part VI of the Act) in the Ordinary Shares which, immediately following Admission (assuming full subscription under the Offer for Subscription), would amount to 3 per cent. or more of the Company's enlarged issued share capital nor, so far as the Directors are aware, are there any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of enlarged issued share capital</i>
Paul Brown	1,000,000	5.55%

## 5. Directors' Service Agreements/Letters of Appointment

- (a) The following Directors have entered into service agreements with OFEX each of which is dated 2 April 2003, under which their roles and annual basic salary are as follows:

<i>Director</i>	<i>Role</i>	<i>Annual Salary</i>
Emma Jenkins	Joint Managing Director and Chief Operating Officer	£65,000
Jonathan Jenkins	Joint Managing Director and Corporate Development Director	£65,000
Peter Freeman	Director of Markets and Compliance	£65,000

Each of Emma Jenkins' and Jonathan Jenkins' agreements is for an initial fixed period of 12 months and thereafter may be terminated by either party giving to the other not less than 6 months' notice in writing to expire on or at any time after 2 October 2004.

Peter Freeman's service agreement is for an initial period of six months and thereafter may be terminated by either party giving to the other not less than six months notice in writing to expire on or at any time after 2 April 2004.

In addition, each of the above Directors has agreed to act as a Director of OFEX Holdings pursuant to letters of appointment dated 2 April 2003.

- (b) John Wedgwood has agreed to act as a non-executive Director for an annual fee of £22,500, pursuant to a letter of appointment dated 2 April 2003. John Jenkins has agreed to act as a non-executive Director for an annual fee of £15,000, pursuant to a letter of appointment dated 2 April 2003. The appointments may be terminated by either the Company or the relevant Director giving three months' written notice.
- (c) Save as disclosed above, there are no service contracts in existence between any Director and the Company or any Company in the Group which cannot be determined by the relevant company without payment of compensation (other than statutory compensation) within one year.
- (d) The aggregate remuneration and benefits in kind paid by the Group to the Directors in respect of the period ended 31 December 2002 was £217,927. It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the financial period ending 31 December 2003 will be approximately £215,939.

## 6. Additional Information on the Directors

- (a) In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
John Jenkins	OFEX plc J P Jenkins Limited S. Jenkins & Son Limited SJ & S Limited Jenkins Nominees Limited Newstrack Limited Kudoption plc Independent Exchange Limited Newstrack Online Limited Enriched Events Limited The Squirt's Guide Limited NTK Limited Cobb Estates Limited ofexmedia Limited OFEX Direct Limited Equity Direct Limited Newissues.UK.com Limited Equities-Direct Limited Gateway Securities plc	Stirmist Limited
Emma Jenkins	Dozzer Limited OFEX plc Newstrack Limited Kudoption plc The Squirt's Guide Limited NTK Limited ofexmedia Limited	J P Jenkins Limited Equity Direct Limited Equities-Direct Limited SJ & S Limited
Jonathan Jenkins	Dozzer Limited OFEX plc Ofexmedia Limited Kudoption plc	Enriched Events Limited Gateway Securities PLC SJ & S Limited
Peter Freeman	OFEX plc	SJ&S plc

*Director*  
John Wedgwood

*Current directorships  
and partnerships*  
OFEX plc  
Guinness Mahon Pension Fund  
Trustees Ltd  
Global Rights Development Ltd

