

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities. If you have sold or transferred all of your Existing Ordinary Shares in Mondas PLC, you should send this document, the Form of Proxy and the Application Form to the purchaser or transferee or to the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred part of your holding of Existing Ordinary Shares, you are referred to the instructions regarding split applications set out in the accompanying Application Form.

The Directors of Mondas PLC, whose names appear on page 5 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. 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 there is no omission likely to affect the import of such information.

This document, which comprises a prospectus drawn up in accordance with the POS Regulations has been issued in connection with the application for admission to trading of the Enlarged Issued Share Capital and the Convertible Loan Stock on AIM and a copy has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations.

Application will be made for the Enlarged Issued Share Capital and for the Convertible Loan Stock to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Further, the London Stock Exchange has not itself approved the contents of this document. It is expected that trading in the Enlarged Issued Share Capital and the Convertible Loan Stock will commence on 9th October, 2000.

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# Mondas PLC

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 2662978)

## Proposed Acquisition of DSR Holdings Limited

### Placing and Open Offer of

## 6,305,925 new Ordinary Shares of 10p each at 50p per share

### and Placing of

## £3,000,000 nominal of 8 per cent. convertible unsecured redeemable loan stock 2005 at 100p per £ nominal of stock

NOMINATED ADVISER

### John East & Partners Limited

NOMINATED BROKER

### Teather & Greenwood Limited

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#### SHARE CAPITAL

The following table shows the authorised and issued share capital of the Company immediately following the completion of the Proposals.

Authorised			Issued and fully paid	
£	Number		£	Number
4,000,000	40,000,000	Ordinary Shares of 10p each	2,001,156	20,011,560

The Placing and Open Offer is not underwritten and is conditional, *inter alia*, on Admission taking place on or before 9th October, 2000 (or such later date as Mondas PLC, John East & Partners and Teather & Greenwood may agree but not being later than 23rd October, 2000). The New Ordinary Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

A letter from the Chairman of Mondas PLC is set out in Part I of this document.

Notice of an Extraordinary General Meeting of Mondas PLC, to be held at the offices of John East & Partners, Crystal Gate, 28-30 Worship Street, London EC2A 2AH at 10.00 a.m. on 3rd October, 2000 is set out at the end of this document. To be valid, the enclosed Form of Proxy for use at the meeting should be completed, signed and returned in accordance with the instructions thereon so as to be received by the Company's Registrars (Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1NQ) as soon as possible but in any event not later than 10.00 a.m. on 1st October, 2000. Completion of a Form of Proxy will not preclude a shareholder from attending and voting at the meeting in person.

The latest time and date for acceptance and payment in full under the Open Offer is 3.00 p.m. on 2nd October, 2000. The procedure for application is set out in Part II of this document and the accompanying Application Form. To be valid, Application Forms should be completed and returned with the appropriate remittance to Capita IRG Plc to arrive as soon as possible but in any event not later than 3.00 p.m. on 2nd October, 2000. If you have any queries on the procedure for application under the Open Offer, you should contact Capita IRG Plc.

John East & Partners and Teather & Greenwood, who are each regulated by The Securities and Futures Authority Limited, are acting as nominated adviser and nominated broker respectively to Mondas PLC and no one else and will not be responsible to anyone other than Mondas PLC for providing the protections afforded to customers of John East & Partners or Teather & Greenwood or for providing advice in relation to the contents of this document or the Placing and Open Offer and the Firm Placing and the admission of the Enlarged Issued Share Capital and the Convertible Loan Stock to trading on AIM. In particular, John East & Partners as nominated adviser to the Company owes certain responsibilities to the London Stock Exchange which are not owed to the Company, the Directors, or to any other person in respect of their decision to acquire New Ordinary Shares or Convertible Loan Stock in reliance on any part of this document. No liability is accepted by John East & Partners for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document, for which the Company and the Directors are solely responsible.

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## Definitions

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

<b>“Acquisition”</b>	the proposed conditional acquisition of the entire issued share capital of DSR
<b>“Acquisition Agreement”</b>	the conditional agreement dated 8th September, 2000 between the Vendors and Mr B Snowe (1), the Company (2) and MITL (3), relating to the acquisition of the entire issued share capital of DSR, further details of which are set out in paragraph 7(f) of Part VII of this document
<b>“Act”</b>	the Companies Act 1985 as amended
<b>“Admission”</b>	admission of the Existing Ordinary Shares, the New Ordinary Shares and the CULS to trading on AIM
<b>“AIM”</b>	the Alternative Investment Market of the London Stock Exchange
<b>“AIM Rules”</b>	the rules set out in Chapter 16 of the rules of the London Stock Exchange
<b>“Application Form”</b>	the application form accompanying this document to be used by Qualifying Shareholders in connection with the Open Offer
<b>“Approved Scheme”</b>	the Mondas PLC Approved Employee Share Option Scheme adopted on 20th February, 1998 and approved by the Inland Revenue
<b>“CULS” or “Convertible Loan Stock”</b>	the £3,000,000 nominal of 8 per cent. convertible unsecured redeemable loan stock 2005, details of which are set out in Part V of this document
<b>“CREST”</b>	the system for paperless settlement of trades and the holding of uncertificated shares administered by CRESTCo. Limited
<b>“DSR”</b>	DSR Holdings Limited
<b>“DSR Group”</b>	DSR and its wholly owned subsidiary DSR Resource PLC
<b>“Directors” or “Board”</b>	the directors of the Company, whose names appear on page 5 of this document
<b>“Enlarged Group”</b>	Mondas and its subsidiaries, as enlarged by the Acquisition
<b>“Enlarged Issued Share Capital”</b>	the Existing Ordinary Shares and the New Ordinary Shares
<b>“Existing Ordinary Shares”</b>	the 12,611,851 Ordinary Shares in issue at the date of this document
<b>“EGM”</b>	the extraordinary general meeting of the Company to be held on 3rd October, 2000, notice of which is set out at the end of this document
<b>“Firm Placing”</b>	the conditional placing of the CULS pursuant to the Placing Agreement
<b>“IT”</b>	Information Technology
<b>“John East &amp; Partners”</b>	John East & Partners Limited
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“MIT”</b>	Mr. D. T. A. Simon trading as Mondas Information Technology
<b>“MITL”</b>	Mondas Information Technology Limited, a wholly owned subsidiary of Mondas

## Definitions (continued)

<b>“Mondas” or “the Company”</b>	Mondas PLC
<b>“Mondas Group”</b>	Mondas and its subsidiaries
<b>“New Ordinary Shares”</b>	the Offer Shares and the 964,708 new Ordinary Shares to be allotted and issued pursuant to the Acquisition Agreement and the 129,076 new Ordinary Shares to be allotted and issued to certain employees of the DSR Group on completion of the Acquisition
<b>“Offer Shares”</b>	the 6,305,925 new Ordinary Shares to be issued by the Company for subscription under the Open Offer
<b>“Official List”</b>	the Official List of the UK Listing Authority
<b>“Old Scheme”</b>	the Mondas PLC Employee Share Option Scheme which was in force at the time of the Company’s initial admission to AIM
<b>“Open Offer”</b>	the conditional offer to Qualifying Shareholders to subscribe for the Offer Shares, as described in this document
<b>“Ordinary Shares”</b>	ordinary shares of 10p each in the capital of the Company
<b>“Placing”</b>	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 8th September, 2000, between the Company, the Directors, John East & Partners and Teather & Greenwood, further details of which are set out in paragraph 7(g) of Part VII of this document
<b>“Placing Price”</b>	50p per Placing Share
<b>“Placing Shares”</b>	the 6,305,925 new Ordinary Shares which have been conditionally placed for cash by Teather & Greenwood as agent for the Company, all of which are subject to recall by Qualifying Shareholders under the Open Offer
<b>“POS Regulations”</b>	the Public Offers of Securities Regulations 1995
<b>“Proposals”</b>	the Acquisition, the Firm Placing and the Placing and Open Offer, as described in this document
<b>“Qualifying Shareholders”</b>	holders of Existing Ordinary Shares on the register of members of the Company on the Record Date (other than certain overseas shareholders as described in Part II of this document)
<b>“Record Date”</b>	the close of business on 1st September, 2000
<b>“Resolutions”</b>	the resolutions set out in the notice of Extraordinary General Meeting at the end of this document
<b>“Resource”</b>	the accounting and management modular software package designed, produced and supplied by the DSR Group
<b>“Teather &amp; Greenwood”</b>	Teather & Greenwood Limited
<b>“Unapproved Scheme”</b>	the Mondas PLC unapproved share option scheme adopted on 15th December, 1998, further details of which are set out in paragraph 4(c) of Part VII of this document
<b>“Vendors”</b>	Mr D Ritchie, Mr T McClelland, Scott Lang Investment Management Limited and Foundation Insurance (Capital Redemptions) Limited
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland

## Directors and Advisers

**Directors  
Executive)**

David Timothy Andrew Simon (Chairman & Chief

Ian Robert Selby ACA (Finance Director)

Matthew Stewart Butler Crook (Sales & Marketing Director)

Kenneth Roy Barnes (Non-executive)

all of

Rosemount House, Rosemount Avenue,

West Byfleet, Surrey KT14 6LB

**Secretary and  
Registered Office**

Sally Anne Johnson

Rosemount House

Rosemount Avenue,

West Byfleet,

Surrey KT14 6LB

**Nominated Adviser**

John East & Partners Limited

Crystal Gate

28-30 Worship Street

London EC2A 2AH

**Nominated Broker**

Teather & Greenwood Limited

Beaufort House

15 St. Botolph Street

London EC3A 7QR

**Reporting Accountants**

RSM Robson Rhodes

186 City Road

London EC1V 2NU

**Auditors**

The Wells Partnership

The Old Rectory

Church Street

Weybridge

Surrey KT13 8DE

**Solicitors to the  
Company**

Garretts

180 Strand

London WC2R 2NN

**Solicitors to the Placing**

Lewis Silkin

Windsor House

50 Victoria Street

London SW1H 0NW

**Registrars and  
Transfer Office**

Capita IRG Plc

Balfour House

390-398 High Road

Ilford

Essex IG1 1NQ

## Expected Timetable of Principal Events

	2000
<b>Record Date</b>	1st September
Latest time for splitting Application Forms in respect of the Open Offer (to satisfy bona fide market claims only)	3.00 p.m. on 28th September
Latest time for receipt of Forms of Proxy for the Extraordinary General Meeting	10.00 a.m. on 1st October
<b>Latest time for receipt of Application Forms and payment in full</b>	3.00 p.m. on 2nd October
Extraordinary General Meeting	10.00 a.m. on 3rd October
Commencement of Dealings	9th October
CREST accounts in respect of Offer Shares and CULS credited on	9th October
Certificates in respect of Offer Shares and CULS despatched by	16th October

## Placing Statistics

Placing Price	50p
Placing Shares to be issued by the Company for subscription under the Placing and Open Offer	6,305,925
Number of Ordinary Shares in issue following the Proposals	20,011,560
Market capitalisation following Admission at the Placing Price	£10.0 million
Fully diluted market capitalisation at the Placing Price on full conversion of the CULS	£13.0 million
Net proceeds receivable by the Company pursuant to the Firm Placing and the Placing and Open Offer	£5.6 million

## PART I

### Letter from the Chairman

## Mondas PLC

#### *Directors*

David Timothy Andrew Simon (*Chairman & Chief Executive*)

Ian Robert Selby ACA (*Finance Director*)

Matthew Stewart Butler Crook (*Sales & Marketing Director*)

Kenneth Roy Barnes (*Non-executive Director*)

#### *Registered Office*

Rosemount House

Rosemount Avenue

West Byfleet

Surrey KT14 6LB

8th September, 2000

*To the holders of Existing Ordinary Shares and, for information only, to the holders of options over Ordinary Shares*

Dear Sir or Madam

### **Proposed acquisition of DSR**

**Placing and Open Offer of 6,305,925 new Ordinary Shares at 50p per share**

**Firm Placing of £3,000,000 nominal of CULS at 100p per £ nominal of stock**

#### **Introduction**

Earlier today we announced that the Company, through MITL, has conditionally agreed to acquire the entire issued share capital of DSR, a company whose principal activity is the design, manufacture and supply of accounting and management information software products, mainly for small to medium sized enterprises, for a consideration of £3.79 million, to be satisfied as to £3.31 million in cash and the balance by the allotment and issue of 964,708 new Ordinary Shares. Under the terms of the existing employment contracts with DSR, certain employees of the DSR Group will be entitled to receive a special bonus on completion of the Acquisition amounting in aggregate to £739,895 which is to be satisfied as to £675,357 in cash and as to the balance by the issue of 129,076 new Ordinary Shares. Further details of the Acquisition are set out in paragraph 7(f) of Part VII of this document.

The Company also proposes to raise £5.6 million (net of expenses) by way of the placing of 6,305,925 new Ordinary Shares, all of which are subject to recall to satisfy valid applications by Qualifying Shareholders pursuant to the Open Offer at the Placing Price and the firm placing of £3,000,000 nominal of CULS at 100p per £ nominal of stock.

Under the AIM Rules, the Acquisition is subject to shareholder approval in view of its size and the Resolutions necessary for the implementation of the Proposals will be proposed at the EGM. If the Resolutions are duly passed, the existing AIM trading facility will be cancelled and a new trading facility granted simultaneously. It is anticipated that dealings on AIM in the Enlarged Issued Share Capital and the CULS will commence on 9th October, 2000. If the Resolutions are not passed, dealings in the Existing Ordinary Shares on AIM will continue.

The purpose of this document is to provide you with information on the Proposals and to seek your approval to them at the EGM, notice of which is set out at the end of this document.

#### **Information on the Company**

In 1991, I established the business which is now carried on by Mondas. The business of Mondas was initially carried on by MIT and transferred to MITL in 1994. MITL was acquired by Mondas in August 1996. Initially the business provided consultancy and software project work, but its main strategy was the development and marketing of business process management and workflow software, branded as Radica.

In October 1996, the Company raised approximately £1.5 million by means of a placing of Ordinary Shares to provide additional working capital and for the marketing of Radica. Its entire share capital was simultaneously admitted to trading on AIM.

Radica software licences have been sold to a number of customers, the most significant being the Radisson Edwardian Hotel Group, Sulzer Infra CBX Limited, ICD Marketing Services Limited (now Experian Limited), Business Links, London City Partners plc and Blackwell Publishers.

In November 1998, the Company acquired Reality Communications Scandinavia AS (“Reality”), which designed, marketed and supported Internet, intranet and extranet software solutions based on the IntraLink ST product, mainly for use by large corporations.

IntraLink ST licences have been sold to McCann Erickson, Christiania Markets, the broking subsidiary of Kreditkassen/K-Bank, several Norwegian Local Authorities (Kommunes), Rothmans International Services Limited, BSKyB, Fred Olsen Production, London Chamber of Commerce and Industry, the compressor division of Ingersoll-Rand, European Sales Limited; Added Value Group and CIA Medianetwork UK Limited, both subsidiaries of Tempus Group PLC.

An Internet consultancy contract was carried out for BBC Worldwide Limited.

The London operations of Reality Communications Scandinavia AS acquired in November 1998, were consolidated into MITL, its offices in Highgate was closed at the end of May 2000 and its staff relocated to our West Byfleet office.

The Company has a major on-going consultancy and development contract with Brewin Dolphin Securities Limited for project management, legacy migration, application development and integration. A new front office system has been deployed providing stockbrokers with information which can be viewed by individual client, portfolio, holding stock or market segment. We have also developed a system to automate corporate events and actions, and other projects are in progress.

## **Information on the DSR Group**

### **History**

The DSR Group was established in 1983 by Duncan Ritchie, a chartered accountant, who is the direct holder of 30 per cent. of the share capital of DSR. Mr Ritchie will retire on the completion of the Acquisition. Mr Ritchie has been involved in the management of the company for between one and two days a week for some time and has been suffering from ill health. The DSR Group designs, manufactures and supplies the “Resource” accounting and management information modular range of products to corporate and public sector clients with typically between 4 and 24 licenced users.

The DSR Group was originally situated in central London and sold dedicated word processors and other hardware while it developed and built its software business. It moved to its current offices in Rickmansworth, Hertfordshire, some ten years ago when it focused its operations towards the supply of accounting and management information software and services. The DSR Group currently has over 300 customer sites generating a recurring annual income.

The first version of Resource I software was installed in the early 1980s. The various levels of software were developed from Resource I to Resource V which is now being replaced by Resource 32000, DSR’s latest product.

The first customer site of Resource 32000 was installed at the end of 1997. Since its launch the software has been well received in its target market.

Historically, the DSR Group has carried out little marketing and in particular it has not recently distributed its products through resellers. The Directors believe that a more pro-active marketing strategy should generate the opportunity for sales growth.

## Financial Information on DSR Group

The trading results for the three years ended 31st March, 2000 which have been extracted from the accountants' report on the DSR Group set out in Part IV of this document are summarised below:

	Year ended 31 March		
	1998	1999	2000
	£'000	£'000	£'000
Turnover	1,315	1,456	1,842
Gross Profit	1,240	1,336	1,639
Profit on ordinary activities before taxation	253	312	540

## Products

Resource 32000 is a 32 bit client server Microsoft Windows compatible suite of software covering the major areas of accounting and management reporting including stock/inventory, job costing, payroll and time ledgers. Resource 32000, with the exception of the report writer products referred to below, has been written by the DSR Group's own staff. No outside contract staff or third parties are used in the development of the DSR Group's range of Resource products. However, DSR does supply report writer products which are inter-operable under licence from IQ Software Corporation Limited. The DSR Group supplies the services which are required to install an accounting and management information system including:

- Installation services
- Project management
- Hot line, modem and special support services
- Report writing facilities
- Software modifications
- Training and software consultancy

## Competition

The directors of the DSR Group consider that the principal products which compete with Resource 32000 in its target market include Sage Tetra (Sage Group PLC), Sun Accounts (Sun Systems Limited) and Exchequer (Exchequer Software Limited).

However, despite this competitive market place and with limited sales and marketing activities, the DSR Group's audited turnover and pre-tax profitability, have increased year on year for the last three years. Further financial information on the DSR Group is set out above and in Part IV of this document.

## Customers

DSR currently has over 300 customers using Resource software products with software support contracts, including:

- Avon Health Authority
- BAe Systems (Aviation Services) Limited
- Cadbury International Limited (Ghana)
- Good Morning Television Limited (GMTV)
- Guildford College of Further and Higher Education
- Leeds College of Music
- London Arts Board
- Royal College of Music
- University College London Union (Students Union)

The DSR Group currently employs 20 staff (excluding Duncan Ritchie and Tom McClelland) whose main functions are summarised as follows:

	No.
Sales	5
Technical and Consulting	8
Finance and Administration	3
Operations and Support	4

Further details of the senior management of DSR are set out on page 12 of this Part I.

