

# Web Shareshop (Holdings) plc

## An Offer for Subscription

› The majority of private investors have had no access to  
the **new issues market**

**for  
years**

› On the rare occasions they have been invited  
to participate, it has been on

**unequal terms...**

...it's time for the system to

**change**

[www.webshareshop.com](http://www.webshareshop.com)



**Web Shareshop**  
New Issues Online

## Private Investors and New Issues

# PRESS COMMENT

"A number of readers have complained about their inability to get shares in new issues at the placing price. Their frustration is understandable because so many recent issues have shot to a big premium when dealing in them began."

*Financial Times 26/02/2000*

"Small allocations generally do not so much protect private investors as exclude them from potential pickings. It is one more way in which the whole sorry process of new issues leaves private investors as the losers."

*Daily Telegraph 04/04/2000*

"Companies such as lastminute.com are dependent on the goodwill of their registered subscribers, among which all their private investors are numbered, for the value of their brand... The investment banks and institutions are only now starting to find this out."

Private investors are seen by the banks as useful only to hold up the share price in secondary trading."

*Daily Telegraph 04/04/2000*

"This cosy set up has to change. The numbers alone argue for the greater inclusion of private investors; according to research by Merrill Lynch, there are 4 million people in the UK with £680 billion to invest, roughly the same sum as controlled by pension funds... British business should not be denied direct access to these funds."

*The Times 15/09/1999*

"The Exchange has forgotten about serving individual investors, preferring to see most new issues shuffled among a small, exclusive club of big City institutions, broking houses and their chums."

*Daily Mail 13/06/98*

"Private investors can make loyal shareholders and often loyal customers too... If companies beyond the top hundred made the effort, they could enjoy majority private shareholding. The best time to bring in the public is at flotation... but the public offer is moribund... Usually wheeled out only for big offers that need to spread their net."

*The Times 18/09/1999*

"The market doesn't work in favour of the small investor with new issues."

*Jeremy Batstone  
of NatWest Stockbrokers*

"The recent flotation of lastminute.com infuriated thousands of private shareholders who applied for shares in the company only to see their applications drastically scaled down... Because of the way new flotations work for private investors, they couldn't sell their shares on the first day of trading."

*Daily Mail 29/03/2000*

"The eXchange shares were issued at 200p and hit 238p on day one, more than 90% of the issue changed hands that day as institutions rushed to take profits... The prudent private investor had to wait, unable to trade for a week while the big boys had their fun. In that week the premium vanished as the price slipped below 200p... A similar system-big boys first-applied with the Freeserve flotation."

*Daily Mail 14/08/1999*

**THIS DOCUMENT IS IMPORTANT.** 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.

Application will be made for the Ordinary Shares of Web Shareshop (Holdings) plc 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 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 the Ordinary Shares to the Official List. Further, the London Stock Exchange has not approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange and no other such applications have been made.

This document is an Admission Document as required by the Rules of the London Stock Exchange governing the admission of securities to AIM. It comprises a prospectus which has been drawn up in accordance with the Public Offers of Securities Regulations 1995 ("POS Regulations"). A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations. To the best of the knowledge and belief of the Directors (whose names appear in Part I of this document) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept responsibility accordingly.

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## **WEB SHARESHOP (HOLDINGS) PLC**

(incorporated in England and Wales with registered number 3981468)

**Offer for Subscription of up to 10,000,000 Ordinary Shares of 1p each  
at 30p per Ordinary Share**

**and**

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

**Nominated Adviser**

**Grant Thornton**

**Nominated Broker**

**Keith, Bayley, Rogers & Co.**

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### **SHARE CAPITAL**

The Offer is conditional upon Admission to AIM.

Immediately following Admission, the authorised and issued share capital of Holdings will be as follows:

		<b>Based on minimum subscription issued and fully paid</b>		<b>Based on maximum subscription issued and fully paid</b>	
<b>Authorised Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>
£1,000,000	100,000,000 Ordinary Shares	£184,140	18,414,000 Ordinary Shares	£244,140	24,414,000 Ordinary Shares

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Grant Thornton, which is regulated by the Institute of Chartered Accountants in England and Wales, is acting as nominated adviser and Keith, Bayley, Rogers & Co., which is regulated by the Securities and Futures Authorities Limited, is acting as nominated broker for Web Shareshop (Holdings) plc in connection with the admission of its Ordinary Shares to trading on AIM. Neither Grant Thornton nor Keith, Bayley, Rogers & Co. is acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Grant Thornton and Keith, Bayley, Rogers & Co., respectively, or for advising any other person in connection with the public offer. The responsibilities of Grant Thornton, as nominated adviser, are owed solely to the London Stock Exchange.

Web Shareshop (Holdings) plc is a recently formed company with no trading record. An investment in Holdings is highly speculative, involves a high degree of risk and may result in the loss of the entire investment. The attention of investors is drawn to the risk factors set out in Part I of this document.

The subscription list for the Offer will open at 10.00 am on 14 June 2000 and may be closed at any time thereafter or when the Offer is fully subscribed, but not later than 3.00 pm on 19 July 2000 unless this deadline is extended by the Directors. Application Forms should be completed by Subscribers wishing to acquire Ordinary Shares under the Offer and returned with the appropriate remittance by hand or by post to Connaught St Michaels Limited, PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU so as to arrive as soon as possible but, in any event, not later than 3.00 pm on 14 July 2000 unless this deadline is extended by the Directors. The procedure for application is set out in Part VI of this Document and on the Application Form. The Offer has not been underwritten or guaranteed.

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## DEFINITIONS

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

<b>“Act”</b>	the Companies Act 1985, as amended;
<b>“Admission”</b>	admission of the Ordinary Shares to trading on AIM pursuant to paragraph 16.6 of the AIM Rules;
<b>“Airtime”</b>	Airtime Interactive Marketing Limited, a company incorporated in England and Wales as a limited liability company with registered number 2532816;
<b>“ALPs”</b>	ALPs FS Limited, a company incorporated in England and Wales as a limited liability company with registered number 2649138;
<b>“Application Form”</b>	the application form for use in connection with the Offer;
<b>“Board” or “Directors”</b>	the Directors of Holdings;
<b>“Company” or “Web Shareshop”</b>	The Web Shareshop Limited, a company incorporated in England and Wales as a limited liability company with registered number 3704802;
<b>“FSA 1986”</b>	the Financial Services Act 1986;
<b>“Group”</b>	Holdings and the Subsidiaries;
<b>“Holdings”</b>	Web Shareshop (Holdings) plc, a company incorporated in England and Wales as a public limited liability company with registered number 3981468;
<b>“KBR”</b>	Keith, Bayley, Rogers & Co., Ebbark House, 93/95 Borough High Street, London SE1 1NL;
<b>“New Issue Investment”</b>	The New Issue Investment Company Limited, a company incorporated in England and Wales as a limited liability company with registered number 3933442;
<b>“New Issues On Line”</b>	New Issues On Line Limited, a company incorporated in England and Wales as a limited liability company with registered number 3742723;
<b>“Offer”</b>	the offer for subscription of up to 10,000,000 Ordinary Shares by Holdings as described in this document;
<b>“Offer Price”</b>	30 pence per Ordinary Share;
<b>“Ordinary Shares”</b>	ordinary shares of 1p each in Holdings;
<b>“Placings Club”</b>	the core activity of the Company as described in Part I of this document;
<b>“Prospectus”</b>	this document;
<b>“Registrars”</b>	Connaught St. Michaels Limited, PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“SRO”</b>	self-regulating organisation which is governed by the FSA 1986;
<b>“Subscribers”</b>	persons who subscribe for Ordinary Shares under the Offer; and
<b>“Subsidiaries”</b>	Web Shareshop, New Issues On Line and New Issue Investment.