*Past directorships  
and partnerships*  
Halkyn District United Mines Ltd  
Hautpas Ltd  
Bishop Holdings Ltd  
Blackfriars Oil & Gas Ltd  
Blackfriars Oil Refining Co Ltd  
Guinness Mahon Insurance &  
Risk Managers Ltd  
LASMO (Corby) Ltd  
LASMO (Massanga) Ltd  
LASMO (TSA) Ltd  
LASMO (TSP) Ltd  
LASMO (TT) Ltd  
LASMO (UEUK) Ltd  
LASMO (UFAIL) Ltd  
LASMO (UHL) Ltd  
LASMO (ULT) plc  
LASMO (UOG) plc  
LASMO (USPAR) Ltd  
LASMO Afrique Ltd  
LASMO Claymore Petroleum Ltd  
LASMO Fifi Zaitun Ltd  
LASMO Finance Ltd  
LASMO International Ltd  
LASMO Investments Ltd  
LASMO Kakcap Ltd  
LASMO Madura Ltd  
LASMO Malacca Ltd  
LASMO Oil (Aden) Ltd  
LASMO Oil (Guyana) Ltd  
LASMO Oil (Syria) Ltd  
LASMO Petroleum (Minerals) Ltd  
LASMO Securities (Jersey) Ltd  
LASMO Securities Ltd  
LASMO Singapore Ltd  
LASMO Sumatra Ltd  
LASMO Tangerang Ltd  
LASMO Trustee Company Ltd  
London & Scottish Marine Oil Ltd  
Methodplan Ltd  
Neptune (TTO) Ltd  
Neptune Oil Ltd  
Oil Exploration (Holdings) Ltd  
Oil Exploration (Scotland) Ltd  
Risk & Insurance Research Group  
Ltd  
Cravenstreet Ltd  
ProVen Holdings Ltd

(b) None of the Directors has:

- (i) any unspent convictions in relation to indictable offences;
- (ii) had any bankruptcy order made against him or entered into any voluntary arrangements;

- (iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
  - (iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - (vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- (c) Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Group and remains in any respect outstanding or unperformed.
- (d) No loans made or guarantees granted or provided by the Company or any member of the Group to or for the benefit of any Director are outstanding.

## **7. Share Option Plans (the “OFEX Plans”)**

### **(a) General**

The OFEX Plans comprise the OFEX Company Share Option Plan (the “CSOP”), the OFEX Unapproved Share Option Plan (the “Unapproved Plan”) and the OFEX EMI Share Option Plan (the “EMI Plan”). The CSOP is approved by the Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988. The EMI Plan provides for the grant of qualifying options under the enterprise management incentives arrangement in Schedule 14 to the Finance Act 2000 (“Schedule 14”).

The OFEX Plans are administered by the Board. The Board may delegate its powers to the remuneration committee.

### **(b) Eligibility**

All employees who work for the Company and such subsidiaries of the Company as are designated as participating companies by the Board are eligible to participate in the OFEX Plans. Only employees with committed time for the purposes of Schedule 14 of at least 25 hours a week (or, if less, 75% of their working time) are eligible under the EMI Plan (“the Working Time Requirement”).

Directors may participate in the OFEX Plans except that:

- (i) only Directors who devote not less than 25 hours per week (excluding meal breaks) to their duties are eligible to participate in the CSOP, and
- (ii) only Directors who satisfy the Working Time Requirement are eligible to participate in the EMI Plan.

Options are granted at the discretion of the Board.

### **(c) Option price**

Options entitle the holder to acquire Ordinary Shares, whether by subscription or purchase, at a price per share (the “Option Price”) determined by the Board. The Option Price may not be less than par

value if shares are to be subscribed. Under the CSOP, the Option Price must not be less than market value as determined on or before the date of grant under the Rules of the CSOP in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992.

(d) *Grant of options*

In the event the Company's shares become listed on the Official List then options may only be granted:

- (i) within the period of 42 days after the announcement by the Company of annual, half-yearly or other results; or
- (ii) in any other period if the Board determine that the circumstances are exceptional;

Otherwise, the Board may grant options at any time. Consideration will not normally be required for the grant of options under the OFEX Plans. Options will not form part of option holders' pensionable pay.

(e) *Performance conditions*

Options may be made exercisable only upon the achievement of performance conditions established by the Board at the time of grant.

(f) *Exercise of options*

Options may only be exercised by the persons to whom they were granted, or their personal representative(s), and are not transferable.

Options will normally lapse on the tenth anniversary of the date of grant. Options will be exercisable from a date or event determined at the date of grant. CSOP options will usually only be exercisable from the third anniversary of the date of grant.

Under the CSOP a former employee may exercise an option early within a period not exceeding six months only where his employment ceases on account of retirement, redundancy, injury, ill-health or disability. Where employment ceases on account of some other reason, the option will only be exercisable early at the Board's discretion. The personal representative(s) of a deceased option holder may exercise an option for a period of 12 months following his death.