## Reasons for the Acquisition

The Directors believe the key components of e-Business include Internet software, workflow technologies and accounting systems.

Mondas currently has in-house developed products providing both Internet and workflow technologies, but satisfies its requirement for accounting systems through an alliance with an external supplier. This arrangement usually allows Mondas to deliver an effective solution but entails sharing part of the income derived. With an appropriate product in-house, the Directors believe that Mondas will be better able to control and amend its existing functions and derive additional income.

Following completion of the Acquisition, the Directors believe that the Company will have a combination of in-house designed and developed software products and the skills to implement e-Business solutions – particularly in the securities and banking sector. The Directors believe that the DSR Group has products which will inter-operate with Mondas's existing product range.

The Resource 32000 accounting system is complementary to Mondas's workflow and Internet technologies which the Directors believe will enable a "straight through processing" solution. This means that a transaction initiated via a website, call centre or dealing room could then be managed, from initial capture, through its life cycle to ensure compliance (both with internal procedures and regulatory authorities) through fulfilment and settlement. Throughout the process the relevant accounting entries would be made and at all times information on all such transactions would be available for enquiry via a web browser.

The Directors intend that Mondas will use Resource 32000 as the key accounting component in its combined e-Business software offering. It will also form the hub of Mondas's intended development of a banking and securities settlement and investment accounting system. The combination of these technologies, products and skills will open a larger market than that available to them individually. Such systems are designed to generate high added value sales.

## Details of the Acquisition

The Company, through MITL, is proposing to acquire DSR for a consideration of £3.79 million, payable as to £3.31 million in cash with the balance to be satisfied by the issue of 964,708 new Ordinary Shares, which will rank *pari passu*, in all respects, with the Existing Ordinary Shares. Under the terms of the existing employment contracts with DSR, certain employees of the DSR Group will be entitled to receive a special bonus on completion of the Acquisition amounting in aggregate to £739,895 which is to be satisfied as to £675,357 in cash and as to the balance by the issue of 129,076 new Ordinary Shares. The Acquisition is conditional, *inter alia*, on the approval by shareholders of Resolutions numbered 1 and 2 at the EGM and on Admission. Further details of the Acquisition Agreement are set out in paragraph 7(f) of Part VII of this document and an accountants' report on the DSR Group is set out in Part IV of this document.

Each of the Vendors, Mr B Snowe and Mr P Tanna have undertaken to Mondas, John East & Partners and Teather & Greenwood that:

- (a) during the first six months following Admission he will not dispose of any part of his holding of new Ordinary Shares at Admission without the written consent of John East & Partners and Teather & Greenwood;
- (b) during the subsequent six months he will not dispose of more than 10 per cent. of such holding without the written consent of John East & Partners and Teather & Greenwood; and
- (c) during the subsequent twelve months he will not dispose of more than an additional 10 per cent. of such holding without the written consent of John East & Partners and Teather & Greenwood, such consent not to be unreasonably withheld or delayed and then only through the nominated broker of the Company at that time.

## **Current Trading and Future Prospects**

### **Mondas**

The Directors have been encouraged by trading since the Company's financial year end. The Company's most significant individual client in the securities sector, Brewin Dolphin Securities Limited, continued to implement our application solutions, to migrate legacy systems and increase efficiency. These solutions provide stockbrokers with information which can be viewed by individual client, portfolio, stock or market segment, giving comprehensive client holding information, to improve private client services. We have also developed a system to automate corporate events and actions, triggering faster response times and managing compliance issues. Your Directors anticipate that this product will be deployed by Brewin Dolphin Securities Limited in the near future.

A number of new software licence contracts have been won in the UK and Norway with customers such as Ingersol Rand, Added Value Group, CIA Media Network UK and Larvik Kommune, a Norwegian local authority.

The Company has also recently entered into two alliance agreements with Netstore PLC, which is one of Europe's largest application service providers and Exchange Data International Limited, which specialises in electronic data feeds for the securities and banking markets.

### **DSR Group**

Since the beginning of the financial year the DSR Group has gained orders with a gross value of over £560,000. This includes 20 new customer sites, primarily in the education sector.

Your Directors believe that the Acquisition of DSR will substantially enhance the Company's products range and client base and will provide an opportunity for product integration and cross-selling. This, taken in conjunction with the substantial additional scale and resources available to the Enlarged Group leads your Directors to look to the future with confidence.

## **Directors and Senior Management of the Enlarged Group**

### **Directors**

**Tim Simon, Chairman & Chief Executive (aged 53).** Mr Simon, the founder of the business of Mondas, spent five years with IBM as a systems engineer providing support to the sales activity and designing, building and implementing systems. This was followed by two years in stockbroking as a partner's assistant. In 1974 he founded Consultants (Computer & Financial) Limited which designed and constructed FISCAL, a stockbroking computer system. Consultants (Computer & Financial) PLC was floated on the Unlisted Securities Market in 1981, and transferred to the Official List in 1988, at which time the company changed its name to Quotient PLC. Quotient PLC was acquired by ACT Group PLC in June 1991 for a total consideration of £27.2 million.

**Ian Selby, Finance Director (aged 33).** Mr Selby graduated with BSc (Hons) in Physics from Birmingham University. He qualified as a Chartered Accountant with Coopers & Lybrand in 1992. Since that time, he has gained extensive experience within international software organisations beginning with development tools vendor, Micro Focus plc (now Merant plc). In 1994 he became Financial Controller at Powersoft UK, later acquired by Sybase Inc, and in 1996 he joined Landmark Graphics, leading suppliers of software solutions to the oil and gas exploration industry (now part of Haliburton Inc) as Finance Manager for Europe, the Middle East and Africa. He joined Mondas in December 1998.

**Matthew Crook, Sales & Marketing Director (aged 40).** Following a successful sales career, Mr Crook became regional sales manager with the EMC Corporation. He then joined Hitachi Data Systems ("HDS") and, over an eight-year period, progressed through the ranks to manager of the business development team. At HDS, he developed new account territories and managed new business and account management teams addressing retail, service, government and financial markets. He joined Mondas in April 1999.

**Kenneth Barnes, Non-executive (aged 65).** Mr Barnes has had a career in IT covering a period of more than forty years. In 1964 he founded Systems Programming Limited where he was chief executive until 1975. Then, following a period as a management consultant with PA Computers & Telecommunications Limited and Diebold Consulting UK, he established his own consultancy in 1979. In 1981 he was appointed Director General of “Information Technology Year 1982 “ which was headed by the then Minister for Information Technology and supported by the Department of Trade and Industry. In 1984 he established the Syntech Information Technology funds specifically to invest venture capital in IT companies. Some 23 investments were made and a number of successful realisations have been achieved including trade sales and flotations both in the UK and USA. He is currently an adviser to the NatWest IT fund and he has been a director of many companies in the IT industry. Mr Barnes joined the Mondas Board following the Company’s admission to AIM in 1996.

Foresight Technology VCT PLC have the right to appoint a non-executive director of the Company and to remove from office any person so appointed and to appoint another person in their place whilst it is the holder of not less than one million Ordinary Shares and/or CULS convertible into not less than one million Ordinary Shares when aggregated with any Ordinary Shares held.

### **Senior Management**

**Sally Johnson, Company Secretary, (aged 37).** Following six years with the Challace Group as company secretary, she joined MIT in March 1992. In addition to company secretarial duties she also provides administrative and marketing support.

**Graham Ross, Director of Technical Operations, (aged 38).** Mr Ross joined Mondas in March 2000 from Aran Software Limited where he was head of development for professional services working in the financial sector designing and deploying systems for international banking, treasury and property management. He is responsible for technical operations, product development, customer projects and technical support.

**Tom McClelland, Technical Director of DSR, (aged 40),** is a graduate who joined the DSR Group in 1983 having worked with Mr Ritchie previously. He is the main architect of the Resource family of products and has some eighteen years of experience of accounting and management information software.

**Bernard Snowe, Sales Director of DSR, (aged 41),** is a graduate and started with the DSR Group in 1983. He has spent the last sixteen years selling accounting and management information solutions. He is a sales professional who is involved directly with a large number of customers.

**Pankaj Tanna, Finance Director of DSR, (aged 42),** is a Certified Accountant and joined the DSR Group in 1990. In addition to his responsibility for the finance function he is also responsible for after sales issues together with the training function of the business.

### **Corporate Governance**

The Directors acknowledge the importance of the guidelines set out in the principles of Good Governance and Code of Best Practice published by the Committee on Corporate Governance in June 1998 and applies them as appropriate to a company of the size and nature of Mondas. It is the intention of the Board to appoint another non-executive director as soon as appropriate and to split the roles of Chairman and Chief Executive.

### **Share Options**

When the Company’s shares were originally admitted to AIM, the Old Scheme was in existence. In accordance with the rules of the Old Scheme options exercisable at any time prior to 21 October 2003 have been granted over 151,950 Ordinary Shares, all of which are exercisable at a price of 10p per share.

In February 1998 the Company adopted the Approved Scheme and in December 1998 granted share options under the Unapproved Scheme. In accordance with the rules of the schemes, options over 300,612 Ordinary Shares have been granted under the Approved Scheme and options over 150,888 Ordinary Shares have been granted under the Unapproved Scheme.

On 31st August, 2000, the Board issued invitations to staff to apply for an aggregate of 130,000 Ordinary Shares at an exercise price of 71.5p per share under the rules of the Approved Scheme. The aggregate consideration for the grant of these options will be £11.

Further details of the options are contained in paragraph 4 of Part VII.

## **Dividend Policy**

The Directors do not intend to pay a dividend until the Enlarged Group is producing positive operating cash flow and the accumulated deficit on the profit and loss account of the Company has been eliminated. At such time, the Directors will consider their dividend policy, having regard to the need to retain funds internally for any business development.

## **Details of the Firm Placing and of the Placing and Open Offer**

### **Placing and Open Offer**

The Company is proposing to raise approximately £3.15 million (before expenses) by the issue of the Offer Shares pursuant to the Placing and Open Offer. Accordingly, 6,305,925 new Ordinary Shares have been conditionally placed by Teather & Greenwood subject to Qualifying Shareholders having the right to apply for such shares under the Open Offer at a price of 50p per share free of expenses, pro rata to their existing shareholdings on the basis of:

#### **1 Offer Share for every 2 Existing Ordinary Shares**

held at the close of business on the Record Date and so on in proportion for any greater number of Existing Ordinary Shares then held.

Fractional entitlements will not be allotted to shareholders but will be aggregated and sold for the benefit of the Company. The maximum entitlement of each Qualifying Shareholder is indicated on the Application Form accompanying this document. Qualifying Shareholders may apply for any number of Offer Shares up to their maximum entitlement.

Your Directors, who in aggregate beneficially own 4,652,786 Existing Ordinary Shares, representing 37.0 per cent. of the present issued ordinary share capital, have maximum aggregate entitlements under the Open Offer to 2,326,393 Offer Shares and have irrevocably undertaken not to take up their entitlements, which have been placed firm with institutional and other investors.

Full details of the Open Offer, including the procedure for acceptance and payment, are set out in Part II of this document and in the Application Form. To be valid, Application Forms must be received by no later than 3.00 p.m. on 2nd October, 2000.

### **Firm Placing**

The Company is also proposing to raise approximately £3,000,000 (before expenses) by the issue of the CULS pursuant to the Firm Placing. Accordingly, £3,000,000 of CULS have been conditionally placed by Teather & Greenwood at a price of 100p per £1 nominal of CULS. The CULS, which bear interest at an annual rate of 8 per cent., payable in equal proportions on 30th June and 31st December in each year, are redeemable, if not converted, on 31st October, 2005 and are convertible into fully paid Ordinary Shares on the basis of 2 Ordinary Shares for every £1 nominal of CULS. If the mean average of the closing bid price of an Ordinary Share as shown in the Daily Official List of the London Stock Exchange for a period of at least 30 consecutive days is 200p or more, the Company is entitled to require a holder of CULS to convert all or part of his holding of CULS into fully paid Ordinary Shares on the basis set out above. The Firm Placing is not being underwritten. Further details of the rights attaching to the CULS are set out in Part V of this document.

The attention of overseas shareholders is drawn to the paragraph headed "Overseas Shareholders" in Part II of this document. Further details of the Placing Agreement are set out in paragraph 7(g) of Part VII of this document.

## **Reasons for the Firm Placing and the Placing and Open Offer**

The Directors believe that the Enlarged Group is well positioned to expand its activities in the UK and internationally. The net proceeds of the Firm Placing and the Placing and Open Offer, amounting to approximately £5.6 million will be used to enable the Company to fund the cash element of the Acquisition consideration, and to assist the Enlarged Group to expand its sales and marketing capability, to continue product development, to provide working capital and to take advantage of the growth opportunities presented to it.

## **Enterprise Investment Scheme and Venture Capital Trusts**

The Directors have been advised that the Company carries on a qualifying trade for the purposes of the Enterprise Investment Scheme. Depending on their personal circumstances and the rules of the Enterprise Investment Scheme applicants for Placing Shares and Offer Shares may qualify for tax relief on their investment under the scheme. The Directors have also been advised that the Placing Shares and Offer Shares should qualify as relevant holdings for investment by Venture Capital Trusts.

## **Marketability**

Application will be made for the Enlarged Issued Share Capital and the CULS to be admitted to trading on AIM. It is expected that Admission will become effective and trading in the Ordinary Shares and the CULS will commence on 9th October, 2000, subject to the passing of the Resolutions at the EGM. John East & Partners has been appointed as the Company's nominated adviser and Teather & Greenwood as the Company's nominated broker for this purpose.

It is emphasised that no application has been or is being made for admission of Ordinary Shares or the CULS to the Official List. The rules of AIM are less demanding than those of the Official List.

## **CREST**

CREST is a paperless settlement procedure and custody system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Company's Ordinary Shares have been admitted to CREST and the Directors have arranged with CRESTCo Limited for the CULS to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the New Ordinary Shares and the CULS following Admission may take place within the CREST system if the relevant shareholder so wishes.

CREST is a voluntary system and holders of New Ordinary Shares and CULS who wish to receive and retain share certificates will be able to do so. Indeed, places may only elect to receive New Ordinary Shares or CULS in uncertificated form if they are a "system-member" (as defined in the Uncertificated Securities Regulations 1995) in relation to CREST. Further information is set out in Part II of this document and in the Application Form and in the placing letters to be used in connection with the Firm Placing and the Placing.

## **Extraordinary General Meeting**

You will find set out at the end of this document a notice convening the Extraordinary General Meeting to be held at the offices of John East & Partners, Crystal Gate, 28-30 Worship Street, London EC2A 2AH at 10.00 a.m. on 3rd October, 2000.

At the meeting, the following will be proposed:

- (1) an ordinary resolution to approve the Acquisition;
- (2) a special resolution to increase the authorised share capital of the Company to £4,000,000 by the creation of 20,000,000 new Ordinary Shares (representing 50 per cent. of the enlarged authorised share capital), to authorise the Directors generally to allot Ordinary Shares up to £2,267,173 in nominal amount (representing 57 per cent. of the enlarged authorised share capital) and to authorise the Directors to allot equity securities for cash outside shareholders' statutory pre-emption provisions for the purposes of the Firm Placing, the Placing and Open Offer, any offer by way of rights and otherwise than by way of rights up to £100,057 in nominal amount.

Following completion of the Proposals, there will remain authorised but unissued 19,988,440 Ordinary Shares (representing approximately 50 per cent. of the Company's enlarged authorised share capital) of which 6,000,000 Ordinary Shares will be reserved to satisfy conversion rights attaching to the CULS. The Directors have no present intention of issuing any such authorised but unissued share capital other than in connection with the exercise of such conversion rights and of existing options granted over the Ordinary Shares.

The Resolutions are conditional upon Admission.

### **Action to be taken by Shareholders**

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Forms of Proxy should be completed and returned in accordance with the instructions printed thereon so that they arrive at the Company's Registrars, Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ as soon as possible and in any event not later than 10.00 a.m. on 1st October, 2000. Completion and return of a Form of Proxy will not prevent Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

If you wish to participate in the Open Offer, you are reminded that it closes at 3.00 p.m. on 2nd October, 2000 and your Application Form, together with your remittance for payment in full in respect of Offer Shares you wish to acquire, must be returned by that time. The procedure for application is set out in Part II of this document and in the enclosed Application Form.

### **Other Information**

Your attention is drawn to Parts II to VII of this document which provide additional information on the matters detailed above.

### **Recommendation and Directors' Intentions**

The Directors consider that the Proposals described in this document are in the best interests of the Company and its Shareholders. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as they intend to do in respect of their own beneficial shareholdings, which amount to 4,652,786 Existing Ordinary Shares (representing approximately 37.0 per cent. of the current issued ordinary share capital of the Company).

Yours faithfully

**Tim Simon**  
Chairman

## PART II

### Letter from John East & Partners



**John East & Partners Limited**

Crystal Gate, 28-30 Worship Street,  
London EC2A 2AH

8th September, 2000

*To Qualifying Shareholders and, for information only, to the holders of options under the share option schemes*

Dear Shareholder

#### **Open Offer of 6,305,925 new Ordinary Shares at 50p per share**

The letter from your Chairman, which appears in Part I of this document, explains that John East & Partners has agreed to make an open offer on behalf of the Company inviting Qualifying Shareholders to apply for the Offer Shares. Your attention is drawn to the Chairman's letter set out in Part I and to the contents of Parts III to VII which contain information on the Enlarged Group. This letter and the accompanying Application Form contain the formal terms and conditions of the Open Offer.

In respect of their entitlements to Offer Shares under the Open Offer, the Directors have undertaken not to take up an aggregate entitlement of 2,326,293 Offer Shares (representing approximately 37.0 per cent. of the Offer Shares) which have been conditionally placed firm by Teather & Greenwood with institutional and other investors.

#### **Open Offer**

At the request of and as agent for the Company, John East & Partners hereby invites Qualifying Shareholders to apply, on and subject to the terms and conditions set out herein and in the enclosed Application Form, and subject to the Articles of Association of the Company, for Offer Shares at a price of 50p per share, free from all expenses, payable in cash in full on application. The mid-market price for an Existing Ordinary Share, as derived from the AIM section of the Official List for 7th September, 2000 (being the last practicable date before the publication of this document), was 69p.

Qualifying Shareholders may apply for any whole number of Offer Shares up to the following maximum entitlement:

#### **1 Offer Share for every 2 Existing Ordinary Shares**

held at the Record Date and so on in proportion for any greater number of Existing Ordinary Shares then held. Fractions of Offer Shares will not be allocated to Qualifying Shareholders, but will be aggregated and sold for the benefit of the Company.