## GLOSSARY

The following terms apply throughout this document and the Application Form, unless the context requires otherwise:

<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>"Category A1"</b>	the level of authorisation assigned by the PIA which permits such entities that have it to, <i>inter alia</i> , deal as principal and agent for investors, manage investments, arrange transactions, give investment advice and hold client money;
<b>"Category B3"</b>	the level of authorisation assigned by the PIA which permits such entities that have it to, <i>inter alia</i> , receive orders from investors for securities and units in collective investment schemes and transmit them to certain financial institutions and to give investment advice;
<b>"CREST"</b>	the computerised settlement system to facilitate the transfer of title in shares in uncertificated form, operated by CRESTCo Limited;
<b>"EASDAQ"</b>	European Association of Securities Dealers Automated Quotation;
<b>"London Stock Exchange"</b>	London Stock Exchange Limited;
<b>"new issues"</b>	an initial public offering by a company being admitted on a recognised stock exchange;
<b>"nominated adviser"</b>	a person who assumes certain responsibilities as set out in the AIM Rules;
<b>"offer for sale"</b>	a method of bringing a company to the market where the public can apply for existing shares directly at a fixed price;
<b>"offer for subscription"</b>	a method of bringing a company to the market where the public can apply for new shares directly at a fixed price;
<b>"Official List"</b>	the Official List of the London Stock Exchange;
<b>"PIA"</b>	the Personal Investment Authority Limited;
<b>"placing"</b>	a method of bringing a company to the market where shares are allocated to specified investors rather than offered to the public generally;
<b>"POS Regulations"</b>	the Public Offers of Securities Regulations 1995, as amended; and
<b>"sponsors"</b>	stockbrokers, investment banks and others presenting companies for listing on the Official List and nominated advisers.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Non-Executive Chairman</b>	John McNair	
<b>Executive Directors</b>	Eirion Andrew Charles Neubauer, Managing Director John Woolgar, Business Development Director Robert Stephen Wilkinson ACA, Finance Director Ulick Simon Burke FCIFA, Compliance Director	
<b>Non-Executive Director &amp; Company Secretary</b>	John Watkins FCA all of: 77/83 Walnut Tree Close, Guildford, Surrey GU1 4UH	
<b>Registered Office</b>	Onslow Bridge Chambers Bridge Street Guildford Surrey GU1 4RA	
<b>Principal Place of Business</b>	77/83 Walnut Tree Close Guildford Surrey GU1 4UH	
<b>Website</b>	<a href="http://www.webshareshop.com">www.webshareshop.com</a>	
<b>Nominated Adviser</b>	Grant Thornton Enterprise House Isambard Brunel Road Portsmouth Hampshire PO1 2RZ	
<b>Nominated Broker</b>	Keith, Bayley, Rogers & Co. Ebbark House 93/95 Borough High Street London SE1 1NL	
<b>Solicitors to Holdings</b>	Clyde & Co Beaufort House Chertsey Street Guildford Surrey GU1 4HA	
<b>Solicitors to the Company</b>	Ronaldsons 55 Gower Street London WC1E 6HQ	CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD
<b>Auditors and Reporting Accountants</b>	Smith & Williamson Onslow Bridge Chambers Bridge Street Guildford Surrey GU1 4RA	
<b>Public Relations</b>	Brunswick Group Limited 16 Lincoln's Inn Fields, London WC2A 3ED	
<b>Principal Bankers</b>	HSBC Bank plc 168 High Street, Guildford GU1 3YU	
<b>Registrars</b>	Connaught St Michaels Limited PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU	

## OFFER STATISTICS

Offer Price	30p
Number of Ordinary Shares to be offered in the Offer	10,000,000
Number of Ordinary Shares in issue following the Offer (assuming maximum subscription)	24,414,000
Total maximum proceeds under the Offer	£3,000,000
Net maximum proceeds of the Offer receivable by Holdings	£2,750,000
Total minimum proceeds under the Offer	£1,200,000
Net minimum proceeds receivable by Holdings	£1,000,000
Market capitalisation following the Offer at the Offer Price (assuming maximum subscription)	£7,324,200
Proportion of enlarged issued ordinary share capital being offered	40.96%

## EXPECTED TIMETABLE OF EVENTS

Latest time and date for receipt of Application Forms and payment in full under the Offer	3.00 pm on 14 July 2000
Announcement of results of the Offer	10.00 am on 21 July 2000
Despatch of definitive share certificates by	26 July 2000
Admission and dealings commence in the Ordinary Shares on AIM	31 July 2000





**Web Shareshop**  
(Holdings) plc  
New Issues Online

77-83 Walnut Tree Close  
Guildford / Surrey / GU1 4UH

Email: [info@webshareshop.com](mailto:info@webshareshop.com)

9 June 2000

Dear Private Investor

The business described in this prospectus is about empowering you, and thousands like you, to participate in new share issues on equal terms with City institutions.

Since 1996, companies coming to the London Stock Exchange have been under no obligation to offer shares directly to the public. Without that obligation, economic and regulatory pressures have acted to ensure that most new issues are undertaken as placings, with the shares being earmarked for City institutions and perhaps the sponsoring broker's own clients. As a consequence, most private investors are effectively locked out of the new issues market.

Even on those rare occasions when you are offered the chance to participate in a new issue with a public offer, you may find that the number of shares you are allocated is but a fraction of the number you applied for. You may also find yourself out of funds for a substantial period of time, and delays in receiving confirmation of your allocation may prevent you from being able to profit from an early premium in the share price.

We at Web Shareshop believe this is wrong and propose to offer private investors a better deal by providing them with the facility to invest in new issues and placings on a similar basis to institutions. With the funds raised from this Offer we will extend our website to include a Placings Club, bringing private investors together and co-ordinating their response to a new issue, and, we believe, thereby removing the disincentive for sponsors to include them on their placing lists. By using the speed and efficiency of the internet, we believe we can ensure that successful applicants are free to deal the minute that trading commences on a stock market.

Our purpose is to provide a shop window on new issues where the private investor can view prospectuses as they are published and choose freely whether to participate in an issue or not. We ourselves will not act as sponsors to any issue. We are not stockbrokers and we will not provide advice. Our function is simply to offer private investors access to the new issues market, within a secure and efficient administrative framework.

Web Shareshop's plans are set out in more detail in the following pages of this Prospectus. Should you decide to invest in Web Shareshop (Holdings) plc under this Offer, you will be guaranteed free membership of the Placings Club\* for as long as you hold a minimum number of shares.

I look forward to welcoming you as both a shareholder and a Placings Club member.

Yours sincerely

John McNair  
CHAIRMAN

Web Shareshop (Holdings) plc  
Registered in England and Wales No. 3981468  
Registered Office: Onslow Bridge Chambers,  
Bridge Street, Guildford GU1 4RA

\* Subject to status and conditions of membership.

## **KEY INFORMATION**

The following information is derived from, and should be read in conjunction with, the full text of this document.

### **Web Shareshop's Business**

Web Shareshop was incorporated in 1999 to promote and facilitate private investor participation in new stock market issues. Holdings was incorporated in 2000 to acquire Web Shareshop in anticipation of this Offer.

In pursuit of its goals, Web Shareshop uses the internet, but is not an internet business in the classic sense. It provides services to private investors interested in new issues, to companies raising equity or managing their shareholder relationships and to sponsors of new issues seeking to broaden their distribution to the growing private investor sector.

The revenues of the business will be developed to include:

- commissions on public offers;
- online investor relations fees, conference and exhibitions revenues;
- transaction handling fees for processing share applications in new issues; and
- subscription revenues from private investors, including membership fees for the innovative Placings Club.

The Directors believe that the key strengths of the business are:

- its positioning in a growing market;
- its strategy of collaboration rather than competition with the investment banking and broking community;
- innovation in bringing placings to the private investor;
- a developed model for building a large register of active private investors; and
- the strong technical and market knowledge and experience of its management team.

### **Growth Strategies**

Web Shareshop's strategies for growing a profitable business are to:

- build a register of at least 30,000 active private investors through direct marketing;
- build on existing relationships with sponsors and companies planning to float to ensure the website features at least 12 new issues a year;
- develop broad sources of revenue to provide stability through periods of short-term volatility in the new issues market, by marketing online investor relations services and by securing agreements with conference and other events managers; and
- maintain a low overhead base, responsive to activity levels, by restricting itself to a small team with essential skills and by sourcing other operations from outside the Group.

## **Risk Factors**

Investors' attention is drawn to the Risk Factors set out in paragraph 17 of Part I of this Prospectus.

## **The Offer**

The funds to be raised by the Offer will enable the Company to develop further its website, to satisfy the PIA's capital adequacy requirements for Category A1 registration and to undertake the marketing initiatives referred to above.

### **Shareholders' Privilege:**

**Membership in the proposed Placings Club will be strictly limited in number.**

**Investors under the Offer continuing to hold at least 7,000 Ordinary Shares will be guaranteed Placings Club membership\* free of subscription.**

**Buyers in the after-market will be required to hold at least 15,000 Ordinary Shares to qualify for guaranteed membership\* at rates to be determined.**

\*Subject to status and conditions of membership.

## PART I

### INFORMATION ABOUT THE GROUP

#### 1. Introduction and background

Web Shareshop was formed in 1999 to promote and facilitate private investor participation in new issues. Through use of the internet, Web Shareshop will give private investors greater access to new issue opportunities and provide companies seeking to raise capital with the means to extend their shareholder base beyond the confines of City institutions.

Web Shareshop commenced operations in December 1999 as an appointed representative regulated by the PIA, authorised to undertake Category B3 investment business. Earlier this year, the Company raised £527,000 in a placing to private investors that exceeded its upper target by 40 per cent. The initial development of the Company's website, which is now complete, and the purchase of hardware and third party software will be funded from these monies, leaving approximately £225,000 retained in cash for working capital. The Company's website at [www.webshareshop.com](http://www.webshareshop.com) will enable the Directors to develop revenues from:

- commissions on public offers for sale or subscription;
- commissions on investment, unit and venture capital trusts which may be featured on the website; and
- the provision of online investor relations services to small and mid-cap companies.

Further details of the Company's intended revenue streams are given below.

The majority of new issues come to the market by means of placings with the shares earmarked for City institutions and favoured private clients of the issuer's stockbrokers. The principal purpose of this Offer is to fund the extension of Web Shareshop's services to enable private investors to participate in placings as well as public offers.