Options under the CSOP are also exercisable early within a limited period in the event of the takeover, reconstruction or winding-up of the Company, but following a takeover may, alternatively, with the agreement of the acquiring company, be rolled over to become options over the acquiring company's shares. In the absence of exercise or roll-over, the options will lapse at the end of the exercise period, except in the case of a takeover where shares are compulsorily acquired.

Similar exercise and lapse provisions will apply to options granted under the Unapproved Plan and the EMI Plan unless the Board exercises its discretion to apply different conditions to any or all options granted under these plans.

(g) *Issue of shares*

Within 30 days of the exercise of an option, shares will be allotted and issued (or transferred) to the option holder concerned. Shares allotted will rank *pari passu* with shares then in issue other than in respect of dividend and other entitlements arising by reference to a date prior to the date of allotment.

(h) *Tax indemnities*

The Company (and, where relevant, the participating companies) may be legally required to account for taxes in respect of options granted under the OFEX Plans. Where this is the case, option holders shall be required to indemnify the Company (and any participating company) in full against any such payments. Option holders will also be required, normally, to meet any employer's national insurance contributions arising on an exercise of an option granted under the Unapproved Plan or the EMI Plan.

(i) *Limits*

The number of shares which may be subscribed for under the OFEX Plans is limited in any ten year period to not more than 20% of the issued share capital of the Company as from time to time may be issued, or remain issuable pursuant to the grant of options, under any employees' share schemes established by the Company.

There are statutory limits on the value of shares that may be subject to options granted under the CSOP and EMI Plan.

(j) *Rights issues and reorganisations*

The Option Price and the number of shares over which options have been granted will, following any rights issue or capitalisation or other variation of capital, be adjusted in such manner as the Board determines, subject to written confirmation from the Company's auditors that the adjustments are, in their opinion, fair and reasonable.

(k) *Amendments*

The OFEX Plans may be amended by the Board subject to the Rules of the respective Plans. Any amendment which is to the advantage of option holders at any time when the Shares are listed on the Official List and which relates to certain specified Rules (such as the overall limit on the number of Shares over which options may be granted) will not be effective unless it has been approved by shareholders of the Company in general meeting. There are exceptions to this requirement if an amendment is minor and benefits the administration of the Plan or it is to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or the Company or members of its group.

No amendment to the CSOP is effective until approved by the Inland Revenue.

(l) *Termination*

The Board may terminate any of the OFEX Plans at any time, but the rights of existing option holders will not thereby be affected. No options shall be granted under any of the OFEX Plans after the tenth anniversary of the respective dates on which the Board approved the Plans (or in the case of the CSOP the date on which the Inland Revenue approved the Plan).

(m) *Grants before Admission*

In addition to the options granted to directors disclosed above, the Board granted options under the EMI Plan to employees on 1 April 2003 over a total of 680,000 Ordinary Shares at an exercise price per share of 25p each. These options will normally only be exercisable from the third anniversary of the date of grant and are not subject to performance conditions. These options will normally lapse on the cessation of employment of the option holder unless the employment ceases on account of retirement, redundancy, injury, ill-health, disability or death.

## **8. Material contracts**

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

- (a) A share purchase agreement dated 30 November 2001 between OFEX and SJ&S Plc (now known as Kudosoption plc ("Kudosoption")) whereby OFEX purchased the entire issued share capital of ofexmedia Limited ("ofexmedia") for a consideration satisfied by the issue of 11,153,080 Ordinary Shares in OFEX to Kudosoption.
- (b) A share purchase agreement dated 30 November 2001 between OFEX and Kudosoption whereby OFEX purchased the entire issued share capital of Newstrack Limited ("Newstrack") for a consideration satisfied by the issue of 1,020 Ordinary Shares in OFEX to Kudosoption.