The Open Offer is subject to the satisfaction, *inter alia*, of the following conditions on or before 9th October, 2000, (or such later date being not later than 23rd October, 2000, as the Company, John East & Partners and Teather & Greenwood may agree):

- (i) the passing without amendment of the Resolutions;
- (ii) the subscription monies for the Placing Shares and the CULS being received in full;

- (iii) the Placing Agreement becoming unconditional in all respects and not having been rescinded in accordance with its terms; and
- (iv) Admission becoming effective by 8.00 a.m. on 9th October, 2000, (or such later time or date not being later than 8.00 a.m. on 23rd October, 2000 as the Company, John East & Partners and Teather & Greenwood may agree).

The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions hereafter declared, made or paid. Details of the Placing Agreement appear in paragraph 7(g) of Part VII of this document.

### **Procedure for Application**

The Application Form accompanying this document shows the number of Existing Ordinary Shares registered in your name at the close of business on the Record Date and your maximum entitlement to Offer Shares. You may apply in respect of that entitlement or any lesser whole number of Offer Shares.

Applications to subscribe for Offer Shares may only be made on the Application Form which, subject as mentioned below, is personal to the Qualifying Shareholder named thereon. The Application Form represents a right to subscribe for Offer Shares. It is not a document of title and cannot be traded.

The Application Form may be transferred and/or split only to satisfy bona fide market claims in relation to purchases and transfers of Existing Ordinary Shares prior to the ex-entitlement date, which had not been registered at the close of business on the Record Date. Instructions with regard to transfers and splitting in such circumstances are set out in the Application Form.

Qualifying Shareholders who have sold or transferred all or part of their holdings of Existing Ordinary Shares prior to the ex-entitlement date are advised to consult their stockbrokers or other professional advisers as soon as possible as the benefits arising under the Open Offer are liable to be claimed from them by the purchasers or transferees of such shares.

The Application Form incorporates further terms of the Open Offer and must be used if you wish to subscribe for Offer Shares.

**If you wish to apply for all or any of the Offer Shares represented by your pro rata entitlement, you should complete the Application Form in accordance with the instructions printed thereon and return it by post in the enclosed reply paid envelope or by hand to Capita IRG Plc, New Issues Department, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ with a cheque or banker's draft for the full amount payable on application, so as to arrive not later than 3.00 p.m. on 2nd October, 2000. Applications will be invalid if received after that time. Applications once received will be irrevocable.**

Cheques or banker's drafts should be made payable to "Capita IRG Plc A/C Mondas PLC" and crossed "Account Payee". Cheques and banker's drafts must be drawn in sterling on a bank or building society in the United Kingdom which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by either of those companies or those committees. No application will be considered unless these requirements are fulfilled. The right is reserved to present cheques on receipt and to seek special clearance on cheques. If cheques are presented before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account. It is a term of the Open Offer that cheques will be honoured on first presentation.

All documents sent by or to a Qualifying Shareholder, or as he/she may direct, will be sent through the post at his/her risk. If the conditions referred to above under "Open Offer" are not fulfilled by 9th October, 2000 (or such later date being not later than 23rd October, 2000, as the Company, John East & Partners and Teather & Greenwood may agree), application monies will be returned, without interest, within seven days. Any interest earned on the monies in the separate account will be retained for the benefit of the Company.

If you do not wish to apply for any of the Offer Shares and you have not sold or transferred all or part of your holding of Existing Ordinary Shares prior to the ex-entitlement date, you should not complete or return the enclosed Application Form. Shareholders are nevertheless requested to complete and return the enclosed proxy form in accordance with the instructions thereon. It is intended that Offer Shares not taken up under the Open Offer will be subscribed for by places pursuant to the Placing.

### **Money Laundering Regulations 1993**

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations 1993, Capita IRG Plc may in its absolute discretion require verification of identity from any persons lodging an Application Form who (i) tender payment by way of cheque or banker's draft drawn on an account in the name of a person or persons other than the shareholder named on the Application Form or (ii) appear to Capita IRG Plc to be acting on behalf of some other person. In the former case verification of the identity of the applicant may be required. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. If by 3.00 p.m. on 2nd October, 2000, Capita IRG Plc has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, reject the relevant Application Form in which event the applicant's remittance will be returned without interest to the account of the drawee bank from which such monies were originally debited.

The submission of an Application Form will constitute an undertaking by the applicant to provide promptly to Capita IRG Plc such information as may be specified by it as being required for the purposes of the Money Laundering Regulations 1993 and a warranty from the applicant that those Regulations will not be breached by acceptance of the applicant's remittance. None of Capita IRG plc, John East & Partners, Teather & Greenwood or the Company shall be responsible or liable to any person for any loss or damage suffered as the result of the exercise of their discretion hereunder.

As a guide, if the value of the Offer Shares applied for by a Qualifying Shareholder exceeds £10,000 the verification of identity requirements of the Money Laundering Regulations 1993 will apply and verification of the applicant may be required. A failure to provide the necessary evidence of identity may result in the rejection of the application or delays in the despatch of a share certificate. In order to avoid this, you should ideally make payment by means of a cheque drawn by the shareholder named on the Application Form. If this is not practicable and a cheque drawn by a third party, building society cheque or banker's draft is to be used you should:

- (i) write the name and address of the shareholder 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 the date of birth of the shareholder;
- (ii) if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque or banker's draft the full name and account number of the person whose building society or bank account is being debited; and
- (iii) if you are making the application as an agent for one or more persons indicated on the Application Form indicate whether you are a United Kingdom or European Community regulated person or institution (for example a bank or stockbroker) and specify your status. If you are not a United Kingdom or European Community regulated person or institution, you should contact Capita IRG Plc.

In the case of an individual if the Application Form is delivered by hand, you should ensure that you have with you evidence of identity bearing your photograph (for example your passport).

## **Overseas Shareholders**

In accordance with section 90(5) Companies Act 1985, the Open Offer to Qualifying Shareholders who have no registered address in the United Kingdom and who have not supplied an address to the Company within the United Kingdom for service of notice, will be made by the Company publishing a notice in the London Gazette on 11th September, 2000, stating where copies of this document and the Application Form may be inspected or obtained on personal application by or on behalf of such shareholders.

The making of the Open Offer to persons not resident in the United Kingdom may be affected by the laws or regulatory requirements of jurisdictions outside the United Kingdom. No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him/her or such Application Form could be lawfully used without contravention of any registration or other legal or regulatory requirements.

In particular, the Offer Shares have not been registered under the United States Securities Act of 1933 (as amended) or the relevant Canadian or Australian securities legislation and this document has not been and will not be lodged with the Registrar of Companies in Ireland and therefore the Offer Shares may not be offered, sold, transferred or delivered directly or indirectly in the United States of America, Canada, Australia or their respective territories and possessions or the Republic of Ireland. The Open Offer will not be made nor will any Application Form be sent to any shareholder whose registered or mailing address is in the United States of America, Canada, Australia or the Republic of Ireland nor is the Open Offer being made to, nor will any Application Form be accepted from, any shareholder who is unable to give the warranty set out in the Application Form or who John East & Partners has reason to believe is ineligible to apply. Notwithstanding the above, Offer Shares may be allotted to certain persons in the United States of America at the sole discretion of the Company in a manner designed not to contravene the laws of any part of the United States of America or to require registration of the Ordinary Shares under the United States Securities Act of 1933 (as amended) and, in particular, may be offered to qualified institutional buyers in reliance on the exemption from the registration requirement of the United States Securities Act of 1933 (as amended) provided by Rule 144(A) or to non-US persons in offshore transactions not subject to the registration requirements of the said Act by virtue of Regulation S. Shareholders resident in South Africa may require the approval of the South African Exchange Control Authorities if they wish to accept the Open Offer.

**It is the responsibility of any person receiving a copy of this document or an Application Form and wishing to make an application to subscribe for Offer Shares to satisfy himself as to the full observance of the laws and regulatory requirements of any relevant territory, including the obtaining of all necessary governmental or other consents which may be required or observing any other formalities needing to be observed in such territory.**

The Company reserves the right to treat as invalid any application, or purported application, to subscribe for Offer Shares pursuant to the Open Offer which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of the securities legislation of any jurisdiction or which does not include the warranties set out in the Application Form.

Completion of an Application Form shall constitute a warranty that the shareholder is eligible to apply.

## **Taxation and Stamp Duty**

The following paragraphs summarise advice received by the Directors about the tax position of shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes of Ordinary Shares in the capital of the Company. The statements below do not constitute advice to any shareholder on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying on a trade in the United Kingdom through a branch or agency or United Kingdom insurance companies). Any investors who are in doubt as to their position should consult their professional advisers.

(a) ***Taxation of the Company***

The Company will be liable to United Kingdom corporation tax at rates (depending on the level of its profits for each accounting period) currently of between 20 per cent and 30 per cent.

(b) ***Taxation of shareholders***

The information given below is provided in summary form only and based on tax legislation as it exists at the present time.

Advance Corporation Tax was abolished from 6th April 1999 by the Finance Act 1998. The Company will not therefore be required to account to the Inland Revenue for Advance Corporation Tax on dividends paid after that date. There will, however, be a tax credit associated with such dividends amounting to one-ninth of the cash received and the aggregate of the dividend and credit will form the individual's top slice of income. For individual shareholders resident in the United Kingdom for tax purposes, the tax credit will satisfy the whole of the lower or basic rate liability but higher rate tax payers will have to pay additional tax at the rate of 32.5 per cent on the total of the dividend and tax credit. The tax credit will be available to be offset against the higher rate liability so that the net amount payable will equal 22.5 per cent of the dividend and tax credit. The after tax dividend income will for lower, basic and higher rate taxpayers be the same as under the previous rules. The tax credit cannot, however, be reclaimed from the Inland Revenue where the tax credit exceeds the tax liability of a United Kingdom resident individual.

(c) ***Capital Gains Tax Deferral and EIS Relief ("Deferral and EIS Relief")***

The intended activities of the Company are such that the Directors are advised that the Ordinary Shares will rank as eligible shares for Deferral and EIS Relief.

(d) ***Stamp Duty***

The Company has been advised that the issue of Offer Shares to Qualifying Shareholders pursuant to the Open Offer will not be subject to any stamp duty or stamp duty reserve tax. Section 93 of the Finance Act 1986 may impose a stamp duty reserve tax charge on any Offer Shares issued to a depositary nominee company and Section 96 of the Finance Act 1986 may impose a similar charge on Offer Shares issued to a person whose business includes the provision of clearance services or its nominee. Any future dealings in Offer Shares will be subject to stamp duty at the rate of 0.5 per cent. of the price paid in the normal way. Special rates of stamp duty and stamp duty reserve tax apply to agreements made by market makers, broker dealers and certain others in the ordinary course of their business.

**The above comments are intended as a general guide only and are based on current legislation and Inland Revenue practice. If you are in any doubt as to your tax position you should consult your professional adviser.**

### **Settlement and Dealings**

Application will be made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that the Enlarged Issued Share Capital will be admitted to trading on AIM and that dealings will commence on 9th October, 2000. None of the New Ordinary Shares are being made available to the public except under the terms of the Placing and Open Offer.

For those Qualifying Shareholders who do not hold their Existing Ordinary Shares in the CREST settlement system definitive share certificates for the Offer Shares are expected to be despatched by first class post by 16th October, 2000. For those Qualifying Shareholders who do hold their Existing Ordinary Shares in a CREST stock account, it is expected that the relevant account will be credited on the day of Admission. Notwithstanding any other provision of this document, the Company reserves the right to issue any Offer Shares in certificated form. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST. This right may also be exercised if the correct details (such as participant ID and member account ID details) are

not provided as requested on the Application Form, where these are required. No temporary documents of title will be issued and pending despatch of the definitive share certificates, transfers of the Offer Shares will be certified against the register. All documents and remittances sent by or to an applicant (or his/her agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

**Further Information**

Your attention is drawn to the further information set out in the Chairman's letter and also in Parts III to VII of this document.

Yours faithfully

for and on behalf of  
John East & Partners Limited

**John R.A. East**  
Chief Executive

## **PART III**

### **Accountants' Report on Mondas**

The following is the text of a report from RSM Robson Rhodes Chartered Accountants.

#### **RSM Robson Rhodes**

186 City Road  
London  
EC1V 2NU

The Directors  
Mondas PLC  
Rosemount House  
Rosemount Avenue  
West Byfleet  
Surrey KT14 6LB

The Directors  
John East & Partners Limited  
Crystal Gate  
28-30 Worship Street  
London EC2A 2AH

8th September 2000

Dear Sirs,

#### **1. Introduction**

We report on the financial information set out below. The financial information has been prepared for inclusion in the Prospectus of Mondas PLC (the "Company") dated 8th September 2000 (the "Prospectus").

We have examined the audited financial information of the Company for the years ended 30 April 1998, 30 April 1999 and 30 April 2000.

We were not the auditors of the Company throughout the period covered by this report. The financial information of the Company for the years ended 30 April 1998, 30 April 1999 and 30 April 2000 were audited by The Wells Partnership, Chartered Accountants, The Old Rectory, Church Street, Weybridge, Surrey, KT13 8DE. Copies of the financial information covering the period of this report have been delivered to the Registrar of Companies for each period. The Wells Partnership have issued an audit report under section 235 of the Companies Act 1985 in respect of the statutory accounts and each such report was an unqualified report and did not contain a statement under section 237 (2) or 237 (3) of the Act.

#### **Basis of preparation**

The financial information set out below is based on the audited financial information of Mondas PLC for the years ended 30 April 1998, 30 April 1999 and 30 April 2000, and has been prepared on the basis set out below.

#### **Responsibility**

The directors of Mondas PLC are responsible for the contents of the Prospectus dated 8th September 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the published audited financial statements, to form our 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 disclosure in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 8th September 2000 relating to the Firm Placing of Convertible Loan Stock and the Placing and Offer of new ordinary shares, a true and fair view of the state of affairs of Mondas PLC as at the dates stated and of its balance sheets, profit and losses and cash flows for each of the periods then ended.

## 2. Profit and Loss accounts

The profit and loss accounts for the years ended 30 April 1998, 30 April 1999 and 30 April 2000 are set out below:

	Note	Year ended 30 April		
		1998 £	1999 £	2000 £
<b>Turnover</b> – continuing operations		297,169	730,805	1,358,811
– acquisitions	5.2	–	224,496	–
<b>Cost of sales</b> – continuing operations	5.3	(62,044)	(244,056)	(499,281)
<b>Gross profit</b>		235,125	711,245	859,530
<b>Distribution costs</b> – continuing operations	5.3	(156,727)	(127,595)	(327,517)
<b>Administration expenses</b> – continuing operations	5.3	(585,414)	(1,116,624)	(1,397,792)
Other operating income	5.3	–	2,215	–
<b>Operating loss</b> – continuing operations	5.4	(507,016)	(405,510)	(865,779)
– acquisitions		–	(125,249)	–
Interest receivable and similar income	5.7	22,694	9,989	8,206
<b>Loss on ordinary activities before taxation</b>		(484,322)	(520,770)	(857,573)
Taxation on loss on ordinary activities	5.8	–	692	–
<b>Loss for the financial year</b>	5.9	(484,322)	(520,078)	(857,573)
Basic and diluted loss per share	5.10	(7.9p)	(5.7p)	(6.8p)

The group had no recognised gains and losses other than those stated above.

Movements on reserves are set out in note 5.18.

### 3. Balance sheets

The consolidated group balance sheets as at 30 April 1998, 30 April 1999 and 30 April 2000 are set out below:

	Note	Year ended 30 April		
		1998 £	1999 £	2000 £
<b>Fixed assets</b>				
Intangible assets	5.11	352,218	2,040,481	1,536,684
Tangible assets	5.12	40,577	60,961	25,741
		392,795	2,101,442	1,562,425
<b>Current assets</b>				
Stock	5.14	56	1,177	1,810
Debtors	5.15	64,193	242,721	318,166
Cash at bank and in hand		185,224	245,286	8,742
		249,473	489,184	328,718
<b>Creditors</b> amounts falling due within one year	5.16	(63,937)	(225,218)	(382,275)
Net current assets		185,536	263,966	(53,557)
Total assets less current liabilities		578,331	2,365,408	1,508,868
<b>Capital and reserves</b>				
Called up share capital	5.17	611,175	1,257,740	1,261,185
Share premium account	5.18	872,670	2,533,260	2,530,848
Profit and loss account	5.18	(905,514)	(1,425,592)	(2,283,165)
Shareholders' funds	5.19	578,331	2,365,408	1,508,868

The company balance sheets as at 30 April 1998, 30 April 1999 and 30 April 2000 are set out below:

	Note	Year ended 30 April		
		1998 £	1999 £	2000 £
<b>Fixed assets</b>				
Investments	5.13	410,625	2,241,127	2,241,127
<b>Current assets</b>				
Debtors due after more than one year	5.15	1,011,689	1,128,307	1,299,007
Other debtors	5.15	5,884	120,428	115,926
Cash at bank and in hand		2,544	209,640	832
		1,020,117	1,458,375	1,415,765
<b>Creditors</b> amounts falling due within one year	5.16	(963)	(963)	(1,143)
Net current assets		1,019,154	1,457,412	1,414,622
Total assets less current liabilities		1,429,779	3,698,539	3,655,749
<b>Capital and reserves</b>				
Called up share capital	5.17	611,175	1,257,740	1,261,185
Share premium account	5.18	872,670	2,533,260	2,530,848
Profit and loss account	5.18	(54,066)	(92,461)	(136,284)
	5.19	1,429,779	3,698,539	3,655,749

## 4. Cash flow statements

The consolidated cashflow statements for the years ended 30 April 1998, 30 April 1999 and 30 April 2000 are set out below:

	Note	Year ended 30 April		
		1998 £	1999 £	2000 £
<b>Net cash (outflow) from operating activities</b>	5.23a	(410,197)	(405,196)	(304,737)
Returns on investment and servicing of finance	5.23b	22,694	9,989	8,206
Taxation	5.23b	–	–	2,146
Capital expenditure and financial investment	5.23b	(12,386)	(34,651)	3,421
Acquisitions and disposals	5.23b	–	13,267	–
<b>Cash (outflow) before financing</b>		(399,889)	(416,591)	(290,964)
Financing	5.23b	–	476,653	1,033
<b>Increase/(decrease) in cash</b>		(399,889)	60,062	(289,931)

## 5. Notes to the Financial Information

### 5.1 Accounting Policies

These financial statements have been prepared under the historic cost convention, and in accordance with applicable accounting standards, using the following accounting policies:

#### *Going concern basis*

The subsidiary undertaking, Mondas Information Technology Limited, has made significant losses during the years ended 30 April 1998, 30 April 1999 and 30 April 2000, and has net liabilities amounting to £1,286,884 (1999: £985,083, 1998: £793,041) at the balance sheet date.