The Directors believe that there is considerable appetite amongst UK private investors for participation on equal terms with City institutional investors in such placings. With legal advice and using the high speed and low cost of the internet, Web Shareshop has developed, and proved in operation, an innovative mechanism to overcome perceived regulatory and logistical barriers to such participation.

Through membership of its Placings Club the Directors intend to build a loyal database of subscribing private investors, with substantial placing power, and thereby to create a significant new distribution channel to serve the new issues market.

Web Shareshop has assembled a management team which the Directors believe has the necessary share market experience, technical skills and regulatory knowledge to market the Company's services successfully in the UK. It is intended that the business will be run on a low and flexible overhead base, offering the potential to achieve profits in its second full year of operation following the closure of the Offer. Illustrative financial projections for the business have been included in Part IV of the document.

Web Shareshop is, and will be, the principal operating company in the Group and is currently seeking Category A1 PIA registration. Holdings, which acquired Web Shareshop by the issue of 14,413,998 Ordinary Shares, is the company issuing shares on the terms set out in this Prospectus.

#### 2. Revenue earning activities

It is the Directors' intention to develop the following sources of revenue:

##### *Commissions on public offerings and investment, unit and venture capital trust issues*

The Directors intend to make the Company's website a shop window for a broad range of new issues.

In offers for subscription or for sale, Web Shareshop will offer sponsors online distribution of prospectuses, for a commission, typically in the order of 1 per cent. to 1.5 per cent. of the value raised. Web Shareshop will encourage sponsors to include a public offer in their new issues by relieving them of the perceived extra administrative burden that they would incur without internet distribution.

Web Shareshop will also earn commission on sales of other new issues such as investment, unit and venture capital trusts which may be featured on the site. Such commissions will typically be earned at a rate of around 3 per cent. of the value raised.

#### ***Share transaction fees***

Web Shareshop will earn transaction fees from handling successful applications in new issues offered through its website. Web Shareshop does not intend to provide a subsequent share dealing service.

#### ***Online shareholder communications***

The internet offers the opportunity to improve the speed and regularity of communication by companies with their private shareholders. The Directors believe that many companies which recognise the benefits of private shareholders are discouraged for cost and administrative reasons from providing a regular flow of information to their shareholders. Web Shareshop intends to offer a timely and cost-efficient service, re-processing information already in the public domain. Such information is currently seldom provided to investors in small and mid-cap companies. Its availability should tend to reduce price volatility. Web Shareshop will seek retainers depending on the size of the shareholder register of the company.

#### ***Internet conferences and exhibitions for shareholders and companies***

As a natural extension of the above services to both private investors and companies, Web Shareshop will participate in investor conferencing and exhibitions, through arrangements with companies already operating in the events market. Such events may be offered in a physical location or online.

#### ***Subscription income from private investors for membership of the Placings Club***

Important to the future development of the Company's activities will be the Placings Club – the opportunity for private investors to participate on a level playing field with City institutions in the potentially highly profitable new issues placings market.

Membership of the Placings Club will be on an annual subscription basis, priced initially at £250. Membership will be strictly limited to minimise disappointment on share allocations, but investors in this Offer who continue to hold a minimum of 7,000 Ordinary Shares (or such scaled down number as may be set in an oversubscription for the Offer) will be guaranteed free membership of the Placings Club\*. Shareholders buying in the after-market must hold at least 15,000 Ordinary Shares to be guaranteed membership of the Placings Club\*. The Directors will annually review subscription rates for such shareholders.

Web Shareshop has decided not to accept banner advertising on its website. The Directors believe that on a site for serious investors such advertising is distracting, inappropriate, may compromise the Company's non-advisory stance and provides an unreliable income stream. Its absence will help to distinguish the site from less customer-orientated competitors and may encourage visitors to return.

### **3. Value of the business**

The Directors believe that Web Shareshop's value lies in the Company's ability to successfully:

- Build a significant register of active private investors  
The Directors intend to achieve this by direct contact with its database which already comprises over 100,000 private investors and by active campaigning on behalf of private investors.
- Develop relationships with sponsors and companies having ambitions to float  
Web Shareshop's Directors have existing relationships with a number of sponsors and several small and mid-cap companies. The Directors believe that their strategy of collaboration rather than direct competition with sponsors will secure Web Shareshop a flow of new issues, the first of which has already been completed.

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\* Subject to status and conditions of membership.

- Develop revenue streams for both good and bad market conditions

The Directors recognise that the new issues market is subject to short-term volatility. They believe, however, that in depressed markets the attraction to sponsors of Web Shareshop as a partner in marketing new issues should be enhanced. They also believe that proposed subscription services for private investors and investor relations services for companies should provide, at least in part, a balance to the cycle of new issues business.

- Operate with a low fixed overhead base, with further costs responsive to activity levels

The business will be run by a small team, with the essential core attributes of knowledge of new issues processes, respect among the broking community, sound understanding of and skills in implementing internet technologies and awareness of issues facing small and mid-cap companies. Many other elements of the Company's operations will be outsourced on a contract basis enabling costs above a fixed base to vary with activity levels. In particular, contracts with Airtime, a software house specialising in cash-handling and other financial transaction processing systems, for the provision of operational and administrative support services provides the Company with access to skills and resources which it would be uneconomic for the Company to provide for itself (see Material Contracts in Part V of this document).

### ***Future potential***

The Directors believe that there is considerable potential for future extension of Web Shareshop into other stock markets and related activities, through organic growth, joint ventures and acquisitions.

### ***Illustrative financial projections***

Financial projections for the three years ending 31 July 2003 have been provided in Part IV of this document. They show, on an illustrative basis only, a loss before taxation of £661,000 (including a 100 per cent. write off of £250,000 in respect of website design and software development costs) for the period from the closure of this Offer to 31 July 2001, followed by pre-tax profits of £99,000 and £1,107,000 for the years ending 31 July 2002 and 2003, respectively.

Investors' attention is drawn to the assumptions on which these illustrative financial projections have been based, which are set out in Part IV of this document.

## **4. Background to the new issues market**

Web Shareshop provides a new channel for the distribution of shares in new issues, working alongside stockbrokers and other sponsors to change current market practice and meet private investor demand for participation.

### ***Private investor demand***

The share dealing public is becoming more active and growing in number. There are estimated to be four times as many direct shareholders in the UK as in 1980 and the total value of private investor trades has risen by over 250 per cent. since 1996 alone. Private investors' increasing interest in UK equity markets has been in part a reaction to spectacular gains recorded by recent new issues. As an example, the average gains up to 20 April 2000 for all new issues launched during 1999 on AIM and the Official List were 284 per cent. and 109 per cent. respectively.

Although these gains were exceptional, they have further alerted private investors to the considerable potential of the new issues market. They are increasingly aware of their limited access to this market and, the Directors believe, will wish to have the opportunity to participate on equal terms with City institutions.

Internet-based communications systems now make this possible. Whilst Web Shareshop's services will only be available to users of the internet, internet access amongst private investors is particularly high and is growing rapidly.

All of the above factors encourage the Directors to believe that large numbers of private investors will register online at the Company's website with a view to participating in the new issues market.

### ***The supply of new issues***

The new issues market is governed by law and by the regulations of the stock market upon which the shares are to be traded. This system has created a complex, regulated environment in which companies wishing to raise equity capital require an authorised sponsor.

Sponsors and stockbrokers guide companies coming to the market and place their newly issued shares. When a new issue is floated the shares are generally sold direct to institutions and favoured private clients by means of a placing. The price at which new issues are so placed is generally lower than the expected market value. This is in the interest of those involved, as the downside of a falling price after flotation is potentially damaging to a company's ability to raise money in the future, as well as to a broker's reputation.

It is hardly surprising therefore that close and exclusive relationships have developed between stockbrokers and their institutional clients on new issues. The practice is both legitimate and, to date, justified by the delay and cost involved in opening such issues more widely to ordinary private investors. The ability to offer shares to large numbers of private investors through the internet will, however, offer a huge new marketplace for these offerings. The Directors believe that this will make it increasingly difficult for institution-only stockbrokers to convince companies that a 'closed' distribution will give them the best price for their shares.

A flow of new issues, although subject to short term volatility, continues throughout the stock market cycle. Recent activity levels, particularly in the Alternative Investment Market, have risen sharply. The Directors believe that the current business climate and attitudes of government to business investment will mean that capital raising will continue, even in depressed markets.

## **5. Marketing strategy**

### ***Creating a virtuous circle***

Web Shareshop intends to lobby government, companies and brokers through an active public relations campaign for reduction of current restrictions on private investors' access to new issues. The purpose of this campaign will be to increase the number of new issues made available to private investors and, in the process, to raise awareness of Web Shareshop's services and website.

As a result, the number of active private investors registered on the site is expected to increase, which should establish Web Shareshop as a significant player in the new issues market with acknowledged placing power. Those sponsors which recognise the potential of Web Shareshop's distribution may thus be encouraged to offer their new issues through the site, creating in turn the means of attracting more private investors to register.