- (c) An assignment of intellectual property rights dated 30 November 2001 between OFEX and Kudosophion whereby OFEX purchased the OFEX and OFEX-related trade marks and domain name registrations from Kudosophion for a consideration of £500,000.
- (d) Hive-up agreements each dated 27 December 2001 between OFEX and each of Newstrack and ofexmedia whereby OFEX purchased as a going concern the business, assets and liabilities of each of Newstrack and ofexmedia for nil consideration.
- (e) A deed of assignment dated 20 February 2003 between Kudosophion and J P Jenkins Limited whereby Kudosophion assigned a loan of £299,774, due from Enriched Events Limited, to J P Jenkins Limited for a consideration of £299,774 which has been set off against the intercompany balance owed by Kudosophion to J P Jenkins Limited.
- (f) A deed of release dated 20 February 2003 between J P Jenkins Limited and Kudosophion whereby J P Jenkins Limited released a proportion of a loan owed to it by Kudosophion of £1,445,224 in the amount of £197,997 leaving a balance due of £1,247,227. It is proposed that up to £500,000 is repaid out of the proceeds of the Offer for Subscription representing the consideration payable pursuant to the contract described in paragraph (c) above. By a loan facility agreement dated 2 April 2003 between Kudosophion, OFEX Holdings and J P Jenkins Limited, Kudosophion has agreed to repay the balance of the amount outstanding by monthly installments of £10,000 per month commencing 1 May 2004. Interest is payable on the loan at the rate of 6 per cent. per annum payable in monthly installments save that the interest payable for the period to 30 April 2004 shall be rolled up and capitalised. The loan is convertible into Ordinary Shares at the option of J P Jenkins Limited at 35p per share in the period May 2004 to December 2005 and 45p in the period January 2006 to January 2007.
- (g) A share purchase agreement dated 21 February 2003 between John Jenkins, Paul Brown and Dozzer Limited whereby Dozzer Limited agreed to acquire the entire issued share capital of Kudosophion from John Jenkins and Paul Brown in consideration for an issue of a total of 100,000 ordinary shares in Dozzer Limited to John Jenkins and Paul Brown. Kudosophion subsequently transferred the entire issued share capitals of J P Jenkins Limited and Enriched Events Limited to Dozzer Limited on 21 February 2003. Dozzer Limited entered a members' voluntary liquidation on the morning of 26 February 2003, following which J P Jenkins Limited and Enriched Events Limited were transferred to Goss Exchange Limited (now S J & S Limited). Dozzer Limited transferred the entire issued share capital of Kudosophion to OFEX Holdings on 27 February 2003. On 28 February 2003 Kudosophion transferred 13,654,101 shares in OFEX to OFEX Holdings and 1 share in OFEX to John Jenkins, who holds the share as a nominee of OFEX Holdings.
- (h) A nominated adviser agreement dated 2 April 2003 between the Company, the Directors and Seymour Pierce pursuant to which the Company has appointed Seymour Pierce to act as Nominated Adviser to the Company for the purposes of AIM. The Company has agreed to pay Seymour Pierce a fee, initially of £20,000 per annum, for its services as Nominated Adviser under the agreement. The agreement contains certain undertakings by the Company and the Directors and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of the agreement and thereafter is subject to termination on the giving of three months' notice.
- (i) A broker agreement dated 2 April 2003 between the Company, the Directors and Seymour Pierce pursuant to which the Company has appointed Seymour Pierce to act as Broker to the Company for the purposes of AIM. The Company has agreed to pay Seymour Pierce a fee of £10,000 per annum for its services as Broker. The agreement contains certain undertakings by the Company and the Directors and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of the agreement and thereafter is subject to termination on the giving of three months' notice.
- (j) An offer for subscription agreement dated 3 April 2003 between the Company, the Directors and Seymour Pierce pursuant to which, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 30 April 2003 (or such later time or date as the Company and Seymour Pierce may agree

being not later than 31 May 2003) Seymour Pierce agreed to assist the Company in the administration of the Offer for Subscription and to use reasonable endeavours to procure subscribers for the Offer Shares.

The agreement contains representations and warranties from the Company and the Directors and an indemnity from the Company in favour of Seymour Pierce together with provisions which enable Seymour Pierce to terminate the agreement in certain circumstances prior to Admission including in the event of a material breach of any of the warranties and force majeure. Under the agreement the Company has agreed to pay Seymour Pierce the following:

- (i) a fee of up to £100,000; and
- (ii) commission of 3 per cent. on the aggregate value at the Issue Price of the Offer Shares to be allotted to applicants procured by Seymour Pierce or other applicants whose Application Forms carry a brokers stamp.

## **9. Litigation**

No legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Company or any member of the Group which are having or may have a significant effect on the Company's or the Group's financial position.