The Directors have reviewed the sales pipeline in conjunction with a review of working capital and sources of available funds and are satisfied that sufficient funds are available for the Group's operations for the next accounting period.

The financial statements have therefore been prepared on the going concern basis.

#### *Consolidation*

The group financial statements consolidate the financial statements of the parent company and its principal subsidiary undertaking for the years ended 30 April 1998, 30 April 1999 and 30 April 2000. The excess of the cost of subsidiary undertakings purchased over the fair values of the net assets at the date of acquisition has been capitalised as goodwill and is to be amortised over its expected useful life of five years.

#### *Turnover*

The turnover shown in the profit and loss accounts represents amounts invoiced during the year, exclusive of value added tax. Licence fee revenue is recognised as delivered under a signed contract and once the software has been accepted, according to the terms of each agreement. Training and consultancy revenue is recognised as delivered. Support is recognised over the life of the contract.

#### *Depreciation*

Depreciation is calculated so as to write off the cost or value of an asset, net of anticipated disposal proceeds, over the useful economic life of that assets as follows:

Computer software	2 to 6 years, straight line
Leasehold improvements	5 years, straight line
Computer hardware	4 to 6 years, straight line
Fixtures and fittings	6 years, straight line
Office equipment	5 to 6 years, straight line

#### *Work in progress*

Work in progress is valued at the cost of direct materials and expenditure incurred in that work in progress, less a provision for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

#### *Operating lease agreements*

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

### ***Pension Scheme***

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions are charged to the profit and loss account when payable.

### ***Development expenditure***

The group charges development expenditure to the profit and loss account as it is incurred.

## **5.2 Turnover**

The turnover and loss before tax are attributable to the one principal activity of the group, and arise mainly within the United Kingdom.

<b>5.3 Continuing/acquired operations</b>	<b>Continuing £</b>	<b>Acquired £</b>	<b>Total £</b>
<b><i>Cost of sales</i></b>			
Year ended 30 April 1998	62,044	–	62,044
Year ended 30 April 1999	186,703	57,353	244,056
Year ended 30 April 2000	499,281	–	499,281
<b><i>Net operating expenses</i></b>			
Year ended 30 April 1998			
Distribution costs	156,727	–	156,727
Administrative expenses	585,414	–	585,414
	742,141	–	742,141
Year ended 30 April 1999			
Distribution costs	97,610	29,985	127,595
Administrative expenses	854,217	262,407	1,116,624
Other operating income	(2,215)	–	(2,215)
	949,612	292,392	1,242,004
Year ended 30 April 2000			
Distribution costs	327,517	–	327,517
Administrative expenses	1,397,792	–	1,397,792
	1,725,309	–	1,725,309

## **5.4 Operating loss**

Operating loss is stated after charging/(crediting):

	<b>1998 £</b>	<b>Year ended 30 April 1999 £</b>	<b>2000 £</b>
Operating lease rentals:			
– buildings	21,000	34,250	48,055
– equipment	–	–	12,124
Directors remuneration	72,600	158,608	253,301
Contribution to Directors pension fund	7,200	7,200	10,050
Amortisation of goodwill	108,375	289,687	503,797
Depreciation	29,260	27,451	31,799
Profit on disposal of fixed assets	(51)	–	–
Auditors' fee	8,500	13,600	16,041

The auditors' fees are in respect of the following services provided to the group during the year:

	<b>1998 £</b>	<b>Year ended 30 April 1999 £</b>	<b>2000 £</b>
Audit fee	6,000	9,000	11,200
Accounting fee	2,500	4,600	4,841
	8,500	13,600	16,041

## 5.5 Employees

The average number of staff employed in administration and technical capacity by the group during the year amounted to 23 (1999: 12, 1998: 11)

	Year ended 30 April		
	1998	1999	2000
	£	£	£
<b>Employment costs</b>			
The aggregate costs of the groups employees were:			
Wages and salaries	360,197	492,062	917,692
Social security costs	29,548	37,704	88,888
Other pension costs	14,629	16,964	21,370
	404,374	546,730	1,027,950

## 5.6 Directors remuneration and interests

The emoluments of the Chairman and executive directors, and fees payable to a company, Royce Cook Associates Limited, for the services of the non-executive director are as follows:

	Salary and fees	Benefits	Pension	2000	1999	1998
	£	£	£	£	£	£
<b>Executive</b>						
DTA Simon	66,145	1,625	10,050	77,820	69,304	62,148
DB Whitehouse	–	–	–	–	13,499	7,652
IR Selby	62,839	475	–	63,314	25,005	–
AW Marienthal	24,923	486	–	25,409	24,000	–
SW Lord	41,316	–	–	41,316	24,000	–
MSB Crook	45,115	377	–	45,492	–	–
<b>Non-executive</b>						
KR Barnes	10,000	–	–	10,000	10,000	10,000
	250,338	2,963	10,050	263,351	165,808	79,800

### Directors interest

The company has a share option scheme for employees, which has been approved by the Inland Revenue – Options are granted on similar terms to substantially all of the employees, but at the discretion of the Board, and are exercisable after three years from grant of options.

### Share options at 30 April 1998 were as follows:

Senior staff share options are as follows:

	Exercise price	Expiry date
Number of options at 30.04.98		
96,400	10p	21.10.2003
15,000	82.5p	18.03.2002
10,000	62.5p	01.06.2002

Other share options are as follows:

Number of options at 30.04.98		
200,000	75p	31.10.1998

In addition Mr DB Whitehouse was granted share options, on 21st October 1996, to purchase 100,200 ordinary shares of 10p each at an exercise price of 10p per share, expiring on 21st October 2003. 9p per share will be paid by way of capitalisation of the company's share premium account.

The share price on 30th April 1998 was 77.5p, and range between 57.5p and 85.0p during the year.

5.6 **Directors remuneration and interests** (continued)

*Share options at 30 April 1999 were as follows:*

	Number	Date granted	Exercise price	Expiry date
Option holder				
<i>Approved schemes</i>				
Directors:				
I R Selby	61,500	4 January 1999	45.5p	4 January 2009
Other holders	49,000		45.5p	4 January 2009
<i>Unapproved schemes</i>				
Directors:				
I R Selby	13,500	4 January 1999	45.5p	4 January 2009
T W Marienthal	17,316	15 May 1998	82.5p	15 May 2008
S W Lord	17,316	15 May 1998	82.5p	15 May 2008
Other holders	7,000		45.5p	4 January 2009
	51,948		82.5p	15 May 2008
	96,400		10.0p	21 October 2003
	15,000		82.5p	18 March 2002
	90,000		10.0p	21 October 2003
	57,750		82.5p	25 March 2008
	7,000		45.5p	4 January 2009

None of the directors at the balance sheet date exercised options during the year, and none of the directors' options lapsed during the financial year.

During the year, 10,000 share options with an exercise price of 62.5p lapsed due to the employee leaving, and 200,000 share options with an exercise price of 75.0p expired on 31 October 1998.

The share price on 30 April 1999 was 68.5p, and ranged between 35.0p and 106.5p during the year.

David Whitehouse who resigned as a director of the company on 31 December 1998 exercised 10,200 options with an exercise price of 10p on 9 February 1999.

*Share options at 30 April 2000 were as follows:*

	Number	Date granted	Exercise price	Expiry date
Option holder				
<i>Approved schemes</i>				
Directors:				
I R Selby	61,500	January 1999	45.5p	January 2009
MSB Crook	45,112	August 1999	66.5p	August 2009
Other holders	28,000	January 1999	45.5p	January 2009
	52,000	August 1999	66.5p	August 2009
	114,000	December 1999	88.5p	December 2009
<i>Unapproved schemes</i>				
Directors:				
I R Selby	13,500	January 1999	45.5p	January 2009
MSB Crook	4,888	August 1999	66.5p	August 2009
MSB Crook	25,000	December 1999	92.5p	December 2009
Other holders	14,000	January 1999	45.5p	January 2009
	43,500	August 1999	66.5p	August 2009
	50,000	March 2000	116.5p	March 2010
	61,950		10.0p	21 October 2003
	90,000		10.0p	21 October 2003

None of the directors at the balance sheet date exercised options during the year. Mr Marienthal and Mr. Lord, directors who resigned during the year, each had 17,316 options lapse during the year following their resignation.

During the year, 107,352 share options with an exercise price of 82.5p and 88,000 share options with an exercise price of 66.5p lapsed due to the employee leaving. A further 17,316 share options expired during the year.

The share price on 30 April 2000 was 86.5p (1999: 68.5p), and ranged between 138.5p and 51.5p during the year.

5.7 <b>Interest receivable and similar income</b>	<b>Year ended 30 April</b>		
	<b>1998</b>	<b>1999</b>	<b>2000</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Bank interest receivable	22,694	9,989	8,206

5.8 <b>Taxation on loss on ordinary activities</b>	<b>Year ended 30 April</b>		
	<b>1998</b>	<b>1999</b>	<b>2000</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Overseas taxation credit	–	692	–

The company and group have no corporation tax liability due to the availability of corporation tax losses, both in the United Kingdom and Norway. There is no potential liability for deferred taxation.

#### 5.9 **Loss for the financial year**

The company has taken advantage of section 230 of the Companies Act 1985 and has not included a profit and loss account in these financial statements. Loss attributable to the members of the parent company amounted to £43,823 (1999: £38,395, 1998: £39,657).

#### 5.10 **Loss per share**

Basic loss per share is based on a weighted average number of share outstanding of £12,594,814 (1999: 9,088,624, 1998: 6,111,731), and loss after taxation of £857,573 (1999: £520,078, 1998: £484,322). No material dilution of loss per share would arise if all outstanding share options were excised.

#### 5.11 **Intangible fixed assets**

<b>The Group</b>	<b>Goodwill</b>
	<b>£</b>
<i>Cost or valuation:</i>	
At 1 May 1999 and 30 April 2000	2,519,823
<i>Amortisation</i>	
At 1 May 1999	479,342
Charge for the year	503,797
At 30 April 2000	983,139
<i>Net book value</i>	
At 30 April 2000	1,536,684

The company has no intangible fixed assets.

5.11 Intangible fixed assets (continued)

<b>The Group</b>	<b>Goodwill</b>
	<b>£</b>
<b>Cost on valuation</b>	
At 1 May 1998	541,873
Goodwill acquired on the purchase of subsidiary	1,977,950
<b>At 30 April 1999</b>	<b>2,519,823</b>
<b>Amortisation</b>	
At 1 May 1998	189,655
Charge for the year	289,687
<b>At 30 April 1999</b>	<b>479,342</b>
<b>Net book value:</b>	
<b>At 30 April 1999</b>	<b>2,040,481</b>
<b>The Group</b>	
<b>Cost on valuation</b>	
At 1 May 1997 and 30 April 1998	541,873
<b>Amortisation</b>	
At 1 May 1997	81,280
Charge for the year	108,375
<b>At 30 April 1998</b>	<b>189,655</b>
<b>Net book value</b>	
<b>At 30 April 1998</b>	<b>352,218</b>

5.12 Tangible fixed assets

<b>The Group</b>	<b>Computer software</b>	<b>Computer hardware</b>	<b>Fixtures and fittings</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost:</b>						
At 1 May 1997	40,942	82,577	26,389	9,733	16,500	176,141
Additions	3,548	7,111	798	980	–	12,437
Disposals	(1,150)	(1,977)	–	–	–	(3,127)
<b>At 30 April 1998</b>	<b>43,340</b>	<b>87,711</b>	<b>27,187</b>	<b>10,713</b>	<b>16,500</b>	<b>185,451</b>
<b>Depreciation:</b>						
At 1 May 1997	28,612	41,800	24,236	7,593	16,500	118,741
Charge	9,775	15,879	2,167	1,439	–	29,260
Disposals	(1,150)	(1,977)	–	–	–	(3,127)
<b>At 30 April 1998</b>	<b>37,237</b>	<b>55,702</b>	<b>26,403</b>	<b>9,032</b>	<b>16,500</b>	<b>144,874</b>
<b>Net book value:</b>						
<b>At 30 April 1998:</b>	<b>6,103</b>	<b>32,009</b>	<b>784</b>	<b>1,681</b>	<b>–</b>	<b>40,577</b>

5.12 **Tangible fixed assets** (continued)

<b>The Group</b>	<b>Computer software</b>	<b>Computer hardware</b>	<b>Fixtures and fittings</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
	£	£	£	£	£	£
<b>Cost:</b>						
At 1 May 1998	43,340	87,711	27,187	10,713	16,500	185,451
Additions	–	23,899	4,901	5,851	–	34,651
Acquired	–	69,905	15,413	10,775	8,697	104,790
At 30 April 1999	43,340	181,515	47,501	27,339	25,197	324,892
<b>Depreciation:</b>						
At 1 May 1998	37,237	55,702	26,403	9,032	16,500	144,874
Charge	5,029	18,857	805	2,760	–	27,451
Acquired	–	63,615	12,729	6,802	8,460	91,606
At 30 April 1999	42,266	138,174	39,937	18,594	24,960	263,931
<b>Net book value:</b>						
At 30 April 1999	1,074	43,341	7,564	8,745	237	60,961
<b>The Group</b>						
<b>Cost:</b>						
At 1 May 1999	43,340	181,515	47,501	27,339	25,197	324,892
Additions	–	1,368	–	4,156	–	5,524
Disposal	–	(8,945)	–	–	–	(8,945)
At 30 April 2000	43,340	173,938	47,501	31,495	25,197	321,471
<b>Depreciation:</b>						
At 1 May 1999	42,266	138,174	39,937	18,594	24,960	263,931
Charge	1,074	18,127	4,060	8,301	237	31,799
At 30 April 2000	43,340	156,301	43,997	26,895	25,197	295,730
<b>Net book value:</b>						
At 30 April 2000	–	17,637	3,504	4,600	–	25,741

The company has no tangible fixed assets.

5.13 **Fixed asset investment**

	<b>Year ended 30 April</b>		
	<b>1998</b>	<b>1999</b>	<b>2000</b>
	£	£	£
<b>The Company</b>			
Investment in subsidiary undertakings at cost:			
At the beginning of the year	410,625	410,625	2,241,127
Additions	–	1,830,502	–
At the end of the year	410,625	2,241,127	2,241,127

The Group has no investments.

5.14 **Stocks**

	<b>Year ended 30 April</b>					
	<b>The Group</b>		<b>The Company</b>			
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
	£	£	£	£	£	£
Work in progress	56	1,177	1,810	–	–	–

### 5.15 Debtors

	Year ended 30 April					
	1998	The Group	Year ended 30 April		The Company	
	1998	1999	2000	1998	1999	2000
	£	£	£	£	£	£
Trade debtors	29,453	170,911	262,007	–	–	–
Amounts due by group undertakings	–	–	–	1,011,689	1,238,307	1,409,007
Other debtors	300	20,522	25,539	–	–	–
Prepayments and accrued income	34,440	49,142	30,620	5,884	10,428	5,926
Corporation tax recoverable	–	2,146	–	–	–	–
	64,193	242,721	318,166	1,017,573	1,248,735	1,414,933

Amounts due from group undertakings of £1,299,007 (1999: £1,128,307, 1998: £1,011,689) are recoverable after one year from the balance sheet date.

### 5.16 Creditors: Amounts falling due within one year

	Year ended 30 April					
	1998	The Group	Year ended 30 April		The Company	
	1998	1999	2000	1998	1999	2000
	£	£	£	£	£	£
Bank overdraft (secured)	–	–	53,387	–	–	–
Trade creditors	9,203	64,506	76,919	–	–	–
Other taxation and social security	14,018	50,193	86,705	–	–	–
Accruals & deferred income	40,716	110,519	165,264	963	963	1,143
	63,937	225,218	382,275	963	963	1,143

### 5.17 Called up share capital

This comprises ordinary shares of 10 pence each as follows:

	Authorised		Allotted, called up and fully paid
	No of shares	£	£
At 1 May 1997 and 30 April 1998	10,000,000	1,000,000	611,175
At 1 May 1998	10,000,000	1,000,000	611,175
Issue of ordinary shares	–	–	646,565
At 30 April 1999	20,000,000	2,000,000	1,257,740
At 1 May 1999	20,000,000	2,000,000	1,257,740
Issue of ordinary shares	–	–	3,445
At 30 April 2000	20,000,000	2,000,000	1,261,185

## 5.18 Reserves

	Share premium accounts £	Profit and loss account £	Total £
<b>Group</b>			
At 1 May 1997	872,670	(421,192)	451,478
Loss for the financial year	–	(484,322)	(484,322)
At 30 April 1998	872,670	(905,514)	(32,844)
<hr/>			
	Share premium accounts £	Profit and loss account £	Total £
At 1 May 1998	872,670	(905,514)	(32,844)
Premium on new shares issued	1,866,021	–	1,866,021
Expenses of share issue	(204,542)	–	(204,542)
Employee share options	(889)	–	(889)
Loss for the financial year	–	(520,078)	(520,078)
At 30 April 1999	2,533,260	(1,425,592)	1,107,668
<hr/>			
	Share premium accounts £	Profit and loss account £	Total £
At 1 May 1999	2,533,260	(1,425,592)	1,107,668
Employee share options	(2,412)	–	(2,412)
Loss for the financial year	–	(857,573)	(857,573)
At 30 April 2000	2,530,848	(2,283,165)	247,683
<hr/>			
<b>Company</b>			
	Share premium accounts £	Profit and loss account £	Total £
At 1 May 1997	872,670	(14,409)	858,261
Loss for the financial year	–	(39,657)	(39,657)
At 30 April 1998	872,670	(54,066)	818,604
<hr/>			
	Share premium accounts £	Profit and loss account £	Total £
At 1 May 1998	872,670	(54,066)	818,604
Issue of share capital	1,866,021	–	1,866,021
Expenses of share issue	(204,542)	–	(204,542)
Employee share options	(889)	–	(889)
Loss for the financial year	–	(38,395)	(38,395)
At 30 April 1999	2,533,260	(92,461)	2,440,799
<hr/>			
	Share premium accounts £	Profit and loss account £	Total £
At 1 May 1999	2,533,260	(92,461)	2,440,799
Employee share options	(2,412)	–	(2,412)
Loss for the financial year	–	(43,823)	(43,823)
At 30 April 2000	2,530,848	(136,284)	2,394,564

### 5.19 Reconciliation of movement in Shareholder's funds

	Year ended 30 April					
	1998 £	The Group 1999 £	2000 £	1998 £	The Company 1999 £	2000 £
Loss for the financial year	(484,332)	(520,078)	(857,573)	(39,657)	(38,395)	(43,823)
Issue of ordinary shares at par	–	646,565	3,445	–	646,565	3,445
Premium on shares issued (net of expenses and option scheme)	–	1,660,590	(2,412)	–	1,660,590	(2,412)
Net movement of shareholders' funds	(484,322)	1,787,077	(856,540)	(39,657)	2,268,760	(42,790)
Opening shareholders' funds	1,062,653	578,331	2,365,408	1,469,436	1,429,779	3,698,539
Closing shareholders' funds	578,331	2,365,408	1,508,868	1,429,779	3,698,539	3,655,749

### 5.20 Commitments under operating leases

The group has commitments under non-cancellable operating leases to make payments totalling £32,000, £47,000 and £46,896 in the years to 30 April 1999, 30 April 2000 and 30 April 2001 respectively as follows:

	Year ended 30 April		
	1998 £	1999 £	2000 £
Land and building agreements expiring:			
Within two to five years	–	15,000	–
After more than five years	32,000	32,000	32,000
	32,000	47,000	32,000
Office equipment agreements expiring:			
Within one year	–	–	1,459
Within two to five years	–	–	10,487
After more than five years	–	–	2,950
	–	–	14,896

### 5.21 Related party transactions

During the year ended 30 April 1998, the Group occupied premises under a lease from Mr Simon's pension fund at an annual rent of £21,000. The transactions are undertaken on an arms length basis and £1,750 was accrued at 30 April 1998. The premises were then vacated on 4 June 1998 when the group moved to its new premises. There are no other contracts of significance with related parties.