### ***Promoting Web Shareshop's services to sponsors and companies***

As well as offering its services to sponsors, Web Shareshop will also encourage companies to recognise the benefits of private investor participation and insist on it in their own issues. By means of this dual approach, the Company intends to bring pressure on the industry to include internet-based public offers in a much higher proportion of new issues.

### ***Serving the common interests of companies and their shareholders***

It is in the interests of both private investors and companies to ensure a flow of information to enhance the liquidity of the after-market. Web Shareshop will be well placed, whether or not it has assisted in the new issue process, to offer cost-effective help in managing their investor relationships.

### ***Maintaining independence***

Web Shareshop will not promote issues, advise on investment nor take positions in new issue shares except where this would benefit distribution. By maintaining an independent stance, the Company intends to develop a high level of trust with its audience. Both the website and the opportunities offered through it will be designed to bring benefits to this audience, with clear disclosure of the fees chargeable by Web Shareshop.

## **6. Competitive strengths**

There are a number of online retail distribution sites offering participation in new issues, a welcome recognition of the potential of this market. The Directors believe that Web Shareshop benefits from the following competitive strengths:

### ***Independence from investment banks and brokers***

Web Shareshop's service complements the role of the established broking community. Some other online new issues companies, classing themselves as online investment banks, present a clear threat to established brokers. As a result, the issues they offer to their subscribers may be limited to their own sponsorships. Web Shareshop, on the other hand, will seek to develop relationships with a range of sponsors in order to offer a wider range of new issue opportunities on its site. Web Shareshop is thus not a tied distribution arm of a single broker or investment bank offering only those new issues sponsored by its parent institution.

### ***Dedication to the interests of private investors***

Web Shareshop will offer its services to ordinary private investors, with minimum investment criteria in placings set closer to £1,000 rather than the £25,000 minimum set by at least one online competitor. Web Shareshop has no hidden agenda in offering services to private investors. Some other web-based new issues companies provide services to private investors which are secondary to their groups' main revenue streams of share registration, financial public relations, share trading or position taking. Web Shareshop intends to be an active, high profile campaigner on behalf of private investors.

### ***Dedicated, comprehensive, independent coverage of the new issues scene***

Web Shareshop intends to offer comprehensive information both before and after new issues on all new issue companies, not restricted to those companies which Web Shareshop helps to bring to the market.

### ***Technical and market knowledge and experience***

The development of a new mechanism for private investor participation in placings is, the Directors believe, a demonstration of the management team's ability to be innovative and lead in this market.

### ***A business model based on subscription and other revenues rather than on internet advertising***

The emphasis of the business will be on revenue generating, transaction-based services to private investors and company information services. The business is not reliant on any internet advertising revenues. The Directors believe that informed and interesting content uncluttered by internet advertising has a greater chance of developing visitor loyalty and securing a customer base of subscribers.

### ***Regulated financial intermediary***

Part of the proceeds of this issue will be used to provide the necessary capital adequacy deposit to support the Company's application to the PIA for Category A1 status, for which, in all other respects, the Directors believe the Company should qualify. This status will offer a significant advantage over any competitors who do not have it. The regulatory approval process is, of course, not a barrier to conventional brokers seeking to establish websites, but it is a real barrier to unregulated website creators.

## **7. Intellectual property and proprietary rights**

A domain name is a website's internet address. The Company has registered the domain name "webshareshop.com" and the other domain names used in the business.

The Company also owns the graphic designs and publicity material and holds a licence in perpetuity for the use of the software developed for the site from Airtime.

Each of the above intellectual property rights is an important asset of the Company. The Directors believe those intellectual property rights are fundamental to the Company's business.

## **8. Financial information**

The Company commenced operations in December 1999, but has only recently commenced revenue-generating activities. For the period ended 31 January 2000, the audited accounts of the Company show a



loss before taxation of £45,000. The accountants' report in respect of the Company for the period ended 31 January 2000 is set out in Part III of this document.

Holdings was incorporated in April 2000 and has not traded. The accountants' report in respect of Holdings for the period from incorporation to 30 May 2000 is set out in Part III of this document.

## **9. Regulatory considerations affecting the business**

### ***Financial Services Regulation***

The provision of a number of financial services in the UK is governed by the FSA 1986. Some of the services provided on the Company's website are regulated under the FSA 1986. In order to offer these services, a company must be authorised by one of the SROs that fall under the control of the Financial Services Authority. The Company is currently operating as an appointed representative of ALPs, which is authorised by the PIA as a Category B3 company to provide these financial services. This permits Web Sharesop to arrange transactions but not to act as principal. An application process for Web Sharesop to be directly authorised as a Category A1 firm with the PIA has commenced, which would permit the Company to act as principal.

The FSA 1986 governs some of the content the Company will put on its website. The Company will maintain, initially through ALPs, but in-house following confirmation of Category A1 status, strict editorial review procedures to ensure compliance with the FSA 1986.

### ***Regulation of the internet***

There is no specific regulator for the internet in the UK.

## **10. Reasons for admission to AIM**

The Directors consider that Admission will enhance the profile of the Group, thereby assisting the development of the Group's business. The capital raised by the Offer will provide the Group with the working capital needed for its development and to satisfy the capital adequacy deposit required by the PIA.

## **11. Use of proceeds**

The minimum proceeds of the Offer available to Holdings of £1,200,000, less expenses of £200,000, will enable Holdings to:

- further develop the website, including permitting the Placings Club to operate online;
- undertake direct marketing initiatives to recruit private investors to subscribe for the services available on the website;
- participate in investor conferencing;
- campaign to raise awareness of the Company and the issues affecting private investor participation in new issues; and
- meet the PIA's capital adequacy requirement for the Company to operate under Category A1.

The following is a summary of the estimated amounts to be applied in relation to the activities set out above:

	<i>£'000</i>
Website and systems development	175
Marketing and PR	185
Category A1 capital adequacy deposit	420
	<hr/> 780 <hr/>

The balance of the net proceeds, together with its existing cash reserves of approximately £225,000, will provide the Group with the necessary working capital to finance the anticipated growth of the business.

Additional funding up to the maximum subscription of £3 million (£2.75 million net of expenses) will permit Holdings to pursue acquisitions of, or joint ventures with, appropriate businesses.

## **12. Directors and senior management**

*The Non-Executive Chairman is:*

### **John McNair, aged 64**

A chartered accountant and member of the London Stock Exchange from 1983 until 1995. A former senior management consultant at Coopers & Lybrand, he joined Rolls Royce in 1973 where he became finance director of the Aero-Engine Division. In 1980 he left Rolls Royce to become the finance director of Smith New Court, market makers and stockbrokers. He left Smith New Court in 1989. Since that time he has been a director of several small to medium sized companies, both quoted and unquoted. He is a founder director and shareholder of Airtime.

*The Executive Directors are:*

### **Andrew Neubauer, aged 39, is the Managing Director**

He was employed by Smith New Court, the market makers and stockbrokers, on the London Stock Exchange from 1984 until 1988 and was responsible for the firm's technology refit in the run up to the Big Bang. In 1986 he was appointed managing director of that company's technology subsidiary. He ran his own private consultancy in securities technology systems between 1989 and 1991, when he founded Airtime, of which he is the Chief Executive and controlling shareholder.

### **John Woolgar, aged 60, is the Business Development Director**

A former stockbroker, he has 35 years substantial and diverse City experience, principally involving private investors in smaller companies. As a former corporate adviser he sought and raised funds for over 30 companies by way of Official List and Unlisted Securities Market flotations, Business Expansion Scheme and Enterprise Investment Scheme private placings. He conceived the idea of Web Sharesop as a cost effective method of attracting large numbers of private investors into new issues and as a delivery system for private funds into placings.

### **Rob Wilkinson ACA, aged 41, is the Finance Director**

A chartered accountant, he was a senior corporate finance manager at Price Waterhouse for five years before becoming the finance director of Campari UK Limited and group treasurer of Campari International plc. Most recently he was group managing director of Niagara Holdings plc, the UK market leader in adjustable beds. Since leaving Niagara he has become finance and operations director of Veos plc, which successfully floated on AIM in December 1999. He is also a director of an internet start up operating in the equestrian market.

### **Simon Burke FCIFA, aged 43, is the Compliance Director**

A practising independent financial adviser since 1984, having entered the industry in 1974 with Legal and General, where he received six years initial training. He is a founder director and substantial shareholder of ALPs, a Category B3 PIA authorised business, from which the Web Sharesop derives its appointed representative status.

*The Non-Executive Director and Company Secretary is:*

### **John Watkins FCA, aged 56**

A chartered accountant and partner in Ernst & Young, London until taking early retirement in 1997 to pursue a wider variety of interests. Prior to that, between 1972 and 1989 he was a partner in Neville Russell, London. Since 1997 he has practised on his own account and is a director of a number of companies.

The Directors believe that it is important to have a balance of non-executive and executive directors and intend to appoint one additional non-executive director.