## **10. Working capital**

The Directors are of the opinion, having made due and careful enquiry and having taken into account the net proceeds of the Offer for Subscription, that following Admission the Company and the Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Admission.

## **11. Taxation**

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

### **(a) *Taxation of Chargeable Gains***

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

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

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

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

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Ordinary Shares.



(c) *Dividends and other Distributions*

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

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

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

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

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

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

## **12. General**

- (a) The total costs and expenses relating to the Offer for Subscription payable by the Company are estimated to be up to £350,000 (excluding VAT). The Company has agreed that £100,000 of these costs and expenses will be deferred, depending on the outcome of the Offer for Subscription, for up to twelve months.
- (b) Deloitte & Touche has given and not withdrawn its written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of their reports in this document.
- (c) Seymour Pierce has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- (d) The accounting reference date of the Company is 31 December.
- (e) For the purposes of paragraph 21(a) of Part IV of Schedule I to the POS Regulations the minimum amount which must be raised for the Company pursuant to the Offer for Subscription is £1.2 million, in respect of each of the following:-
  - (i) purchase price of intellectual property £350,000;
  - (ii) commissions and expenses (excluding VAT) £250,000;
  - (iii) repayment of monies borrowed in respect of (i) and (ii) above £nil; and
  - (iv) working capital £600,000.
- (f) It is expected that definitive share certificates will be despatched by hand or first class post by 7 May 2003. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 30 April 2003.

- (g) Save as disclosed in Part I, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- (h) Save as disclosed in Part I, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- (i) Save as disclosed in this document, there have been no significant changes in the trading or financial position of the Company since its incorporation.
- (j) Save as disclosed in this document, no person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Issue Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

### **13. Availability of this document**

Copies of this document are available free of charge from the Company's registered office and at the offices of Seymour Pierce Limited, 29/30 Cornhill, London EC3V 3NF, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

3 April 2003

## PROCEDURE FOR APPLICATION

The following instructions should be read in conjunction with the Application Form.

Applications must be for a minimum of 2,000 Offer Shares and thereafter in multiples of 400 Offer Shares.

- 1. Insert in Box 1 (in figures) the number of Offer Shares for which you are applying.**
- 2. Insert in Box 2 (in figures) the amount of your cheque or banker's draft.**
- 3. Insert your full name and address in BLOCK CAPITALS in Box 3.** If you are a CREST member you should fill in the appropriate details if you wish the Offer Shares to be credited to your CREST Stock Account.
- 4. Sign and date the Application Form in Box 4.**

The Application Form may be signed by another person on your behalf (and/or on behalf of any joint applicant(s) if that person is duly authorised to do so), but the power(s) of attorney (or (a) copy(ies) thereof duly certified by a solicitor) or form(s) of authority must be enclosed for inspection. A corporate should sign under the hand of a duly authorised official whose representative capacity must be stated.

- 5. You must pin a single cheque or banker's draft to your completed Application Form at Box 5. Your cheque or banker's draft must be payable to Capita IRG Plc a/c OFEX (for the amount payable on application inserted in Box 2) and should be crossed "A/C payee only".**

**A separate cheque or banker's draft must accompany each application. No other method of payment is acceptable. No receipt will be issued for this payment.**

An application may be accompanied by a cheque drawn by a person other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person named in Box 3.

- 6. You may apply jointly with up to two other persons.**

If you are applying jointly you must arrange for the Application Form to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in BLOCK CAPITALS in Box 6.

- 7. Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 3 and sign Box 4).**

- 8. By completing and returning the Application Form you irrevocably undertake, confirm and agree:**

- (i) to the terms set out in paragraph 1 of Part II of the Prospectus;
- (ii) that you have not relied upon any representation from OFEX Holdings or from its Directors as to the merits of participating in the Offer for Subscription;
- (iii) that you are not a US Person or a Canadian person and that you will not offer, sell or deliver directly or indirectly any of the Offer Shares in the United States or Canada or to or for the benefit of any US Person or Canadian person;
- (iv) that you are entitled to take Offer Shares under the Offer for Subscription under the laws of all relevant jurisdictions which apply to you, that you have fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities; and
- (v) you have read Part II of the Prospectus and the section of Part I of the Prospectus headed "Risk Factors" and confirm that you understand the nature of the risks involved and that you could lose all your investment in the Company.