### 5.22 Ultimate controlling party

There is no ultimate controlling party as defined in FRS 8

### 5.23 Notes to the consolidated cash flow statement

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

	Year ended 30 April		
	1998 £	1999 £	2000 £
Operating loss	(507,016)	(530,759)	(865,779)
Depreciation charge	29,260	27,451	31,799
Profit on sale of fixed assets	(51)	–	–
Amortisation	108,375	289,687	503,797
Increase in stock	(14)	(1,121)	(633)
Increase in debtors	(38,244)	(150,135)	(77,591)
Decrease in creditors	(2,507)	(40,319)	103,670
Net cash outflow from operating activities	(410,197)	(405,196)	(304,737)

5.23 Notes to the consolidated cash flow statement (continued)

(b) Analysis of cash flow

	Year ended 30 April		
	1998	1999	2000
	£	£	£
<b>Return on investment and servicing of finance</b>			
Interest received	22,694	9,989	8,206
<b>Capital expenditure</b>			
Payment to acquire tangible fixed assets	(12,437)	(34,651)	(5,524)
Receipts from sale of fixed assets	51	–	8,945
	(12,386)	(34,651)	3,421
<b>Taxation</b>			
Corporation tax received	–	–	2,146
<b>Acquisitions and disposals</b>			
Cash acquired on purchase of subsidiary undertaking	–	13,267	–
<b>Financing</b>			
Issue of ordinary share capital including premium	–	682,084	1,033
Expenses paid in connection with share income	–	(204,542)	–
Other	–	(889)	–
	–	476,653	1,033

(c) Analysis of movement in cash at bank and in hand

	Year ended 30 April		
	1998	1999	2000
	£	£	£
At the beginning of the year	585,113	185,224	245,286
Cash flow	(399,889)	60,062	(289,931)
At the end of the year	185,224	245,286	(44,645)

5.24 Purchase of subsidiary undertaking; major non-cash transaction.

	Year ended 30 April		
	1998	1999	2000
	£	£	£
<b>Fair value of net assets acquired</b>			
Tangible fixed assets	–	13,184	–
Current assets other than cash	–	28,393	–
Bank balances	–	13,267	–
Other current liabilities	–	(201,600)	–
Deferred tax provision	–	(692)	–
	–	(147,448)	–
Goodwill	–	1,977,950	–
Satisfied by shares allotted	–	1,830,502	–

The above acquisition represents the purchase of 100% of the issued share capital of Reality Communications Scandinavia AS which took place on 18 November 1998.

Yours faithfully

**RSM ROBSON RHODES**

## PART IV

# Accountants' Report on DSR

The following is the text of a report from RSM Robson Rhodes Chartered Accountants.

### **RSM Robson Rhodes**

186 City Road  
London  
EC1V 2NU

The Directors  
Mondas PLC  
Rosemount House  
Rosemount Avenue  
West Byfleet  
Surrey KT14 6LB

The Directors  
John East & Partners Limited  
Crystal Gate  
28-30 Worship Street  
London EC2A 2AH

8th September 2000

Dear Sirs,

### **1. Introduction**

We report on the financial information set out below. The financial information has been prepared for inclusion in the Prospectus of Mondas PLC dated 8th September 2000 (the "Prospectus").

We have examined the audited financial information of DSR ("the Company") for the periods ended 31 March 1998, 31 March 1999, and 31 March 2000.

We were not the auditors of the Company throughout the period covered by this report.

The financial information of the Company for the years ended 31 March 1998, 31 March 1999 and 31 March 2000 were audited by HLB Kidsons, Chartered Accountants, Devonshire House, 36 George Street, Manchester, M1 4HA. Copies of the financial information covering the period of this report have been delivered to the Registrar of Companies for each period HLB Kidsons have issued an audit report under section 235 of the Companies Act 1985 in respect of the statutory accounts and each such report was an unqualified report and did not contain a statement under section 237 (2) as 237 (3) of the Act.

### **Basis of preparation**

The financial information set out below is based on the audited financial information of DSR Holdings Ltd for the years ended 31 March 1998, 31 March 1999 and 31 March 2000, and has been prepared on the basis set out below to which the adjustments shown below have been made.

### **Responsibility**

The financial information is the responsibility of the directors of DSR Holdings Ltd who approved their issue.

It is our responsibility to compile the financial information set out in our report from the published audited financial statements, to form our 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 disclosure in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 8th September 2000 relating to the Firm Placing of Convertible Loan Stock and the Placing and Offer of new ordinary shares, a true and fair view of the state of affairs of DSR Holdings Ltd as at the dates stated and of its balance sheets, profit and losses and cash flows for each of the periods then ended.

## 2. Profit and Loss accounts

The consolidated profit and loss accounts for the years ended 31 March 1998, 31 March 1999 and 31 March 2000 are set out below:

	Note	Year ended 31 March		
		1998 £	1999 £	2000 £
<b>Turnover</b>	7.1	1,314,613	1,455,523	1,841,738
<b>Cost of sales</b>	7.2	(74,729)	(119,360)	(202,291)
<b>Gross profit</b>		1,239,884	1,336,163	1,639,447
<b>Administration expenses</b>		(1,014,674)	(1,055,095)	(1,129,724)
<b>Operating profit</b>	7.2	225,210	281,068	509,723
Interest receivable		28,206	30,561	30,319
Interest payable	7.4	(67)	(95)	(497)
<b>Profit on ordinary activities before taxation</b>		253,349	311,534	539,545
Taxation	7.5	(50,797)	(60,383)	(137,944)
<b>Profit on ordinary activities after taxation</b>		202,552	251,151	401,601
<b>Dividends</b>	7.6	(40,000)	(200,000)	(480,000)
<b>Retained profit/(loss) for the financial year</b>	7.14	162,552	51,151	(78,399)

The company had no recognised gains and losses other than those stated above.

## 3. Balance sheets

The consolidated balance sheets 31 March 1998, 31 March 1999 and 31 March 2000 are set out below:

	Note	Year ended 31 March		
		1998 £	1999 £	2000 £
<b>Fixed assets</b>				
Tangible assets	7.8	80,891	85,179	84,586
<b>Current assets</b>				
Stock	7.9	6,604	2,679	4,368
Debtors	7.10	161,090	190,409	329,910
Cash at bank and in hand		750,229	814,430	796,040
		917,923	1,007,518	1,130,318
<b>Creditors: amounts falling due within one year</b>	7.11	704,138	746,870	947,476
<b>Net current assets</b>		213,785	260,648	182,842
<b>Total assets less current liabilities</b>		294,676	345,827	267,428
<b>Capital and reserves</b>				
Called up share capital	7.13	50,000	50,000	50,000
Profit and loss account	7.14	244,676	295,827	217,428
	7.12	294,676	345,827	267,428

#### 4. Balance sheets

The company balance sheets as at 31 March 1998, 31 March 1999 and 31 March 2000 are set out below:

		Year ended 31 March		
	Note	1998 £	1999 £	2000 £
<b>Fixed assets</b>				
Investments	7.7	50,300	50,300	50,300
<b>Current assets</b>		–	–	–
<b>Creditors:</b> amounts falling due within one year		(300)	(300)	(300)
<b>Net current liabilities</b>		(300)	(300)	(300)
<b>Total assets less current liabilities</b>		50,000	50,000	50,000
<b>Capital and reserves</b>				
Called up share capital	7.13	50,000	50,000	50,000
<b>Shareholders' funds</b>		50,000	50,000	50,000

#### 5. Cash flow statements

The consolidated cashflow statements for the years ending 31 March 1998, 31 March 1999 and 31 March 2000 are set out below:

		Year ended 31 March		
	Note	1998 £	1999 £	2000 £
<b>Net cash inflow from operating activities</b>	7.15	329,993	303,886	488,963
Returns on investment and servicing of finance		28,139	30,446	29,822
Taxation		(12,425)	(41,716)	(11,236)
Capital expenditure		(36,192)	(28,415)	(45,939)
Equity dividends paid		(40,000)	(200,000)	(480,000)
<b>Cash inflow/(outflow) before financing</b>	7.15	269,515	64,201	(18,390)
<b>Increase/(decrease) in cash</b>	7.15	269,515	64,201	(18,390)

#### 6. Accounting policies

##### Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and the historic cost accounting rules. No separate profit and loss account is presented for the company, as provided by section 230 of the Companies Act 1985.

##### Basis consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings.

The company is exempt from publishing its own profit and loss account.

##### Leases and hire purchase contracts

Rentals paid under operating leases are charged to income as incurred.

##### Research and development

Expenditure on research and development incurred in the year other than on fixed assets is charged against profit.

##### Depreciation

Depreciation of fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost or valuation less any residual value over the expected useful lives which are as follows:

Motor vehicles	33%
Fixtures and fittings	25% – 33%
Computer equipment	50%

## Stocks

Stocks are valued at the lower of cost and net realisable value.

## Deferred taxation

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

## Defined contribution pension scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

## Foreign currencies

Transactions expressed in foreign currencies are translated in to sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction and monetary assets and liabilities at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

## 7. Notes to the financial statements

### 7.1 Turnover

Turnover represents the amount derived from the provisions of goods and services which fall within the group's ordinary activities, stated net of value added tax. The majority of sales have been made within the United Kingdom.

All activities are classed as continuing, there were no acquisitions nor disposals during the year nor the previous two years

### 7.2 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 March		
	1998	1999	2000
	£	£	£
Operating lease rentals:			
– land and buildings	60,000	60,000	60,000
Staff costs	752,762	815,070	851,830
Directors remuneration (including pension contributions)	295,419	411,759	379,711
Depreciation	47,360	40,370	49,959
Profit on disposal of fixed assets	(10,214)	(16,223)	(3,674)
Auditors' fee	8,875	12,655	19,295

The auditors' fees are in respect of the following services provided to the group during the year:

	Year ended 31 March		
	1998	1999	2000
	£	£	£
Audit fees	2,950	2,950	3,750
Non-audit services	5,925	9,705	15,545
	8,875	12,655	19,295

### 7.3 Directors and employees

Group staff costs including directors' emoluments

	Year ended 31 March		
	1998	1999	2000
	£	£	£
Wages and salaries	662,815	661,217	725,408
Social security costs	74,947	74,332	81,422
Pension costs	15,000	79,521	45,000
	<u>752,762</u>	<u>815,070</u>	<u>851,830</u>

Average number employed by the group including executive directors.

	Number	Number	Number
Selling and distribution	20	22	20
Administration	4	4	4
	<u>24</u>	<u>26</u>	<u>24</u>

	Year ended 31 March		
	1998	1999	2000
	£	£	£
<i>Parent company directors</i>			
Directors' emoluments (including pension contributions)	295,419	411,759	379,711
Emoluments excluding pension contributions			
Highest paid director	99,328	113,272	124,417

#### *Pension costs*

The pension costs charge represents amounts payable by the company to one director's personal pension plan amounting to 2000: £45,000 (1999: £76,100, 1998: £15,000)

### 7.4 Interest payable

	Year ended 31 March		
	1998	1999	2000
	£	£	£
Bank loans and overdraft	67	95	497

### 7.5 Taxation on profit on ordinary activities

	Year ended 31 March		
	1998	1999	2000
	£	£	£
Corporation tax on profit on ordinary activities at 21%	50,797	61,586	138,294
(Over) provision in prior years	–	(1,203)	(350)
	<u>50,797</u>	<u>60,383</u>	<u>137,944</u>

### 7.6 Dividends

	Year ended 31 March		
	1998	1999	2000
	£	£	£
£9.60 per share (1999: £4.00 per share, 1998: £0.80 per share)	40,000	200,000	480,000

## 7.7 Fixed Asset Investments

	Year ended 31 March		
	1998	1999	2000
	£	£	£
Shares in subsidiaries	50,300	50,300	50,300

The undermentioned are wholly owned subsidiary companies and are all incorporated in England.

	Principal activities
DSR Resources plc	The supply, support and development of computer systems and software
DSR (UK) Limited	Dormant
DSR Systemcare Limited	Dormant
DSR Estates Limited	Dormant

## 7.8 Tangible Fixed Assets

The Group	Computer equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
<b>Cost or valuation:</b>				
1 April 1997	193,037	55,462	189,546	438,045
Additions	17,446	558	44,227	62,231
Disposals	(67)	–	(68,260)	(68,327)
31 March 1998	210,416	56,020	165,513	431,949
<b>Depreciation:</b>				
1 April 1997	176,265	51,881	128,054	356,200
Charge for year	13,016	2,193	32,151	47,360
Disposals	–	–	(52,502)	(52,502)
	189,281	54,074	107,703	351,058
<b>Net book value:</b>				
31 March 1998	21,135	1,946	57,810	80,891
<b>Cost:</b>				
At 1 April 1998	210,416	56,020	165,513	431,949
Additions	9,711	69	50,805	60,585
Disposals	–	–	(90,216)	(90,216)
31 March 1999	220,127	56,089	126,102	402,318
<b>Depreciation:</b>				
1 April 1998	189,281	54,074	107,703	351,058
Charge for year	17,473	1,171	21,726	40,370
Disposals	–	–	(74,289)	(74,289)
31 March 1999	206,754	55,245	55,140	317,139
<b>Net book value:</b>				
31 March 1999	13,373	844	70,962	85,179
<b>Cost:</b>				
At 1 April 1999	220,127	56,089	126,102	402,318
Additions	18,477	–	46,162	64,639
Disposals	(165,282)	(33,390)	(30,240)	(228,912)
31 March 2000	73,322	22,699	142,024	238,045
<b>Depreciation:</b>				
At 1 April 1999	206,754	55,245	55,140	317,139
Charge for year	15,649	654	33,656	49,959
Disposals	(162,754)	(33,200)	(17,685)	(213,639)
31 March 2000	59,649	22,699	71,111	153,459
<b>Net book value:</b>				
At 31 March 2000	13,673	–	70,913	84,586

Assets costing £22,699 (1999: £197,038, 1998: £254,459) have been fully depreciated.

7.9 Stocks	Year ended 31 March		
	1998	1999	2000
<b>Group</b>	£	£	£
Computer stocks for resale	6,604	2,679	4,368

7.10 Debtors	Year ended 31 March		
	1998	1999	2000
<b>Group</b>	£	£	£
Amounts falling due within one year:			
Trade debtors	61,710	147,844	302,544
Prepayments and accrued income	51,502	42,565	27,366
ACT recoverable	47,878	–	–
	161,090	190,409	329,910

7.11 Creditors	Year ended 31 March		
	1998	1999	2000
<b>Group</b>	£	£	£
Amounts falling due within one year:			
Trade creditors	98,942	60,450	65,609
Corporation tax	40,797	11,586	138,294
Other taxation and social security	119,956	157,337	124,984
Other creditors	2,222	1	1
Accruals	45,265	49,400	115,218
Deferred income on maintenance contracts	396,956	468,096	503,370
	704,138	746,870	947,476
<b>Company</b>			
Amounts owed to subsidiary undertakings	300	300	300

7.12 Reconciliation of shareholders funds	Year ended 31 March		
	1998	1999	2000
	£	£	£
Profit for the financial year	202,552	251,151	401,601
Dividends	(40,000)	(200,000)	(480,000)
Net addition to shareholders funds	162,552	51,151	(78,399)
Opening shareholders funds	132,124	294,676	345,827
Closing shareholders funds	294,676	345,827	267,428

7.13 Called up share capital	Year ended 31 March		
	1998	1999	2000
	number	number	number
Authorised, ordinary shares of £1 each	500,000	500,000	500,000
Allotted, called up and fully paid up	50,000	50,000	50,000
	£	£	£
Authorised ordinary shares of £1 each (Equity)	500,000	500,000	500,000
Allotted, called up and fully paid up	50,000	50,000	50,000

7.14 Profit and loss account	Year ended 31 March		
	1998	1999	2000
<b>Group</b>	£	£	£
At 1 April	82,124	244,676	295,827
Retained profit/(loss) for the year	162,552	51,151	(78,399)
At 31 March	244,676	295,827	217,428

The retained profit dealt with in the accounts of the parent company was £nil as it was dormant throughout the three years under review.

## 7.15 Cashflow statement

### *Reconciliation of opening profit to net cash inflow from operating activities*

	Year ended 31 March		
	1998	1999	2000
	£	£	£
Operating profit	225,210	281,068	509,723
Depreciation charges	47,360	40,370	49,959
Profit on disposal of fixed assets	(10,214)	(16,223)	(3,674)
Decrease/(increase) in stocks	(3,022)	3,925	(1,689)
(Increase)/decrease in debtors	99,766	(77,197)	(139,501)
Increase/(decrease) in creditors	(29,107)	71,943	74,145
Net cash inflow form operating activities	329,993	303,886	488,963

### *Reconciliation of net cashflow to movement in net debt*

	Year ended 31 March		
	1998	1999	2000
	£	£	£
Increase/(decrease) in cash in the period	269,515	64,201	(18,390)
Movement in net funds/(debt) in the period	269,515	64,201	(18,390)
Net funds at 1 April	480,714	750,229	814,430
Net funds at 31 March	750,229	814,430	796,040

### *Analysis of changes in net debt*

	At 1 April 1999	Cash flows	Other non cash changes	At 31 March 2000
Cash in hand and at bank	814,430	(18,390)	–	796,040
	At 1 April 1998	Cash flows	Other non cash changes	At 31 March 1999
Cash in hand and at bank	750,229	64,201	–	814,430
	At 1 April 1997	Cash flows	Other non cash changes	At 31 March 1998
Cash in hand and at bank	480,714	269,515	–	750,229

## 7.16 Leasing commitments

Commitments due under non-cancellable operating leases will result in the following payments falling due in the year to 31 March.