## **13. Share options**

The Board intends to establish share incentive schemes of up to 10 per cent. of the issued share capital of Holdings as enlarged by this Offer for the benefit of management and employees of the Group. Holdings has committed to grant share options to Andrew Neubauer over 5 per cent. of the issued share capital of Holdings as enlarged by this Offer at an option price of 35p per Ordinary Share, exercisable within five years after the date the options are granted. The remaining 5 per cent. has not yet been allocated.

#### **14. Corporate governance**

The Board recognises the importance of sound corporate governance whilst taking into account the size and nature of Holdings. As Holdings grows, the Directors intend that it should develop policies and procedures which reflect the *Principles of Good Governance and Code of Best Practice* as published by the Committee on Corporate Governance (commonly known as the “Combined Code”), as may be appropriate to a company of this size. The Board will take such measures so far as is practicable to comply with the Combined Code.

The Directors are to establish an audit committee to receive and review reports from management and from the auditors relating to the interim and annual accounts and to the system of internal control. The Directors will also establish a remuneration committee which will determine the terms and conditions of service including the remuneration and grant of options to executive Directors and other key staff under any share option scheme of Holdings.

Holdings has adopted the Model Code for Directors’ Dealings as applicable to AIM companies and will take all reasonable steps to ensure compliance by Directors and relevant employees.

J. McNair and E. A. C. Neubauer have not participated and will not participate in decisions of the Board pertaining to the Company’s relationship with Airtime. Members of the Board not connected with Airtime shall decide if any business to be resolved by the Board relates to the Company’s relationship with Airtime.

#### **15. Taxation**

Holdings and the Subsidiaries are resident in the UK for corporation tax purposes. The Directors have been advised that Holdings is likely to be, at present, a close company as defined by section 414 of the ICTA 1988 and that following the Offer it may continue to be a close company.

#### **16. CREST**

Holdings’ articles of association permit it to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 1995. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. Holdings will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

#### **17. Risk factors**

The Directors consider that the following risk factors should be taken into account by potential investors acquiring shares in Holdings. The risks listed do not necessarily comprise all those associated with an investment which might be made in Holdings:

*(a) Limited operating history*

The Group has a short operating history and its prospects should therefore be considered in light of the risks associated with companies in their early growth stage. As a result, the Directors cannot forecast the Group’s expenses and revenues accurately. Further, although where possible the Company has sought to outsource operations, some of the Company’s operating expenses may not be quickly or easily reduced. As a result, the Company may be unable to adjust spending in a timely manner to compensate wholly for any unexpected expenditures or a shortfall in actual revenues as compared to estimated revenues.

*(b) Resistance of Sponsors*

The business is reliant on changes in current modes of practice in its market. Despite the fact that Web Shreshop has already completed one issue, there is no guarantee that public offers will gain a greater share of the new issues market, nor that sponsors will be willing to place shares in private placings through independent online media such as Web Shreshop. The Directors will seek to minimise this risk by developing, as described above, a strong private investor subscriber base to establish credibility amongst sponsors. Indeed, investors in Holdings can themselves reduce this risk by registering for the Placings Club.

(c) *Competition*

Competition could reduce the Company's market share and harm its financial performance. Businesses operating on the internet are particularly vulnerable to rapid changes in technology and low barriers to entry, which may adversely affect the Company. Although there are regulatory barriers to entry into the new issues market, the cost to current or new competitors of launching internet sites within a relatively short period of time is relatively low.

The Directors expect competition to persist and intensify and the number of competitors to increase significantly in the future. Holdings cannot assure investors that the Company's internet sites will compete successfully.

(d) *Dependence on third parties for technical development and support and uninterrupted internet access*

The Directors believe that the Company is best placed to trade through periodic volatility in its markets by outsourcing a significant part of its operations. The downside of this decision is that the Company is dependent on third parties (in particular Airtime) to develop and maintain its website in an operational capacity. The Company is also dependent on third parties for uninterrupted internet access. The satisfactory performance, reliability and availability of the Company's internet sites and its computer network infrastructure are critical to the business. System interruptions due to service failures by third parties or design flaws or other defects in the website or supporting systems which result in the unavailability of the Company's internet sites or slower response times for users reduce the attractiveness of the Company's internet sites to users, could necessitate costly modifications or rewrites or result in a loss of consumer or sponsors' confidence, any of which could harm its business. It is not possible for the Company to insure against such risks.

The Company is entirely dependent on Airtime for the provision of technical services and know-how. This dependency is not fully reflected in Airtime's liabilities under its contracts with the Company (see Material Contracts in Part V) but the Directors believe that it would have been unreasonable to have expected Airtime to provide greater protection to the Company in view of the advantageous price at which the contracts were entered into.

(e) *Intellectual property*

Holdings uses and exploits a number of unregistrable intellectual property rights including copyrights, know how and confidential information. Holdings has entered into contracts of assignment with the creators of the copyrights, know how and confidential information, but due to the nature of such rights, it is not possible to guarantee that they have been transferred to Holdings properly and/or free of encumbrances.

(f) *Risks associated with the new issues market*

The number of future new issues is not certain and is directly affected by numerous factors, many of which are beyond the control of Holdings, for example political, economic and social conditions.

(g) *Operational Risks*

If Web Shreshop is successful in securing Category A1 registration, it may, in some issues, act as an investing institution in order to facilitate distribution, because of the very short timescales that often operate in placings. This will involve the Company in making commitments to sponsors ahead of receipt of cleared funds from its own Placings Club members.

In order to mitigate this risk, the Company intends to limit its participation in placings to be no greater than that of City institutions and normally no more than 25 per cent. of any single new issue placing.

(h) *Liability for information made available on the internet*

Information in connection with new issues will be provided by the Company electronically. The Directors cannot guarantee that this information, made available through the Company's website, is not corrupted in transmission to users. A disclaimer to this effect is included on the site, but such a corruption could result in a loss of consumer or sponsors' confidence, which could harm its business.

(i) *Internet regulations and standards*

There is currently no universal international regulation of the internet. There can be no guarantee that the legislative and regulatory environment in which the internet operates will not change in the future to the detriment of an internet related business. In addition, the widespread adoption of new internet technologies or standards could require substantial unforeseen expenditure by Holdings to modify or adapt the Company's internet site and services which could harm its business.

*(j) Dependence on key personnel*

The success of Holdings will depend on its current and future management team. Whilst it has entered into contractual arrangements with the aim of securing the services of Directors and key employees, the retention of their services cannot be guaranteed.

*(k) Regulation*

Failure of the Company to gain the necessary PIA approval for Category A1 status would constrain the business.

## PART II

### DETAILS OF THE OFFER

#### 1. The Offer

- 1.1 This document (including the Application Form) contains the formal terms and conditions upon which the Subscribers may subscribe for Ordinary Shares under the Offer.
- 1.2 Holdings is inviting Subscribers to subscribe for up to 10,000,000 Ordinary Shares at the Offer Price payable in full on application. If fully subscribed, this will raise £3,000,000, before expenses, for the Group. Subscribers may apply for a minimum of 7,000 Ordinary Shares (£2,100) and thereafter in multiples of 1,000 Ordinary Shares. Application must be made on the Application Form. Details of the procedure for the application for Ordinary Shares are set out in Part VI.
- 1.3 In the event the Offer is oversubscribed, the application may be scaled down to a minimum of 5,000 Ordinary Shares (subscription value £1,500). If the Offer is still oversubscribed after scaling down, then a ballot of the Subscribers' applications may be held. Preferential treatment will be given to existing shareholders of Holdings and potential Subscribers who have pre-registered their interest in the Offer.
- 1.4 The Offer is conditional, *inter alia*, on Admission and on receiving applications for at least 4,000,000 Ordinary Shares.
- 1.5 The Ordinary Shares allotted pursuant to the Offer will, following allotment, rank *pari passu* in all respects with the Ordinary Shares now in issue.
- 1.6 In accordance with Rule 16.13 of the AIM Rules, each of the Directors has agreed not to dispose of any interests in Ordinary Shares held by him or his associates on the date of Admission within a period of one year following Admission, save as permitted under the AIM Rules.

#### 2. Restrictions on the transfer of shares

- 2.1 Ordinary Shares may be transferred without a written instrument under the CREST scheme.
- 2.2 Except as explained in paragraph 5.2 of Part V below, the Ordinary Shares are generally not subject to restrictions on transfer.

#### 3. Application and payment

- 3.1 The Application Form which accompanies this document contains full details regarding application and payment.
- 3.2 The application procedure and terms and conditions are set out in Part VI.

PART III

ACCOUNTANTS' REPORTS

# Smith & Williamson

— • Chartered Accountants • —

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The Directors  
Web Shareshop (Holdings) plc  
77-83 Walnut Tree Close  
Guildford  
Surrey GU1 4UH

and

The Partners  
Grant Thornton  
Enterprise House,  
Isambard Brunel Road,  
Portsmouth,  
Hampshire, PO1 2RZ.

9 June 2000

Dear Sirs

## WEB SHARESHOP (HOLDINGS) PLC ("HOLDINGS") REPORT ON THE WEB SHARESHOP LIMITED ("COMPANY")

### Introduction

We report in connection with the admission document comprising a prospectus issued by Holdings dated 9 June 2000 ("the Document") in respect of the admission to trading on the Alternative Investment Market of the London Stock Exchange Limited of the ordinary shares in Holdings and the proposed offer to subscribe for ordinary shares in Holdings.