Send the completed Application Form by post or by hand so as to arrive by 3.00 p.m. on 25 April 2003.

# APPLICATION FORM

## OFEX HOLDINGS PLC

*(Incorporated and registered in England and Wales with registered number 4606754)*

IMPORTANT: Before completing this Application Form you should read the terms and conditions of application set out in Part II of the Company's prospectus dated 3 April 2003 ("the Prospectus") accompanying this Application Form and the notes opposite on how to complete this Application Form. **Boxes 1-4 must be completed by all applicants. Your remittance must be pinned at Box 5.** Boxes 6 and 7 must be completed in the case of joint applicants. Applications must be for a minimum of 2,000 Offer Shares. Applications must be made thereafter in multiples of 400 Offer Shares.

**PLEASE RETURN YOUR COMPLETED APPLICATION FORM BY POST, OR DELIVER BY HAND, TO CAPITA IRG PLC, CORPORATE ACTIONS, PO BOX 166, THE REGISTRY, 34 BECKENHAM ROAD, BECKENHAM, KENT BR3 4TH. THIS FORM MUST ARRIVE NOT LATER THAN 3.00 P.M. ON 25 APRIL 2003.**

**Box 1**

I/We irrevocably offer to subscribe for the number of Offer Shares set out in Box 1 at 25p per share <i>Applications must be for a minimum of 2,000 Offer Shares and thereafter in multiples of 400 Offer Shares</i>	
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The Offer for Subscription in OFEX Holdings is on the terms and subject to the conditions of application set out in Part II of the Prospectus which this Application Form accompanies and the Memorandum and Articles of Association of the Company.

**Box 2**

and I/we attach a cheque or banker's draft for the amount payable, namely £	
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**REGISTRATION DETAILS – PLEASE USE BLOCK CAPITALS**

**Box 3**

Mr/Mrs/Miss or Title	Forename(s) (in full)	Surname:
Address (in full)		

**PARTICIPANT ID AND MEMBER ACCOUNT ID**

Only complete these boxes if you are a CREST member and the Offer Shares for which your application is accepted are to be credited to your CREST Stock Account	
Participant ID .....	Member account ID .....

I confirm that I have read and agree to comply with Part II of the Prospectus headed "Details of the Offer for Subscription" and have read the section headed "Risk Factors" in Part I of the Prospectus.

**Box 4**

Signature	Date 2003
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**Box 5**

Pin your cheque or banker's draft for the amount shown in Box 2 made payable to Capita IRG Plc a/c OFEX
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**Boxes 6 and 7 must be completed in the case of joint applicants only**

**Box 6**

Mr/Mrs/Miss/Ms Or Title	Mr/Mrs/Miss/Ms Or Title	Illustrative examples of the cost of Offer Shares applied for:										
Name(s) in full	Name(s) in full	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Number of Offer Shares applied for</td> <td style="width: 20%; text-align: right;">Cost £</td> </tr> <tr> <td>2,000</td> <td style="text-align: right;">£500</td> </tr> <tr> <td>10,000</td> <td style="text-align: right;">£2,500</td> </tr> <tr> <td>50,000</td> <td style="text-align: right;">£12,500</td> </tr> <tr> <td>100,000</td> <td style="text-align: right;">£25,000</td> </tr> </table>	Number of Offer Shares applied for	Cost £	2,000	£500	10,000	£2,500	50,000	£12,500	100,000	£25,000
Number of Offer Shares applied for	Cost £											
2,000	£500											
10,000	£2,500											
50,000	£12,500											
100,000	£25,000											
Address in full	Address in full	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;"><b>BROKER OR AGENCY STAMP</b></td> </tr> <tr> <td style="padding: 5px;">Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU</td> </tr> <tr> <td style="padding: 5px;">Authorised and regulated by the Financial Services Authority 184113</td> </tr> </table>	<b>BROKER OR AGENCY STAMP</b>	Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU	Authorised and regulated by the Financial Services Authority 184113							
<b>BROKER OR AGENCY STAMP</b>												
Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU												
Authorised and regulated by the Financial Services Authority 184113												
Postcode	Postcode											

**Box 7**

Signature	Signature
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