Group	Year ended 31 March		
	1998	1999	2000
	Land & buildings £	Land & buildings £	Land & buildings £
Expiring			
Within one year	–	–	–
Within one to five years	–	–	–
After five years	60,000	60,000	60,000

## 7.17 Related party

The ultimate controlling party is Mr D Ritchie, a director who controls 95% of the company's issued share capital.

## PART V

### Summary of Rights attaching to the Convertible Loan Stock

The instrument dated 8th September, 2000 creating the CULS contains provisions relating to the convertible loan stock (the "Loan Stock") the principal terms of which are set out below for the purposes of Part V a Loan Stock Holder is defined as any person whose name is for the time being entered as holder of the Loan Stock in the register:

**1. The Loan Stock**

The Loan Stock shall rank pari passu equally and rateably.

**2. Interest**

The Company shall pay interest on the nominal amount of the Loan Stock outstanding at 8 per cent. per annum (calculated on a day-to-day basis) payable in equal instalments twice a year on 30 June and 31 December.

**3. Repayment of the Loan Stock**

The principal amount of any Loan Stock that has not been converted shall become repayable with accrued interest on 31st October, 2005.

**4. Repayment Events**

The principal amount of any Loan Stock together with any interest shall become immediately due and payable on the occurrence of, inter alia, any one of the following events:

- (a) If the Company fails to make any payment of principal or interest within 7 days of its becoming due; or
- (b) if material default is made by the Company in the performance or observance of any of its other obligations and the Company shall fail to remedy the same, where capable of remedy, within 30 days of being notified in writing thereof by Loan Stock Holders holding not less than 25% in aggregate principal nominal amount of the Loan Stock then outstanding; or
- (c) if any representation or warranty made by or on behalf of the Company in or in accordance with the CULS is or proves to be incorrect in any material respect; or
- (d) if the Company stops or threatens to stop payment or ceases to carry on all or substantially all of its business; or
- (e) if an encumbrancer takes possession or a receiver, administrative receiver, administrator or other similar officer is appointed of the whole or any substantial part of the undertaking, property or assets of the Company or if a distress or execution levied or enforced upon or sued out against any substantial part of the assets of the Company is not paid out or discharged within 28 days; or
- (f) if the Company is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 (excluding sub-section (1)(a)) or any analogous provision under any other applicable law; or
- (g) if the Company initiates or consents to proceedings relating to itself under any applicable bankruptcy, insolvency, composition or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition with, its creditors generally.

**5. Conversion Rights**

- (a) Each Loan Stock Holder shall be entitled at any time after the first anniversary of issue following the service of notice by the Loan Stock Holder to require the Company to convert all or part of his holding of Loan Stock into fully paid Ordinary Shares on the basis of two Ordinary Shares for every £1 of principal nominal amount of Loan Stock held subject to adjustment as provided in (h) (the "Conversion Rate").
- (b) If the Company commences liquidation, whether voluntary or compulsory (other than for the purposes of a solvent reconstruction or amalgamation not affecting Loan Stock Holders rights), each Loan Stock Holder is entitled to elect to be treated as if his conversion rights had been exercised in respect of all or part of his Loan Stock immediately prior to the date of such commencement and shall accordingly be entitled to participate in the assets available on liquidation as if he were an ordinary shareholder. Subject to the foregoing, conversion rights lapse in the event of liquidation of the Company.

- (c) If any offer is made to all the ordinary shareholders to acquire the whole or part of the issued share capital of the Company and the Company becomes aware that the offeror (or any person connected with it) has or will have the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at any general meeting, then the Company shall give notice to the Loan Stock Holders within 14 days and the Loan Stock Holder may give notice to the Company 28 days thereafter to:
  - (i) exercise their conversion rights on all or part of their Loan Stock; and/or
  - (ii) require the Company to repay all or part of their Loan Stock in cash at par;
- (d) In an offer (not falling within (c) above) is made to the holders of the Ordinary Shares of the Company, the Company shall, at the same time, make or procure to be made the like offer or invitation to each Loan Stock Holder as if his conversion rights had been exercisable and exercised in full on the record date for such offer.
- (e) The Company will procure that no compromise or arrangement within the meaning of section 425 of the Companies Act 1985 affecting the ordinary share capital of the Company shall become effective unless the Loan Stock Holders are parties to that scheme and have approved its terms in accordance with section 425 of the Act.
- (f) If at any time after the date of issue of the Loan Stock the average of the closing bid prices of an Ordinary Share as shown in the appropriate section of the Daily Official List of the London Stock Exchange for at least 30 consecutive days is equal to or exceeds 200p, the Company may at any time thereafter by giving 30 days notice in writing require each Loan Stock Holder to convert all or part of his holding of Loan Stock into fully paid Ordinary Shares at the Conversion Rate. The minimum amounts of Loan Stock which may be converted by the Company exercising its right to convert on any occasion shall be no less than £1,000,000 save where the amount of Loan Stock which remains unconverted at that time is less than £1,000,000 in which case the minimum amount shall be such amount of Loan Stock which remains so unconverted.
- (g) No Loan Stock Holder shall be entitled to allotment of a fraction of a share and shares representing fractions shall be allotted to a trustee for sale who shall sell the same (without being responsible for any loss thereby incurred) and pay to the Company the net proceeds of such sale which shall be distributed among the persons entitled thereto in proportion to their respective entitlements unless such net proceeds amount to less than £2 in respect of any one holding in which case they will not be so distributed but will be retained for the benefit of the Company.
- (h) On any consolidation, subdivision or reduction of capital of the Company when, in any such case any Loan Stock remains liable to be converted the class and nominal amount of Ordinary Shares arising on conversion will be adjusted by the Directors so that the proportion of the Company's share capital to which a Loan Stock Holder is entitled on conversion shall remain the same after the adjustment as it was prior to such issue.

## **6. Undertakings**

- (a) The Company shall, for as long as any Loan Stock remains outstanding, upon receipt of a duly completed conversion notice, promptly allot and issue to the Loan Stock Holder Ordinary Shares in accordance with the CULS.
- (b) The Company will use its reasonable endeavours to:
  - (i) ensure that all the ordinary share capital of the Company issued on conversion will, upon allotment, be admitted to trading on the AIM; and
  - (ii) maintain an admission to trading on the AIM for the Loan Stock and, for so long as any part of the Loan Stock may be or become convertible, for the fully paid ordinary share capital of the Company.

## **7. Transfer and Registration**

- (a) The Loan Stock shall be transferable in multiples of £1.
- (b) The Company is not bound to recognise or take notice of any trust to which the Loan Stock may be subject.
- (c) A register of Loan Stock Holders must be kept by the Company.
- (d) The transfer of Loan Stock on the death of a Loan Stock Holder is subject to the terms of the CULS.

**8. Meetings of the Loan Stock Holders**

The CULS contains general provisions relating to the conduct of meetings of Loan Stock Holders. These include provisions inter alia, as follows:

- (i) holders of not less than one-tenth in nominal value of the Loan Stock for the time being outstanding may require the Company to convene a meeting of the Loan Stock Holders;
- (ii) the conduct of the Loan Stock Holders' Meetings is subject to the terms of the CULS. On a show of hands every member who is present in person shall have one vote and upon a poll every have one vote for every £1 nominal Loan Stock held by him; and
- (iii) a meeting of the Loan Stock Holders can sanction and authorise certain acts relating to the Loan Stock or the conduct of the Company's affairs . Such authorisation is by way of Extraordinary Resolution which requires the support of not less than 75 per cent. of those present at a meeting or of votes cast on a poll. Such resolutions may also be validly passed by a written resolution signed by or on behalf of at least 95 per cent. of the Loan Stock Holders.

**9. Payments**

Any monies payable on or in respect of the Loan Stock shall be paid by telegraphic transfer of immediately available funds for credit to the account designated by each Loan Stock Holder in writing lodged with the Company at its registered office, failing which such payment may be paid by cheque.

**10. Venture Capital Trust compliance**

The CULS contain provisions relating to Foresight Technology Venture Capital Trust Plc ("Foresight") which restrict its rights of conversion in connection with its stake as a venture capital trust and undertakings given by the Company to Foresight in connection with such status.

## PART VI

### Pro-forma Statement of Net Assets of the Enlarged Group

The following is an illustrative and unaudited pro forma statement of the net assets of the Enlarged Group. It is based on the audited consolidated balance sheet of Mondas PLC as at 30 April, 2000, as extracted from the audited consolidated financial statements of the Company for the year ended 30 April, 2000 and the audited balance sheet of DSR as at 31 March, 2000 as extracted from the Accountants' Report on DSR in Part IV of this document, adjusted for the matters explained in the notes below. It is provided for illustrative purposes only and should be read in conjunction with the notes set out below and because of its nature it may not give a complete picture of the Enlarged Group's financial position or results.

	Mondas as at 30 April 2000 £'000	DSR as at 31 March 2000 £'000	Other (see notes) £'000	Pro forma £'000
<b>Fixed assets</b>				
Intangible	1,536	–	3,523 <sup>(A)</sup>	5,059
Tangible	26	85	–	111
	1,562	85	3,523	5,170
<b>Current assets</b>				
Stocks	2	4	–	6
Debtors	318	330	–	648
Cash at bank and in hand	9	796	1,570 <sup>(B)(C)</sup>	2,375
	329	1,130	1,570	3,029
<b>Creditors:</b>				
amounts falling due within one year	(382)	(948)	–	(1,330)
Net current (liabilities)/assets	(53)	182	1,570	1,699
<b>Creditors:</b>				
amounts falling due after more than one year	–	–	(3,000) <sup>(D)</sup>	(3,000)
<b>Net assets</b>	1,509	267	2,093	3,869

**Notes:**

- (A) An adjustment has been made to include goodwill arising on the consolidation of DSR. The goodwill is based upon the net assets of DSR at 31 March 2000 of £267,000, and aggregate consideration of £3,790,000 (excluding estimated costs of £537,000). No account has been taken of any fair value adjustment to the net assets of DSR since it is not possible to quantify such amounts at this stage. A fair value review of net assets as at the completion date of the Acquisition will be undertaken.
- (B) An adjustment has been made to include proceeds of the Firm Placing and the Placing and Open Offer of £5,616,000 (net of £537,000 of estimated expenses).
- (C) An adjustment of £4,046,000 has been made comprising (i) cash element of the consideration payable for DSR of £3.31 million for the ordinary shares (ii) £675,000 for the bonus scheme for certain employees of DSR and (iii) £61,000 in respect of National Insurance on the bonus scheme payment.
- (D) An adjustment to include the issue of £3,000,000 of Convertible Loan Stock (excluding associated costs).
- (E) No account has been taken of changes either in the financial position or results of Mondas since 30 April 2000 or of DSR since 31 March 2000.
- (F) The pro forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

## PART VII

### Additional Information

#### 1. The Company

- (a) The Company is registered in England and Wales, having been incorporated on 14th November, 1991 under the Act, with company registration number 2662978, as Mondas PLC, a public company limited by shares. The liability of the members of the Company is limited.
- (b) On 20th September, 1996, the Registrar of Companies issued the Company with a certificate of entitlement to commence business and borrow under Section 117 of the Act.
- (c) The Company is the holding company for the Mondas Group.

#### 2. Subsidiaries

Immediately following Admission the Company will have 13 wholly owned subsidiaries of which 10 are private companies incorporated in England and Wales and Mondas Scandinavia AS which is incorporated in Norway, IntraLink ST Inc. which is incorporated in California and DSR Resource plc which is a public limited company. Each of their respective issued share capitals is fully paid.

Name	Nature of Business	Date of Incorporation	Issued Share Capital
Mondas Investments Limited	Dormant	14th November, 1991	£2
Mondas Information Technology Limited	IT	27th November, 1991	£27,375
Mondas Computers Limited	Dormant	27th November, 1991	£2
Mondas Consultants Limited	Dormant	27th November, 1991	£2
Mondas Scandinavia AS	IT	13th February, 1997	Nkr 69,700
Mondas Systems Limited	Dormant	27th November, 1991	£2
IntraLink ST Inc.	Dormant	29th May, 1998	US\$1,000
Reality Communications (Internet) Limited	IT	3rd March, 1995	£1,000
DSR Holdings Limited	IT	20th March, 1987	£50,000
DSR Resource plc	IT	8th December, 1982	£50,000
DSR (UK) Limited	Dormant	20th March, 1987	£100
DSR Systemcare Limited	Dormant	20th March, 1987	£100
DSR Estates Limited	Dormant	20th March, 1987	£100

#### 3. Company's Share Capital

- (a) The authorised and issued share capital of the Company as at the date of this document and as it will be immediately following completion of the Proposals is as follows:-

##### As at date of this document

Authorised		Issued fully Paid	
Number	Amount	Number	Amount
20,000,000	£2,000,000	12,611,851	£1,261,185

##### Immediately following completion of the Proposals

Authorised		Issued fully Paid	
Number	Amount	Number	Amount
40,000,000	£4,000,000	20,011,560	£2,001,156

- (b) The history of the authorised share capital is as follows.

On incorporation the authorised share capital was 50,000 shares of £1 each. On 12th August, 1996 each such share was subdivided into ten Ordinary Shares and the authorised share capital was increased to £700,000 by the creation of 6,500,000 additional Ordinary Shares. On 22nd October, 1996, the authorised share capital was increased to £1,000,000 by the creation of 3,000,000 additional Ordinary Shares and on 12th November, 1998 to £2,000,000 by the creation of a further 10,000,000 Ordinary Shares.

- (c) The history of the issued share capital is as follows.

The two subscriber shares of £1 each were issued at par and subdivided into 20 Ordinary Shares on 12th August 1996, on which date the Company issued 4,106,250 Ordinary Shares as consideration for the acquisition of the whole of the issued share capital of MITL.

On 13th August, 1996, 210,000 Ordinary Shares were issued for a cash consideration of £92,857. On 16th August, 1996, 90,000 Ordinary Shares were issued for a cash consideration of £50,000. On 22nd October 1996, 22,031 Ordinary Shares were issued in settlement of professional fees incurred and 1,600,000 Ordinary Shares were issued for a cash consideration of £1,200,000.

On 31st October, 1996 the Ordinary Shares were admitted to trading on AIM. The costs of admission amounted to £272,142 and were written off against the share premium account.

On 12th November, 1998, 4,023,082 Ordinary Shares were issued as consideration for the acquisition of the whole of the issued share capital of Mondas Scandinavia AS (previously Reality Communications Scandinavia AS) and a further 2,414,518 Ordinary Shares were issued for a cash consideration of £676,065.

On 4th November, 1996, 14,000 Ordinary Shares were issued at par, on 17th November 1996, 37,000 Ordinary Shares were issued at par, on 15th April 1997, 32,450 Ordinary Shares were issued at par, on 29th October, 34,450 Ordinary Shares were issued at par, all on exercise of employee share options.

On 10th February, 1999, 10,200 Ordinary Shares were issued at par by an exercise of options by Mr Whitehouse, a former director of the Company.

- (d) Under the Share Option Schemes a total of 603,450 options to subscribe for Ordinary Shares are outstanding in favour of employees and certain Directors as detailed in paragraph 4 of this Part VII.
- (e) Pursuant to an ordinary resolution of the members of the Company passed on 1st September, 2000 the Directors were generally and unconditionally authorised pursuant to Section 80 of the Act to allot relevant securities (as defined in that section) up to a maximum nominal amount of £420,395, such authority to expire immediately after the annual general meeting of the Company to be held in 2001 (or 15 months from the date of the resolution if earlier) and allowing the Directors during such period to make offers or agreements which could or might require the allotment of securities after the expiry of such period.
- (f) Pursuant to a special resolution of the members of the Company passed on 1st September, 2000 the Directors were empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority referred to in (e) above as if Section 89(1) of the Act (which contains statutory pre-emption rights in favour of existing shareholders which would otherwise apply in the case of new issues of shares for cash) did not apply:
  - (i) in respect of rights issues;
  - (ii) in respect of other issues of Ordinary Shares up to an aggregate nominal amount of £63,059;
 such authority to expire at the annual general meeting of the Company to be held in 2001 (or 15 months after the date of the resolution if earlier).
- (g) It is proposed to replace these authorities with the corresponding new authorities contained in resolution numbered 2 set out in the notice of Extraordinary General Meeting at the end of this document.
- (h) Except as disapplied to the limited extent set out in the resolutions referred to above, the provisions of Section 89 of the Act, which confer on shareholders rights of pre-emption on the issue of shares for cash, apply.

#### 4. Share Options

##### (a) *Options Outstanding*

A total of 603,450 options to subscribe for Ordinary Shares in accordance with the rules of the share option schemes are outstanding in favour of the employees and Directors as follows:

- (i) Options in existence at 30th April, 2000 under the Approved Scheme (see (b) below)

	Shares under Option	Aggregate Subscription Price £	Grant Date
I. R. Selby	61,500	27,983	4 January 1999
M. S. B. Crook	45,112	29,999	4 August 1999
Other Employees	28,000	12,740	4 January 1999
Other Employees	52,000	34,580	4 August 1999
Other Employees	114,000	100,890	30 December 1999

The options listed above were granted for an aggregate consideration of £21. On 31st August, 2000 the Board issued invitations to staff to apply for an aggregate of 130,000 options over Ordinary Shares at an exercise price of 71.5p per share under the rules of the Approved Scheme. The aggregate consideration for the grant of these options will be £11.

- (ii) Options in existence at 30th April, 2000 under the Unapproved Scheme (see (c) below):

	<b>Shares under Option</b>	<b>Aggregate Subscription Price £</b>	<b>Grant Date</b>
I. R. Selby	13,500	6,143	4 January 1999
M. S. B. Crook	4,888	3,251	4 August 1999
Other Employees	50,000	58,250	30 December 1999
Other Employees	14,000	6,370	4 January 1999
M. S. B. Crook	25,000	22,125	30 December 1999
Other Employees	43,500	28,932	4 August 1999

The options were granted for an aggregate consideration of £8.

- (iii) Options in existence at 30th April, 2000 under the Old Scheme (see (d) below):

	<b>Shares under Option</b>	<b>Aggregate Subscription Price £</b>	<b>Grant Date</b>
D. B. Whitehouse	90,000	9,000	21 October 1996
Other Employees	61,950	6,195	21 October 1996

Mr D. B. Whitehouse is a former director of the Company.

Save as disclosed above, no options have been granted or invitations made under the Approved Scheme, the Unapproved Scheme or the Old Scheme between 30th April, 2000 and the date of this document.

(b) ***The Approved Scheme***

On 20th February, 1998 the Company adopted a share option scheme (“the Approved Scheme”) which has been approved by the Inland Revenue under the Income and Corporation Taxes Act 1988 (“the Taxes Act”).