### Basis of preparation

Holdings was incorporated in England and Wales on 20 April 2000 as a public limited company, and has not traded. By 31 May 2000 it had received acceptances from all the shareholders of the Company to its offer to acquire the entire issued share capital of the Company.

The Company was incorporated on 29 January 1999 as Ladislaw Estates Limited. On 11 November 1999 the Company changed its name to The Web Shareshop Limited.

The financial information set out on pages 23 to 28 is extracted without material adjustment from the audited financial statements of the Company for the period ended 31 January 2000.

A list of partners' names may be inspected at the above address or at the firm's principal office. No 1 Riding House Street, London W1A 3AS  
Registered to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales  
Smith & Williamson Chartered Accountants is a member of Nexia International, a worldwide network of independent accounting firms



The  
**Smith & Williamson**  
— • Group • —

**Responsibility**

The financial statements referred to above are the responsibility of the directors of the Company.

The directors of the Company are responsible for the contents of the Document in which this report is included.

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

**Basis of Opinion**

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

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

**Opinion**

In our opinion, the financial information set out below gives, for the purposes of the Document, a true and fair view of the state of affairs of the Company as at 31 January 2000, and of its losses and cash flows for the period then ended.

**Consent**

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

Yours faithfully,

Smith & Williamson  
Chartered Accountants



## 1. Profit and loss account

		<i>Period from 29 January 1999 to 31 January 2000</i>
	<i>Note</i>	<i>£'000</i>
<b>Turnover</b>		—
Administrative expenses		(45)
<b>(Loss) on ordinary activities before taxation</b>	4.3	(45)
Tax charge on (loss) on ordinary activities	4.4	—
<b>Retained (loss) for the financial period transferred to reserves</b>	4.13	(45)
<b>(Loss) per ordinary share</b>	4.5	(1p)

All of the Company's operations are classed as continuing and there are no recognised gains or losses other than those disclosed in the above profit and loss account.

## 2. Balance Sheet

		<i>31 January 2000</i>
	<i>Note</i>	<i>£'000</i>
<b>Fixed assets</b>		
Intangible assets	4.6	14
Tangible assets	4.7	4
Investments	4.8	—
		<u>18</u>
<b>Current assets</b>		
Debtors	4.9	5
Cash at bank and in hand		368
		<u>373</u>
<b>Creditors: amounts falling due within one year</b>	4.10	(18)
<b>Net current assets</b>		<u>355</u>
<b>Net assets</b>		<u><u>373</u></u>
<b>Share capital and reserves</b>		
Called up share capital	4.11	67
Share premium account	4.12	351
Profit and loss account	4.13	(45)
<b>Shareholders' funds</b>	4.14	<u>373</u>
Equity interests		<u><u>373</u></u>

### 3. Cash flow statement

		Period from 29 January 1999 to 31 January 2000 £'000
	Note	
Net cash (outflow) from operating activities	4.15	(28)
Capital expenditure		
Purchase of intangible fixed assets		(18)
Purchase of tangible fixed assets		(4)
Net cash (outflow) from capital expenditure		(22)
Net cash (outflow) before financing		(50)
Financing		
Issue of ordinary share capital		431
Costs of issue		(13)
Net cash flow from financing		418
Increase in cash*		368
*Cash at bank in hand		
At 29 January 1999		—
At 31 January 2000		368
Increase in cash		368

### 4. Notes to the accounts

#### 4.1 Accounting policies

The principal accounting policies of the Company which have been consistently applied in dealing with items which are considered material in relation to the Company's accounts are as follows:

##### *Basis of accounting*

The accounts have been prepared in accordance with applicable accounting standards, under the historical cost convention.

##### *Intellectual Property*

Acquired ideas, concepts and intellectual property are written off in equal annual instalments over their estimated useful economic life of 5 years.

##### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	20 per cent. straight line
Fixtures & fittings	20 per cent. straight line

##### *Investments*

Fixed asset investments are stated at cost less any provision for impairment.

##### *Taxation*

The charge for taxation is based on the result for the period, which takes account of taxation deferred because of timing differences between the treatment of certain items for taxation purposes and the treatment under the Company's accounting policies. Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences, to the extent that it is probable that liabilities will crystallise in the foreseeable future.

#### 4.2 Employee information

There were no employees, other than six directors, of the Company during the period. There were no emoluments paid to the directors.

4.3 (Loss) on ordinary activities before taxation is stated after charging:

	<i>Period ended 31 January 2000 £'000</i>
Amortisation of intangible assets	4
Depreciation of tangible assets	—
	<u>4</u>

4.4 Tax charge on (loss) on ordinary activities

	<i>Period ended 31 January 2000 £'000</i>
UK corporation tax	£ Nil
	<u>£ Nil</u>

4.5 (Loss) per share

Losses per share are calculated by dividing the loss attributable to ordinary shareholders for the period of £45,000 by 5,450,000 shares, being the average number of ordinary shares in the Company during the period. 1,255,000 shares were issued on 31 January 2000.

4.6 Intangible fixed assets

	<i>Intellectual Property £'000</i>
<b>Cost</b>	
Additions	18
At 31 January 2000	<u>18</u>
<b>Amortisation</b>	
Charged in the period	4
	<u>4</u>
<b>Net book value</b>	
At 31 January 2000	<u>14</u>

4.7 Tangible fixed assets

	<i>Office equipment £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
Additions	1	3	4
At 31 January 2000	<u>1</u>	<u>3</u>	<u>4</u>
<b>Depreciation</b>			
Charged in the period	—	—	—
At 31 January 2000	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net book value</b>			
At 31 January 2000	<u>1</u>	<u>3</u>	<u>4</u>

#### 4.8 Fixed asset investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
Additions	4
At 31 January 2000	<u>4</u>

#### Holdings of more than 20 per cent.

The Company holds more than 20 per cent. of the share capital of the following companies:

Company	Country of registration or Incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
New Issues On Line Limited	England and Wales	Ordinary £1	100
The New Issue Investment Company Limited	England and Wales	Ordinary £1	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial period were as follows:

	Capital and Reserves £2	Profit/ (loss) for the period —
New Issues On Line Limited	£2	—
The New Issue Investment Company Limited	£2	—

#### 4.9 Debtors

	2000 £'000
Amounts owed by subsidiary undertakings	1
Other debtors	4
	<u>5</u>

#### 4.10 Creditors: amounts falling due within one year

	2000 £'000
Trade creditors	16
Accruals and deferred income	2
	<u>18</u>

#### 4.11 Called up share capital

	2000
<b>Authorised</b>	
15,000,000 Ordinary shares of 1p each	£150,000
<b>Allotted, called up and fully paid</b>	£'000
6,705,000 Ordinary shares of 1p each	67
	<u>67</u>

During the year 6,705,000 ordinary shares were allotted and fully paid up. In respect of 4,905,000 shares the consideration received was cash. The consideration on the remaining 1,800,000 shares was in the form of ideas, concepts, intellectual property and goodwill. 1,255,000 of the shares were issued at a premium of 29p per share.

#### 4.12 Share premium account

	2000 £'000
Issue of shares during the period	364
Costs of issue	(13)
At 31 January 2000	<u>351</u>

#### 4.13 Profit and loss account

	£'000
Retained (loss) for the period	(45)
At 31 January 2000	<u>(45)</u>

#### 4.14 Reconciliation of movements in shareholders' funds

	Period ended 31 January 2000 £'000
Retained (loss) for the financial period	(45)
Issue of shares	418
Net increase in shareholders' funds	373
Opening shareholders' funds	—
Closing shareholders' funds	<u>373</u>

#### 4.15 Reconciliation of operating loss to net cash outflow from operating activities

	Period ended 31 January 2000 £'000
Operating (loss)	(45)
Depreciation	4
(Increase) in debtors	(5)
Increase in creditors	18
Net cash (outflow) from operating activities	<u>(28)</u>

#### 4.16 Related Party Transactions

- (a) Contracts have been signed for the design and development of the web site to be undertaken by Airtime Interactive Marketing Limited, a company in which both J. McNair and E.A.C. Neubauer are shareholders. Work had been undertaken prior to the year end to a value of £25,000.
- (b) Negotiations have been completed with Artery Design, a business which was co-founded by R.D. Paxman, a former director, regarding the provision of design services to a value of £17,000.
- (c) During the period Capital Ideas, a business owned by J. Woolgar, provided consultancy services for the Company and charged fees of £17,500.
- (d) Nixon Associates Limited, a company owned by P. Nixon, a former director, charged the Company £5,900 for use of office facilities and £3,588 for costs incurred to furnish the office.

- (e) The Company was provided with intangible assets worth £16,000 from J. Woolgar and £2,000 from P. Nixon in the form of ideas, concepts and intellectual property.
- (f) During the period the Company incurred £250 set-up costs on behalf of its subsidiary, New Issues On Line Limited.