The following is a summary of the principal terms of the Approved Scheme:

- (i) Any Director of the Company or its subsidiary companies who is required to devote his duties not less than 25 hours per week and any employee of the Company or its subsidiary companies is eligible to be nominated for participation in the Approved Scheme. The grant of options will be at the discretion of the Board.
- (ii) Options so granted will entitle holders to subscribe for Ordinary Shares at a price determined by the Board being not less than the higher of:
  - (1) on any day the market value of Ordinary Shares determined in accordance with the provisions of Part VII of the Taxation of Chargeable Gains Act 1992 (as agreed with the Inland Revenue) on such date; and
  - (2) where the shares are to be subscribed, the nominal value of such shares.
- (iii) No option shall be granted to a participant if the aggregate exercise price of all Ordinary Shares over which options are granted to him or her in a five year period under the Approved Scheme and any other executive share option scheme adopted by the Company (but leaving out of account options which have been exercised) would exceed the appropriate limit within the meaning of paragraph 28 of Schedule 9 to the Taxes Act (currently £30,000).
- (iv) The number of Ordinary Shares which may be allocated under the Approved Scheme on any day shall not, when added to the aggregate number of Ordinary Shares allocated in the previous five years under the Approved Scheme and any other employee share schemes adopted by the Company, exceed 13.0 per cent. of the number of Ordinary Shares in issue immediately prior to that day.
- (v) Invitations to apply for a grant of options may be made at any time within a period of four weeks following the announcement of annual or interim results of the Company.
- (vi) The grant of options may be made until and including the twenty first day after the date of invitation to apply for a grant.
- (vii) Normally, options will be exercisable between three and ten years from the date of grant and will lapse on a participant ceasing to be employed by the Company or any of its subsidiary companies (other than by reason of injury, disability, redundancy, retirement or temporary absence for maternity), or being adjudicated bankrupt.
- (viii) Options may, however, be exercised for a limited period in specified circumstances which include death, the cessation of employment by reason of injury, disability, redundancy, retirement, or temporary absence

for maternity. Exercise is allowed in the event of an amalgamation, reconstruction or takeover of the Company; alternatively options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

- (ix) Options are not transferable and may only be exercised by the person to whom they were granted or their personal representatives.
  - (x) In the event of a variation of share capital by way of a capitalisation or rights issue or a reduction, subdivision or consolidation of share capital, the option price payable and the number of Ordinary Shares under option may be adjusted by the Directors subject to the auditors confirming in writing that such adjustment is, in their opinion, fair and reasonable and provided that (a) the aggregate amount payable on exercise of an option is not increased; (b) the subscription price is not reduced below the nominal value of Ordinary Shares; (c) the adjustment is made with the prior approval of the Inland Revenue; and (d) the Ordinary Shares subscribed for continue to satisfy the requirements of paragraphs 10 to 14 of Schedule 9 to the Taxes Act.
  - (xi) Ordinary Shares issued on the exercise of an option will be issued fully paid and will rank *pari passu* with the Ordinary Shares then in issue save that they will not rank for any rights arising by reference to a date prior to the date of issue. Application will be made to AIM for the listing of any such newly issued shares.
  - (xii) The Approved Scheme will terminate on the tenth anniversary of its approval.
- (c) ***The Unapproved Scheme***  
 On 15th December, 1998 the Company issued invitations to participate in a share option scheme which has not been approved by the Inland Revenue under the Taxes Act (the “Unapproved Scheme”). The rules of the Unapproved Scheme are the same as the rules of the Approved Scheme except that:
- (i) the aggregate cumulative subscription price under options granted pursuant to the Unapproved Scheme may exceed the £30,000 limit referred to in (b)(iii) above;
  - (ii) options may be granted under the Unapproved Scheme to employees who are not UK resident;
  - (iii) options may be granted to non-payroll staff who have an ongoing contractual relationship with the company and who are key to the future success of the Company; and
  - (iv) an option may be granted under the rules of the Unapproved Scheme outside the time intervals specified in the rules of the Approved Scheme.

(d) ***The Old Scheme***

At the time the Company’s shares were originally admitted to AIM in October 1996, the Company had in existence an option scheme which had not been approved by the Inland Revenue under the Taxes Act (“the Old Scheme”). The outstanding options granted under the Old Scheme detailed in (a)(iii) above are exercisable at any time before 21st October, 2003. Of the aggregate subscription price, £2,758 will be payable by the option holders and the balance will be payable by way of capitalisation of the Company’s share premium account. Options granted under the Old Scheme will lapse in the event of the employee being dismissed for good reason (other than redundancy), or leaving the Company with the exception of those issued to Mr Whitehouse, a former Director of the Company whose options are exercisable at any time before 21st October, 2003.

It is not intended to grant any further options under the Old Scheme.

**5. Directors and Other Interests**

- (a) The interests of the Directors, all of which are beneficial (save as set out below), (including persons connected with them 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 Sections 324 and 328 of the Act as they appear or as they will appear in the Register of Directors’ Interests maintained by the Company under Section 325 of the Act are at present and immediately following completion of the Proposals will be as follows:

Directors	Number of Issued Ordinary Shares		Percentage of issued share capital after completion of the Proposals	Ordinary Shares under option before and after completion of the Proposals
	Before completion of the Proposals	After completion of the Proposals		
D. T. A. Simon	4,643,719*	4,643,719*	24.50*	Nil
I. R. Selby	Nil	Nil	Nil	75,000
K. R. Barnes	9,067	9,067	0.05	Nil
M. S. B. Crook	Nil	Nil	Nil	75,000

\*D. T. A. Simon’s interests include a non-beneficial interest in 102,750 Ordinary Shares.

- (b) Save as disclosed in (a) above, none of the Directors (or any person connected with them within the meaning of Section 346 of the Act) has any interest in the share capital of the Company or any of its subsidiaries.
- (c) In addition to the interests described in (a) above, the following persons are or were at some time in the 12 months preceding the date of this document entitled to exercise or control the exercise of 3 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the Company or its subsidiaries.

	<b>Number of Ordinary Shares</b>	<b>Percentage of issued share capital before completion of the Proposals</b>	<b>Percentage of issued share capital after completion of the Proposals</b>
Pershing Keen Nominees Limited TYCLT Acct	969,457	7.69	7.27%*
Sharelink Nominees Limited JMM Acct	745,257	5.91%	5.59%*
Swan Alley (Nominees) Limited POOL Acct	696,111	5.52%	5.22%*
Dunlaw Nominees Limited	485,531	3.85%	3.64%*

\*assuming that entitlements under the Open Offer are taken up in full.

- (d) Save as disclosed in (a) and (c) above, none of the Directors is aware of any interest (within the meaning of Part VI of the Act) which will immediately following completion of the Proposals represent 3 per cent. or more of the issued share capital of the Company or of any persons who directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.
- (e) Save as disclosed herein no Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was significant in relation to the business of the Mondas Group and which was effected and remains in any respect outstanding or unperformed.
- (f) No loans or guarantees have been granted or provided to or for the benefit of any of the Directors by any member of the Mondas Group.
- (g) The table below sets out the details of the current directorships and those held over the previous five years by each of the Directors:

<b>Name</b>	<b>Current Directorships</b>	<b>Directorships in previous 5 years</b>
<b><i>D. T. A. Simon</i></b>	Mondas PLC Mondas Information Technology Limited Mondas Computers Limited Mondas Consultants Limited Mondas Systems Limited Mondas Investments Limited Mondas Scandanavia AS Reality Communications (Internet) Limited	None
<b><i>I. R. Selby</i></b>	Mondas PLC Mondas Information Technology Limited Reality Communications (Internet) Limited	None
<b><i>M. S. B. Crook</i></b>	Mondas PLC Mondas Information Technology Limited Reality Communications (Internet) Limited	None
<b><i>K. R. Barnes</i></b>	11 Russell Street Management Limited Caledonian Venture Holdings Mondas PLC Royce Cook Associates Limited Sulis Innovation Limited	Barnes Thomson Management Limited Barnes Thomson Management Services Limited Computer Software Limited Firefox Communications Inc IPL Group PLC Pafec CAE Limited

- (h) Mr Simon was a director of Nature's Scents PLC which went into receivership in 1995 with a deficiency with regard to creditors of approximately £330,000 and Market Answers Limited which went into creditors voluntary liquidation in 1993 where the only unpaid creditor was Mr Simon.

Mr Barnes has been appointed as non-executive director of a number of small early stage information technology companies through his position as a director of various venture capital funds. Three companies of which he was a non-executive director were subject to receiverships:

- (i) Pharmasystems Limited went into receivership in 1994. At the time the administration order was made administrative, the estimated deficiency with regard to creditors was £500,000;

- (ii) Disc International Limited went into administrative receivership in 1989. At the time the administration order was made, the estimated deficiency with regard to creditors was £100,000;
  - (iii) World Press Centre Limited went into administrative receivership in 1991. At the time the administration order was made, the estimated deficiency with regard to creditors was minimal.
- (i) None of the Directors are partners in a partnership nor have been partners in any partnership in the five years preceding the date of this document.
  - (j) No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.
  - (k) Save as disclosed in paragraph 5(h) above, none of the Directors has been a director of any company at the time of or within 12 months preceding the date of its receivership, compulsory liquidation, creditors voluntary liquidation administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors and none of the Directors has been a partner of any partnership at the time of or within 12 months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been subject to receivership at the time of or within 12 months following the cessation of such directorship or partnership.
  - (l) On 12th August, 1996 Mr Simon entered into a service agreement with the Company. Under this agreement he is entitled to an annual salary of £48,000 together with a pension contribution of 15 per cent. of basic salary and a motor car allowance of £6,000 per annum with effect from 1st July, 1996. The agreement is terminable on twelve months' notice. The agreement also contains restrictions on Mr Simon from competing with the business of the Mondas Group within one year of termination of his employment. This was revised to an annual salary of £60,000 with effect from 1st February, 1999.
  - (m) On 7th December, 1998 Mr Selby entered into a service agreement with the Company. Under this agreement he is entitled to an annual salary of £50,000 together with a pension contribution of 15 per cent. of basic salary and a motor car allowance of £6,000 per annum. The agreement is terminable on six months notice. The agreement also contains restrictions on Mr Selby from competing with the business of the Mondas Group within one year of termination of his employment.
  - (n) On 26th April, 1999 Mr Crook entered into a service agreement with the Company. Under this agreement he is entitled to an annual salary of £50,000 together with a pension contribution of 15 per cent. of basic salary and a motor car allowance of £6,000 per annum. The agreement is terminable on six months notice. Mr Crook also received £13,000 during the year ended 30th April, 2000 under a company commission scheme. The agreement also contains restrictions on Mr Crook from competing with the business of the Mondas Group within one year of termination of his employment.
  - (o) The non-executive director is entitled to receive directors fees at the rate of £10,000 per annum and is subject to three months' notice.
  - (p) Save as disclosed above, there are no existing or proposed service agreements between any of the Directors and any member of the Enlarged Group.
  - (q) The aggregate remuneration including salaries, fees, pension contributions, bonus payments and benefits in kind of the Directors paid by any member of the Mondas Group during the financial year ended 30th April, 2000 amounted to £250,338. It is estimated that the aggregate remuneration and benefits in kind to be granted to the Directors for the financial year ending 30th April, 2001 under the arrangements in force at the date of this document will amount to approximately £260,000. The remuneration, grant of share options and benefits in kind of the Directors will be reviewed by the remuneration committee in the first week of October 2000.

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

### **(a) *Memorandum of Association***

The Memorandum of Association of the Company provides that its principal object is to act as a holding company. The full objects of the Company are set out in clause 4 of the Company's Memorandum of Association.

### **(b) *Articles of Association***

New Articles of Association ("the Articles") were adopted by the Company on 12th August, 1996 and amended pursuant to a resolution of the members of the Company passed on 22nd October, 1996. The Articles set out the rights attaching to the Ordinary Shares and contain, *inter alia*, provisions to the following effect:

(i) *Rights attaching to Ordinary Shares*

(a) Voting rights

Subject to the provisions of the Act and the Articles, at any general meeting on a show of hands every holder of Ordinary Shares who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every such holder present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share of which he is the holder.

(b) Dividends

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any other class of shares, the Company may by ordinary resolution declare dividends on the Ordinary Shares but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro rata according to the capital paid up (otherwise than in advance of calls) on the shares. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution. No dividends in respect of an Ordinary Share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

(c) Return of capital

On a winding up of the Company, the assets available for distribution amongst the members shall, subject to any provision made for employees under Section 719 of the Act and to the rights of any other class of shares, be used to repay to the holders of the Ordinary Shares the amounts paid up on those shares. The assets remaining after such repayment shall then belong to and be distributed amongst the holders of the Ordinary Shares in proportion to the number of such shares held by them respectively.

(ii) *Transfer of shares*

All transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares unless:

(a) it is in respect of a share which is fully paid up;

(b) it is in respect of a share on which the Company has no lien;

(c) it is in respect of only one class of share;

(d) it is in favour of a single transferee or not more than four joint transferees;

(e) it is duly stamped (if required); and

(f) it is lodged at the transfer office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

(iii) *Failure to disclose interests in shares*

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to Section 212 of the Act and has failed in relation to any shares ("the default shares") to give the Company the information thereby required within the prescribed period from the date of notice the following sanctions shall apply:

(a) the member shall not be entitled in respect of the (i) default shares or (ii) any other shares from time to time held by the member concerned to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

- (b) where the default shares represent at least 0.25 per cent. in nominal value of their class;
  - (1) any dividend or other money payable in respect of the default shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend;
  - (2) no transfer, other than an approved transfer as defined in the Articles pursuant to a takeover offer for the Company or a bona fide sale to an unconnected third party of any shares held by the member shall be registered unless:
    - the member is not himself in default as regards supplying the information required; and
    - the transfer is of part only of the member's holding and the member proves to the satisfaction of the Board that none of the shares comprised in the transfer are default shares.

The above sanction shall also apply to any shares in the Company issued in respect of the default shares (whether on capitalisation, a rights issue or otherwise).

(iv) *Changes in capital*

The Company may alter its share capital as follows:

- (a) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and subdivide its shares or any of them into shares of smaller amounts;
- (b) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner;
- (c) subject to the provisions of the Act, it may purchase or enter into any contract for the purchase of its own shares.

(v) *Variation of rights*

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one third of the nominal value of the issued shares of the relevant class.

(vi) *Directors' interests*

- (a) Except as provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal of any kind in which he has an interest which, either of itself or when taken together with any interest of any person connected with him, is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through, the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote.
- (b) Subject to the provisions of the statutes, a Director shall (if he has no other material interest beyond that indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
  - (1) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (2) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (3) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

- (4) any proposal concerning any other body corporate in which he is in any way interested (directly or indirectly) but in which he (either individually or together with persons connected with him within the meaning of Section 346 of the Act) is beneficially interested in less than one per cent. of the issued shares of any class of such body corporate (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant body corporate;
  - (5) any proposal concerning in any way a superannuation fund, retirement, death or disability benefits scheme or employees' share scheme under which he may benefit and which either (a) has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes or (b) relates both to employees and Directors of the Company (or any of its subsidiary undertakings) and does not give him any privilege or benefit not given to the employees to whom such scheme or fund relates;
  - (6) any proposal concerning the giving to him of any indemnity pursuant to the provisions of Article 139 or concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any Directors or for persons who include Directors.
- (c) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or other positions with the Company or any body corporate in which the Company is interested, the proposals may be divided and considered in relation to each Director separately. In any such case, each of the Directors concerned (if not barred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
  - (d) If a question arises at any time as to the materiality of a Director's interest or as to his entitlement to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fairly disclosed.
  - (e) The Company may by ordinary resolution suspend or relax the provisions relating to Directors' interests to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.
- (vii) *Directors' remuneration*
- The aggregate fees which the Directors shall be entitled to receive for their services in the office of director shall not exceed £50,000 per annum, or such other sum as may from time to time be determined by ordinary resolution of the Company. Such sum shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.
- All the Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. If by arrangement with the Board any Director performs any special duties or services outside his ordinary duties as a director or in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration, which may be a lump sum or by way of salary, commission, participation in profits or otherwise, as the Board may determine.
- (viii) *Appointment and share qualification*
- Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than alternate directors) shall not be less than two nor more than ten. A Director is not required to hold any shares by way of qualification.
- (ix) *Retirement and removal*
- At each annual general meeting one third of the Directors for the time being (or if the number is not a multiple of 3, the number nearest to but not exceeding one third) must retire from office by rotation. The Articles require a Director to vacate his office on attaining the age of 70 unless otherwise approved by the shareholders in general meeting. Without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, any Director may be removed from office by an ordinary resolution of which special notice has been given in accordance with Section 379 of the Act. In addition, the office of Director shall be vacated, without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, (*inter alia*) if a Director is requested to resign by notice in writing signed by all other Directors.

(x) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present or future) and uncalled capital and, subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (exclusive of intra-group borrowings and after deduction of cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 3 times the aggregate of:

- (a) the amount paid up (or credited as paid up) on the issued share capital of the Company; and
- (b) the amount standing to the credit of the capital and revenue reserves of the Company and its subsidiaries (including any share premium account, capital redemption reserve fund and credit or debit balance on any other reserve) after adding thereto or deducting therefrom any credit or debit balance on the profit and loss account, all as shown in the then latest published audited consolidated balance sheet of the Company and its subsidiaries but after adjustments as set out in the Articles.

(xi) *Unclaimed dividends*

Any dividend unclaimed after a period of 12 years from the date when it became due for payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

(xii) *Pension and other benefits*

The Board may exercise all powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or who has at any time been a director of the Company. For this purpose, the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums.

(xiii) *Capitalisation of Profits and Reserves*

The Board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account for the purposes of:

- (a) allocating such sum to the holders of Ordinary Shares on the register at the close of business on the date of the resolution in proportion to their then holdings of Ordinary Shares and using such sum on their behalf in paying up in full unissued Ordinary Shares; and/or
- (b) paying up the nominal value of (or any unpaid portion thereof) of up to 280,050 Ordinary Shares for allotment and distribution, credited as fully paid up, to option holders to subscribe for Ordinary Shares outstanding as at 22nd October, 1996.

## 7. **Material Contracts**

### ***Mondas***

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group during the two years preceding the date of this document and are or may be material:

- (a) an agreement dated 20th October, 1998 between the Company (1) and Mr T. Marienthal, Mr S. Lord and Mr N. Harte ("the Reality Management Vendors") (2) whereby the Company agreed to acquire all of the shares held by them in Reality Communications Scandinavia AS ("Reality"), being 45.76 per cent of the issued share capital of Reality, in exchange for the issue of 1,841,268 Ordinary Shares;
- (b) the Company's offer dated 20th October, 1998 and the acceptances thereof whereby the Company acquired the remaining 54.24 per cent of the issued share capital of Reality in exchange for the issue of 2,181,814 Ordinary Shares;
- (c) a deed dated 20th October, 1998 between the Company (1) and First Venture AS and Max Data AS (2) and Duncan Laurie Limited (3) whereby First Venture AS and Max Data AS agreed to indemnify the Company in respect of any claims made under the warranties, covenants or indemnities given by the Reality Management Vendors under material contract (a) above on a basis pro rata to their shareholdings in Reality;

- (d) a placing agreement dated 20th October, 1998 between the Company (1), certain directors and proposed directors of the Company (2), John East & Partners (3) and Townsley & Co (4) whereby Townsley & Co agreed, as agents for the Company, to use all reasonable endeavours to procure subscribers for a total of 2,414,518 Ordinary Shares at a placing price of 28 p per share for a fee of £5,000 satisfied by the issue, credited as fully paid, of 17,850 Ordinary Shares and the Company agreed to pay John East & Partners a fee of £60,000 (plus VAT) in connection with the placing and to re-appoint John East & Partners as nominated adviser for a period of two years and thereafter until terminated on three months notice, at an annual fee of £12,000 (plus VAT).
- (e) an agreement dated 20th October, 1998 between John East & Partners (1), Townsley & Co (2), the Company (3) and London International Corporate Finance Limited (“LICFL”) (4), under which LICFL undertook to the Company, John East & Partners and Townsley & Co that, except in certain circumstances including a takeover becoming or being declared unconditional, it would not dispose of any interest in the Company’s shares which it had acquired or might acquire for a period of 12 months from the date of Admission and for a period of 12 months thereafter except through the Company’s brokers;
- (f) the Acquisition Agreement dated 8th September, 2000 whereby MITL agreed to acquire the whole of the issued share capital of DSR for an aggregate consideration of £3.79 million to be satisfied at completion as to £3.31 million in cash and as to the balance by the issue, credited as fully paid, of a total of 964,708 Ordinary Shares.

Under the Acquisition Agreement the Vendors have given warranties as to good title and capacity and Mr D Ritchie, Mr T McClelland, Mr P Tanna and Mr B Snowe have given warranties and indemnities in respect of certain business and taxation affairs of DSR and its subsidiaries subject to agreed limits of liability. The Vendors have also given covenants not to engage in competitive businesses and not to solicit DSR’s customers or employees for a period of 2 years from completion.

Completion under the Acquisition Agreement is conditional, *inter alia*, on

- (i) the approval by the Company of the Acquisition in general meeting;
- (ii) the Placing Agreement becoming unconditional in all respects and Admission occurring no later than 23rd October, 2000.

Under the terms of their existing employment contracts with the DSR Group, Mr T McClelland, Mr B Snowe and Mr P Tanna will be entitled to receive a special bonus on completion of the Acquisition amounting in aggregate to £739,895 which is to be satisfied as to £675,357 in cash and as to the balance by the issue of 129,076 Ordinary Shares.

- (g) An agreement (“the Placing Agreement”) dated 8th September, 2000 between the Company (1), the Directors (2), John East & Partners (3) and Teather & Greenwood (4) whereby Teather & Greenwood have conditionally agreed as agents for the Company to use all reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price and for £3,000,000 nominal CULS at par.

The Company has agreed to pay John East & Partners in connection with the application for Admission a fee of £75,000 (plus VAT) and to re-appoint John East & Partners as nominated adviser for a further period of two years from Admission or, if later, following the publication of the audited accounts of the Company for the year ending 30th April, 2002, and thereafter until terminated on three months’ notice, at an annual fee of £18,000 (plus VAT). The Company has agreed to pay Teather & Greenwood a fee of £20,000 and a commission amounting to £177,000 out of which it will pay one-half of one per cent. to places in respect of the value of 3,979,632 Offer Shares at the Placing Price placed subject to recall under the Open Offer to places.

The Placing Agreement is conditional, *inter alia*, on the satisfaction of the following conditions on or before 9th October, 2000 (or such later date as John East & Partners, Teather & Greenwood and the Company may agree but not being later than 23rd October, 2000):-

- (i) Admission becoming effective;
- (ii) the passing of the Resolutions;
- (iii) the receipt of the subscription monies pursuant to the Firm Placing and the Placing and Open Offer and;
- (iv) the Acquisition Agreement having become unconditional in all respects (save for the condition relating to the Placing Agreement becoming unconditional in all respects) and completion in escrow (pending Admission) having taken place.

The Placing Agreement contains certain representations, warranties, indemnities and undertakings by the Directors and the Company to John East & Partners and Teather & Greenwood in relation, *inter alia*, to the accuracy of the information contained in this document. It also includes provisions which in certain circumstances permit John East & Partners and Teather & Greenwood to terminate their respective obligations under the Placing Agreement prior to Admission, including *force majeure* and where any of the warranties are found not to be true or accurate in any material respect.

Each of the Directors has undertaken that, except in certain circumstances including a takeover becoming or being declared unconditional, he will not dispose of any interest in the Company's shares or the CULS for a period of 12 months following Admission without the prior consent of John East & Partners and Teather & Greenwood and for a period of 12 months thereafter or, if earlier, the date of publication of the preliminary results of the Company for the year ending 30th April, 2002, without the consent of John East & Partners and Teather & Greenwood, such consent not to be unreasonably withheld or delayed.

- (h) Pursuant to the terms of an agreement dated 8th September, 2000 between John East & Partners (1), Teather & Greenwood (2), the Company (3), and the Vendors, Mr B Snowe and Mr P Tanna (4) each of the Vendors, Mr B Snowe and Mr P Tanna have severally undertaken to the Company, John East & Partners and Teather & Greenwood that, except in certain circumstances including a takeover becoming or being declared unconditional:
  - (i) during the first six months following Admission he will not dispose of any part of his holding of new Ordinary Shares at Admission without the written consent of John East & Partners and Teather & Greenwood;
  - (ii) during the subsequent six months he will not dispose of more than 10 per cent. of such holding without the written consent of John East & Partners and Teather & Greenwood; and
  - (iii) during the subsequent twelve months he will not dispose of more than an additional 10 per cent. of such holding without the written consent of John East & Partners and Teather & Greenwood, such consent not to be unreasonably withheld or delayed and then only through the nominated broker of the Company at that time.
- (i) the Loan Stock Instrument dated 8th September, 2000 constituting the CULS (a summary of the provisions of which is set out in Part V of this document).
- (j) two exchanges of letters dated 25th August and 8th September, 2000 respectively between the Company (1) and Foresight Technology VCT plc ("FTV") (2) pursuant to which FTV conditionally agreed to invest £900,000 in CULS at par and £100,000 in Ordinary Shares in the Company at the Placing Price. FTV also has the right to appoint a non-executive director of the Company (and to remove from office any person so appointed and to appoint another person in their place while it is the holder of not less than one million Ordinary Shares and/or CULS convertible into not less than one million Ordinary Shares when aggregated with any Ordinary Shares held) and the Company shall pay such director fees of £15,000 per annum. The Company has agreed to pay to FTV a negotiation and arrangement fee of £25,000 plus VAT in respect of this agreement together with the reasonable costs incurred by FTV's legal advisors up to £5,000 plus VAT.

## **8. Working Capital**

In the Company's opinion, having made due and careful enquiry, the working capital available to the Enlarged Group will, from Admission, be sufficient for its present requirements, that is for at least the 12 months following publication of this document.

## **9. Litigation**

- (a) On 4th May, 2000, the Company issued a notice of claim against Stephen Lord, Tony Marienthal and Nigel Harte, the principal vendors of Reality, alleging breach of certain warranties given by them in the acquisition agreement dated 20th October, 1998, as to the financial position of the Reality Group.

The Company has written to Mondus.com Limited threatening proceedings for trademark infringement and passing off.

Save as disclosed in this paragraph 9, there are no legal or arbitration proceedings (including any such proceedings which are pending or threatened against or being brought by any member of the Mondas Group) which have, or may have had during the twelve months preceding the date of this document, a significant effect on the Mondas Group's financial position.

- (b) There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened against or being brought by DSR or any of its subsidiaries) which have, or may have had during the twelve months preceding the date of this document, a significant effect on the financial position of DSR and its subsidiaries.

## 10. Taxation

The following paragraphs summarise advice received by the Directors about the tax position of shareholders (who are resident or ordinarily resident in the United Kingdom for tax purposes) of Ordinary Shares in the capital of the Company. The statements below do not constitute advice to any shareholder on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying on a trade in the United Kingdom through a branch or agency or United Kingdom insurance companies). Any investors who are in doubt as to their position should consult their professional adviser.

### (a) *Taxation of the Company*

The Company will be resident for tax purposes in the United Kingdom and will be liable to United Kingdom corporation tax at rates (depending on the level of its profits and number of associated companies for each accounting period), currently of between 20 and 30 per cent.

### (b) *Taxation of Investors*

The information given below is provided in summary form only and based on tax legislation as it exists at the present time.

#### *EIS reliefs – Income tax relief and capital gains deferral relief*

The intended activities of the Company are such that the Directors are advised that the Placing Shares and the Offer Shares will rank as eligible shares for income tax and capital gains deferral relief. The Directors have received provisional clearance from the Inland Revenue in respect of the Placing Shares and Offer Shares.

#### (i) *Income tax relief*

An investor subscribing for Placing Shares or Offer Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £150,000 for any given year of assessment at the lower rate of income tax. This is currently 20 per cent., providing on current rates, a maximum tax saving of £30,000. EIS relief is limited to the amount which reduces the investor's liability to nil.

#### (ii) *Capital Gains Deferral Relief*

A UK resident investor can defer the payment of capital gains tax due (on any asset), by reinvesting the gains arising on the sale of those assets into the EIS share issue.

#### *Income Tax and Dividend Income*

Advance Corporation Tax was abolished from 6 April 1999 by the Finance Act 1998. The Company will not therefore be required to account to the Inland Revenue for Advance Corporation Tax on dividends paid after that date. However, there is still a tax credit associated with such dividends which will be one-ninth of the cash received. The aggregate of the dividend and credit will form the individual's top slice of income. For individual shareholders resident in the United Kingdom for tax purposes, the tax credit will satisfy the whole of the lower or basic rate liability but higher rate tax payers will have to pay tax at the rate of 32.5 per cent. on the total of the dividend and tax credit. For United Kingdom resident individuals the tax credit will be available to be offset against the higher rate liability so that the net amount payable will equal 22.5 per cent. of the dividend and tax credit. The tax credit cannot, however, be reclaimed from the Inland Revenue where the tax credit exceeds the tax liability of a United Kingdom resident individual.

### (c) *VCT*

The intended activities of the Company are such that the Directors are advised that the Placing Shares and Offer Shares should qualify as relevant holdings for investment by Venture Capital Trusts. The Directors have received provisional clearance from the Inland Revenue in respect of the Placing Shares and Offer Shares.

### (d) *Stamp Duty*

No United Kingdom stamp duty will normally be payable on the issue by the Company of Placing Shares or Offer Shares or CULS. Transfers of Ordinary Shares or CULS for value, will normally give rise to a liability to United Kingdom ad valorem stamp duty, or stamp duty reserve tax, at the rate in each case of 50p per £100 of the amount or value of the consideration. Transfers under the proposed CREST system per paperless transfers of shares will generally be liable to stamp duty reserve tax.

**The above comments are intended as a general guide to the position under current law and practice in the UK and relate only to persons who are absolute beneficial owners of shares. They may not apply to certain classes of persons such as dealers. Any person who is in any doubt as to his or her tax position or who requires information which is more detailed than the general outline above, should consult his or her own professional adviser.**

## **11. Minimum Subscription**

The minimum amount which in the opinion of the Directors must be raised by the Firm Placing and the Placing and Open Offer in order to provide the sums required to be provided pursuant to paragraph 21 of Part IV of Schedule 1 of the POS Regulations is as follows:

(a) the consideration	£3.31 million
(b) expenses of the Proposals	£0.36 million
(c) commissions	£0.18 million
(d) repayment of borrowings	£Nil
(e) working capital	£2.30 million

## **12. General**

- (a) Save as disclosed herein there has been no significant change in the financial or trading position of the Group since 30th April, 2000, being the date to which the latest audited accounts of the Company and its subsidiaries were prepared.
- (b) Save as disclosed herein there has been no significant change in the financial or trading position of DSR and its subsidiaries since 31st March, 2000, being the date to which the latest audited accounts of DSR and its subsidiaries were prepared.
- (c) The costs and expenses of and incidental to the Proposals are estimated to amount to £537,000 excluding irrecoverable VAT all of which is payable by the Company. These include the cost of application for Admission, accountancy fees, legal fees, the cost of printing and advertising the Placing and Open Offer, the fees and expenses of the Registrars and the fees and commissions payable to John East & Partners and Teather & Greenwood (as described in paragraph 7 of Part VI of this document).
- (d) RSM Robson Rhodes have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their reports and the references to such reports and to their name in the form and context in which they appear and accept responsibility for their reports in accordance with paragraph 45(1)(b) (iii) of Schedule 1 of the POS Regulations.
- (e) John East & Partners have given and have not withdrawn its written consent to the publication of this document with the inclusion herein of its name in the form and context in which it appears.
- (f) Teather & Greenwood have given and have not withdrawn their written consent to the publication of this document with the inclusion herein of their name in the form and context in which it appears.
- (g) The subscription lists for the Firm Placing and the Placing will open at 9.00 a.m. on 8th September, 2000 and may be closed as soon thereafter as the Directors, in consultation with Teather & Greenwood, may determine.
- (h) Save as disclosed in paragraph 7(j) of this Part VII, no person (other than professional advisers referred to in this document) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.

## **13. Application Procedure**

Monies received from applicants pursuant to the Firm Placing and the Placing will be held in Teather & Greenwood's client account until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 23rd October, 2000, application monies will be returned (without interest) by first class post at the risk of the addressee. Certificates will be sent to successful applicants who do not wish to receive Offer Shares or CULS in uncertificated form by first class post at the risk of the applicant within 7 days of Admission.

## **14. Documents for Inspection**

Copies of the following documents may be inspected at the offices of Garretts at 180 Strand, London WC2R 2NN during usual business hours on any weekdays (Saturdays and public holiday excepted) for a period of 14 days following the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited accounts of the Company for the periods ended 30th April, 1999 and 30th April, 2000;
- (c) the audited accounts of DSR for the periods ended 31st March, 1999 and 31st March, 2000;
- (d) the Accountants' Reports contained in Parts III and IV;
- (e) the rules of the Old, Approved and Unapproved Schemes;
- (f) the service agreements and letter of appointment with the Directors and referred to in paragraph 5 of this Part VII;
- (g) the material contracts referred to in paragraph 7 of this Part VII of this document; and
- (h) the written consents referred to in paragraphs 12(d), (e) and (f) of this Part VII of this document.

**Copies of this document are available to the public, free of charge, at the offices of John East & Partners Limited, Crystal Gate, 28/30 Worship Street, London EC2A 2AH, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until 14 days from the date on which the Enlarged Issued Share Capital and the CULS are admitted to trading on AIM.**

8th September, 2000

# MONDAS PLC

## Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of John East & Partners Limited, Crystal Gate, 28-30 Worship Street, London EC2A 2AH at 10.00 a.m. on 3rd October, 2000 for the purposes of considering and, if thought fit, passing the following resolutions in the case of resolution numbered 1 as an ordinary resolution and in the case of resolution number 2 as a special resolution:

### ORDINARY RESOLUTION

1. THAT, subject to the admission of the Enlarged Issued Share Capital and the CULS (as such expressions are defined in the prospectus of the Company dated 8th September, 2000, of which the notice of the meeting at which this resolution is proposed forms part (the "Prospectus")) to the Alternative Investment Market of the London Stock Exchange becoming effective in accordance with the rules of the London Stock Exchange, the acquisition by the Company of all the issued and outstanding shares of DSR Holdings Limited pursuant to and upon the terms of a conditional agreement dated 8th September, 2000, entered into between D. S. Ritchie, T. McClelland and Others (1), the Company (2) and Mondas Information Technology Limited (3) (a copy of which has been produced to the meeting and initialled by the Chairman for the purposes of identification) or upon such other terms (not being materially different from those described in the Prospectus) as the Directors may consider appropriate, be and is hereby approved, and that the Directors be and are hereby authorised to do whatever they consider necessary or appropriate in connection with or for the purpose of completing the proposed acquisition.

### SPECIAL RESOLUTION

2. THAT, subject to the passing of resolution 1 set out in the notice of meeting of which this resolution forms part, and such resolution becoming unconditional:
  - (a) the capital of the Company be increased from £2,000,000 divided into 20,000,000 ordinary shares of 10p each ("Ordinary Shares") to £4,000,000 by the creation of 20,000,000 new Ordinary Shares identical in all respects with the existing Ordinary Shares of the Company; and
  - (b) the Directors be and they hereby are generally and unconditionally authorised (such authority to be in substitution for all existing such authorities) to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £2,267,173, such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2001 (unless previously revoked, renewed, extended, revised or varied by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired;
  - (c) the Directors be and they hereby are empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) wholly for cash pursuant to the authority conferred by the said resolution as if Section 89(1) of the Act did not apply to any such allotment, such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2001 (unless previously revoked, renewed, extended, revised or varied by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired, and provided further that such power be limited to:

- (i) the allotment of 6,305,925 new Ordinary Shares in connection with the Placing and Open Offer (as defined in the Prospectus);
- (ii) the issue of £3,000,000 nominal of 8 per cent. Convertible Unsecured Redeemable Loan Stock 2005 in the Company pursuant to the Firm Placing (as defined in the Prospectus);
- (iii) the allotment of equity securities in connection with an offer of equity securities by way of rights to holders of Ordinary Shares of the Company in proportion (as nearly as may be practicable) to their respective holdings of such Ordinary Shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
- (iv) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £100,057.

By Order of the Board

**Sally Johnson**  
Secretary

*Registered Office:*  
Rosemount House  
Rosemount Avenue  
West Byfleet  
Surrey KT14 6LB

Dated 8th September, 2000

**Notes:**

1. A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member. A Form of Proxy is enclosed.
2. The Form or Proxy, if used, and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's Registrars Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ not less than 48 hours before the time fixed for holding the Meeting.
3. Completing and returning a Form of Proxy will not preclude a member from attending in person at the Meeting and voting should he wish to do so.
4. In the case of a corporation, the Form of Proxy must be executed under its common seal or the hand of an officer or attorney duly authorised.
5. Members who hold Ordinary Shares in the Company in uncertificated form must have been entered on the Company's register of members by 6.00 pm on 29th September, 2000, in order to attend and vote at the Meeting. Such members may only vote at the Meeting in respect of Ordinary Shares in the Company held