# Smith & Williamson

— • Chartered Accountants • —

Onslow Bridge Chambers • Bridge Street • Guildford • Surrey • GU1 4RA  
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The Directors  
Web Shareshop (Holdings) plc  
77-83 Walnut Tree Close  
Guildford  
Surrey GU1 4UH

and

The Partners  
Grant Thornton  
Enterprise House,  
Isambard Brunel Road,  
Portsmouth,  
Hampshire, PO1 2RZ.

9 June 2000

Dear Sirs

## WEB SHARESHOP (HOLDINGS) PLC (“HOLDINGS”)

### Introduction

We report in connection with the admission document comprising a prospectus issued by Holdings dated 9 June 2000 (“the Document”) in respect of the admission to trading on the Alternative Investment Market of the London Stock Exchange Limited of the ordinary shares in Holdings and the proposed placing of ordinary shares in Holdings.

### Basis of preparation

Holdings was incorporated in England and Wales on 20 April 2000 as a public limited company and has not traded.

Between the date of incorporation and 31 May 2000 Holdings has had only two transactions: the issue of initial share capital and the issue of 14,413,998 ordinary shares of 1p to acquire the entire share capital of The Web Shareshop Limited (“the Company”). The financial information set out below is based upon interim unaudited financial statements prepared at 31 May 2000 for the purpose of reflecting these transactions.

### Responsibility

The financial information referred to above is the responsibility of the directors of Holdings.

The directors of Holdings are responsible for the contents of the Document in which this report is included.

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

A list of partners' names may be inspected at the above address or at the firm's principal office. No 1 Riding House Street, London W1A 3AS  
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**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded in the unaudited interim financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of those 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 Document, a true and fair view of the state of affairs of Holdings as at 31 May 2000.

**Consent**

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

Yours faithfully,

Smith & Williamson  
Chartered Accountants



## 1. Profit and loss account

Holdings did not trade in the period 20 April 2000 to 31 May 2000. Holdings received no income and incurred no expenditure and therefore made neither profit nor loss.

## 2. Balance sheet

	<i>Note</i>	<i>31 May 2000 £</i>
<b>Fixed assets</b>		
Investments	4.2	<u>144,140</u>
<b>Current assets</b>		
<b>Net assets</b>		<u><u>144,140</u></u>
<b>Share capital and reserves</b>		
Called up share capital	4.3	144,140
Profit and loss account		<u>—</u>
		<u>144,140</u>
<b>Shareholder's funds</b>		
Equity interests	4.4	<u><u>144,140</u></u>

## 3. Cash flow statements

Holdings did not trade in the period and therefore had no cash flows. The only significant non-cash transaction was the issue of 14,414,998 shares in Holdings, the consideration for which was satisfied by the transfer of the entire share capital of the Company.

## 4. Notes to the accounts

### 4.1 Accounting policies

The principal accounting policies of Holdings which have been consistently applied in dealing with items which are considered material in relation to Holdings' accounts are as follows:

#### *Basis of accounting*

The accounts have been prepared in accordance with applicable accounting standards, under the historical cost convention.

#### *Acquisition*

The acquisition of The Web Shareshop Limited has been accounted for as a group reconstruction as defined by Financial Reporting Standard Number 6 'Acquisitions and mergers'. Accordingly, the share capital issued and the investment in the Company have been recorded at the nominal value of the shares issued.

### 4.2 Investments

<b>Cost</b>	<b>£</b>
Additions	<u>144,140</u>
At 31 May 2000	<u><u>144,140</u></u>

### 4.3 Called up share capital

	<b>£</b>
<b>Authorised</b>	
100,000,000 ordinary shares of 1p each	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>	
14,414,000 ordinary shares of 1p each.	<u><u>144,140</u></u>

#### 4.4 Reconciliation of movements in shareholders' funds.

	<i>Period Ended 31 May 2000 £</i>
Issue of shares	144,140
Net increase in shareholders' funds	144,140
Opening shareholders' funds	—
Closing shareholders' funds	144,140

#### 4.5 Financial information

The financial information contained in this report does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985, as amended.

## PART IV

### ILLUSTRATIVE FINANCIAL PROJECTIONS

# Smith & Williamson

— • Chartered Accountants • —

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9 June 2000

The Directors  
Web Shareshop (Holdings) plc  
77-83 Walnut Tree Close  
Guildford  
Surrey, GU1 4UH

The Partners  
Grant Thornton  
Enterprise House  
Isambard Brunel Road  
Portsmouth  
PO1 2RZ

Dear Sirs

We have reviewed the accounting policies and calculations for the Illustrative Financial Projections of Web Shareshop (Holdings) Plc (“Holdings”) for the period ending 31 July 2003 (“Projections”), for which the directors of Holdings are solely responsible, as set out on pages 34 and 35 of the Prospectus dated 9 June 2000 (“Prospectus”).

The Projections, which have been prepared under the historical cost convention, should not be regarded as forecasts. They have been prepared, based on the assumptions set out on pages 34 and 35 of the Prospectus, to illustrate the possible results of Holdings if the assumptions are correct. Events and circumstances frequently do not occur as expected. The actual results may therefore differ materially from those projected. Attention is drawn, in particular, to the section headed “Risk Factors” set out on pages 17 to 19 of the Prospectus which describes the principal risks associated with the business to which the Projections relate. For these reasons, we do not express any opinion, either on the validity of the assumptions or the possibility of the projected results being achieved.

In our opinion, the Projections have been properly compiled, so far as the accounting policies and calculations are concerned, on the basis of the assumptions made by the directors of Holdings and are presented on the basis of the accounting policies set out on page 35 of the Prospectus.

Yours faithfully,

Smith & Williamson

A list of partners' names may be inspected at the above address or at the firm's principal office. No 1 Riding House Street, London W1A 3AS  
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The Directors, having made due and careful enquiry, have prepared the illustrative financial projections for the Group for the period from the date of closure of the Offer to 31 July 2003. The projections are based on the results of the Directors' research into the potential market for the Group's services.

**Attention is drawn to the risk factors set out on pages 17 to 19 of this Prospectus, which should be considered carefully in conjunction with the illustrative financial projections.**

**The illustrative financial projections are not, and are not intended to be, a forecast and should not be relied on as a forecast by Subscribers for the Ordinary Shares. Results actually achieved are likely to differ markedly from the projections.**

#### Illustrative Financial Projections

	<i>Period ending 31 July 2001 £'000</i>	<i>Year ending 31 July 2002 £'000</i>	<i>Year ending 31 July 2003 £'000</i>
Turnover	322	888	1,894
Operating (loss)/profit before website design and software development costs	(461)	58	1,032
Website design and software development costs	(250)	—	—
Operating(loss)/profit	(711)	58	1,032
Interest receivable	50	41	75
(Loss)/profit before taxation	(661)	99	1,107
Taxation	—	(8)	(164)
(Loss)/profit after taxation	(661)	91	943
Earnings per share	(3.6)p	0.5p	5.1p

Earnings per share is calculated on the basis of an issued share capital of 18,414,000 Ordinary Shares following a minimum subscription.

The illustrative financial projections, which have been prepared by the Directors, should be read in conjunction with the principal assumptions and accounting policies set out below.

#### Principal Assumptions

1. No changes in UK government legislation or London Stock Exchange rules will detrimentally affect the Group's business.
2. Any increase in competition will not adversely affect sales.
3. The Company anticipates that it will receive PIA Category A1 registration within 6 months from the date of closure of the Offer.
4. The Company anticipates that subscriptions for membership of the Placings Club will total £172,000, £503,000 and £1,031,000 in the periods ending 31 July 2001, 2002 and 2003, respectively.
5. The value of subscriptions for new issues anticipated to be made through the Company is:

	<i>Period ending 31 July 2001 £'000</i>	<i>Year ending 31 July 2002 £'000</i>	<i>Year ending 31 July 2003 £'000</i>
Public Offers	2,700	4,500	7,500
Placings	2,500	4,500	7,500
Investment, unit and venture capital trusts	1,300	2,100	3,750
	6,500	11,100	18,750

Commissions are anticipated to be earned at 1 per cent. for public offers and 3 per cent. for investment, unit and venture capital trusts.

6. The Company anticipates revenues from providing investor relations services of £41,000, £156,000 and £359,000 in the periods ending 31 July 2001, 2002 and 2003 respectively.
7. At the level of business envisaged, it is not expected that overheads will vary significantly year on year. No allowance has been made for potential revenues and future expenditure associated with new areas of business development.
8. No material changes in the rates or levels of taxation, inflation or interest rates will adversely affect the Company's business.
9. Interest receivable is calculated at a rate of 5 per cent. per annum.
10. The charge for taxation is based upon an effective corporation tax rate of 30 per cent.

**Principal accounting policies**

The illustrative financial projections have been prepared applying the accounting policies of the Company set out in the Accountant's Report in Part III on page 24 of this document. An additional accounting policy is that the website design and software development costs are written off as incurred.

## PART V

### ADDITIONAL INFORMATION

#### 1. Holdings

- 1.1 Holdings was incorporated in England and Wales as a public limited liability company on 20 April 2000 under the Act with registered number 3981468. Its principal place of business in the United Kingdom is 77-83 Walnut Tree Close, Guildford, Surrey GU1 4UH and its registered office is Onslow Bridge Chambers, Bridge Street, Guildford, Surrey GU1 4RA.
- 1.2 The liability of the members of Holdings is limited.
- 1.3 Holdings has not issued any further Ordinary Shares other than the two initial subscriber shares and pursuant to the offer described in 2.2(d) below.

#### 2. Share Capital

- 2.1 The authorised and issued share capital of Holdings at the date of this document and following completion of the Offer (assuming full subscription) will be as follows:

	<i>Authorised Number of Ordinary Shares</i>	<i>Authorised nominal value of Ordinary Shares</i>	<i>Issued fully paid number of Ordinary Shares</i>	<i>Issued nominal value of Ordinary Shares</i>
Current	100,000,000	£1,000,000	14,414,000	£144,140
Proposed	100,000,000	£1,000,000	24,414,000	£244,140

- 2.2 The following changes to the share capital of Holdings have taken place since its incorporation on 20 April 2000:

- (a) Holdings was incorporated with an authorised share capital of £1,000,000 divided into 100,000,000 ordinary shares of 1p, each of which two ordinary shares of 1p each were in issue, fully paid or credited as fully paid;
- (b) on 25 April 2000 Holdings issued an offer to purchase the entire issued share capital in the Company on the basis of two Ordinary Shares for each ordinary share in the Company;
- (c) on 28 April 2000, pursuant to resolutions that Holdings passed on that date:
- (i) the Directors were generally and unconditionally authorised for the purpose of Section 80 of the Act to exercise all the powers of the company to allot relevant securities up to an aggregate nominal value of £488,280 provided that this authority shall expire at the conclusion of the next annual general meeting of Holdings unless previously varied, revoked or renewed by Holdings in general meeting (and provided that Holdings 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 and notwithstanding that the authority conferred thereby has expired) and all prior authorities to allot relevant securities were revoked without prejudice to the allotment of any relevant facilities already made or to be made pursuant to such authorities; and
- (ii) the Directors were empowered pursuant to section 95 of the Act to allot equity securities wholly for cash pursuant to the authority conferred by an ordinary resolution of Holdings passed on the same day as if section 89(1) of the Act did not apply to any such allotment, such power to be limited to the allotment of equity securities:
- (aa) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to functional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
- (bb) otherwise than pursuant to sub-paragraph (aa) above, up to an aggregate nominal amount of £281,982;

such power to expire on the conclusion of the next annual general meeting of Holdings (provided that Holdings 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 any such offer or agreement notwithstanding that the power conferred thereby has expired) and all prior powers granted under section 95 of the Act were revoked provided that such revocation shall not have retrospective affect;

- (d) as at the date of this Prospectus, shareholders representing 100 per cent. of the shares in the Company had unconditionally accepted Holdings' offer to acquire the entire issued share capital of the Company and 14,413,998 Ordinary Shares were issued to those shareholders on 30 May 2000; and
  - (e) the offer referred to in (d) above, included an offer to those Directors who held shares in the Company. John Woolgar and Simon Burke each received one less Ordinary Share on the issue to reflect the fact that they each already owned one share in Holdings as an original subscriber on incorporation.
- 2.3 Save as disclosed in this document and save for the issue of the new Ordinary Shares pursuant to the Offer and the commitment to the grant of options (and the issue of Ordinary Shares upon the exercise thereof) as described in paragraph 9 below:
- (a) no share or loan capital of Holdings has been issued or is now proposed to be issued fully or partly paid either for cash or for consideration other than cash;
  - (b) no commission, discount, brokerage or other special term has been granted by Holdings or is now proposed in connection with the issue or sale of any of its shares or loan capital; and
  - (c) no share or loan capital of Holdings is under option or is agreed conditionally or unconditionally to be under option.

### **3. Subsidiaries**

- 3.1 As described in paragraph 2.2(d) above, Holdings has received 100 per cent. acceptance of its offer to purchase the entire issued share capital of the Company and will register those shares as soon as practicable to make the Company a wholly-owned subsidiary of Holdings.
- 3.2 The Company owns 100 per cent. of the shares in the capital of each of the Subsidiaries. New Issue Investment and New Issues On Line have not traded since incorporation.

### **4. Premises**

The Group operates from the following premises:

- (a) 77/83 Walnut Tree Close, Guildford, Surrey GU1 4UH;
- (b) 16a Tunsgate, Guildford, Surrey GU1 3QT; and
- (c) 3rd Floor, Walkden House, 3-10 Melton Street, London NW1 2EB.

The aggregate annual rent for these premises does not exceed £30,000.

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

- 5.1 The principal objects of Holdings are set out in clause 4 of its memorandum of association and are to carry on the business of a general commercial company including but not limited to the business of promoting and facilitating private investor participation in new issues of securities on stock exchanges through the use of the internet and other electronic media.
- 5.2 The articles of association of Holdings contain, among others, the following provisions:
  - (a) *Votes of Members*

Subject to any special terms as to voting upon which any shares may have been issued, every member present in person shall upon a show of hands have one vote and every member present in person or by proxy shall upon a poll have one vote for every share held by him. Unless the Directors determine otherwise, no member shall be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of Holdings or upon any poll, or to

be reckoned in any quorum or to exercise any other right or privilege conferred by membership in relation to general meetings of Holdings if any calls or other monies due or payable by him to Holdings in respect of those shares remain unpaid.

*(b) Variation of Rights*

If at any time the capital is divided into different classes of shares, all or any of the rights or privileges attached to any class may be varied or aggregated either in such manner as may, subject to the provisions of the Act, be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise. The quorum at any such meeting is two or more persons holding, or representing by proxy, at least one-third in nominal value of the issued shares of the class in question.

*(c) Transfers of Shares*

- (i) Subject to the provisions of the articles relating to CREST, all transfers of shares may be effected by transfer in writing in any usual or common form or in such other form as shall be approved by the Directors and must be signed by or on behalf of the transferor (and in the case of a transfer of a partly paid share, by the transferee) and the transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of Holdings in respect of it.
- (ii) The Directors may, in their absolute discretion and without giving any reason, refuse to register an instrument of transfer if it is not in respect of a fully paid share, if Holdings has a lien over the share, if it is not duly stamped, or the transfer is not left at Holdings's registered office and accompanied by the requisite share certificate or such other evidence as the Directors may reasonably require to prove the title of the transferor and the execution by him of the transfer.
- (iii) The articles of association contain no restrictions on the free transferability of fully paid ordinary shares provided that the provisions of the articles of association have been complied with in respect of that transfer and the shares which are the subject of that transfer.

*(d) Payment of Dividends*

- (i) Subject to the provisions of the Act and to any special rights attaching to any shares (if any), all dividends shall be declared and paid to the members in proportion to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid upon the share. Subject to the foregoing, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (ii) The Directors may from time to time declare and pay an interim dividend to the members.
- (iii) The Directors are entitled to withhold from the payment of any dividends any amounts outstanding in respect of those shares owed to Holdings by the member.
- (iv) Holdings may in a general meeting declare that the dividend is paid wholly or in part by the distribution of specific assets and, in particular, of paid up shares or debentures of any other company, provided that no such distribution shall be made unless recommended by the Directors. The Directors may also offer, subject to the provisions of the articles, the holders of ordinary shares the right to elect to receive ordinary shares in Holdings credited as fully paid, instead of cash in respect of all or part of such dividend or dividends as may be declared by Holdings.

*(e) Unclaimed Dividends*

All dividends, interest or other sums payable and unclaimed for 6 months after having been declared may be invested or otherwise made use of by the Directors for the benefit of Holdings until claimed. All dividends unclaimed for a period of 12 years after the date the dividend became due for payment shall, subject to the provisions of the articles, be forfeited and shall revert to Holdings.



(f) *Untraceable Shareholders*

Holdings may sell any share at the best price reasonably obtainable if for a period of 12 years no cheque, warrant or order sent by Holdings through the post in a pre-paid letter addressed to the member (or to the person entitled by transmission to the share) at his address on the register of members of Holdings has been cashed and no communication has been received by Holdings from the member (or the person entitled by transmission) provided that in such period of 12 years at least 3 dividends (whether interim or final) on or in respect of the share in question has become payable and no such dividend during that period has been claimed. Prior to selling the share in question, Holdings must give notice of its intention to do so by advertising in a national daily newspaper and in a newspaper circulating in the area in which the last known address of the member, or the address at which service of notices may be effected in the manner authorised by the articles, is located.

(g) *Forfeiture and Lien*

- (i) If any member fails to pay any call or instalment of a call on or before the day appointed for payment, the Directors may at any time thereafter serve a notice on such member requiring him to pay the same together with any interest it may have accrued thereon and all expenses incurred by Holdings by reason of such non-payment. If the requirements of the notice are not complied with, any shares in respect of which such notice should have been given may, at any time thereafter, be forfeited by resolution of the Directors to that effect. Any member whose shares have been forfeited or surrendered shall immediately cease to be a member in respect of those shares.
- (ii) Holdings has a first and paramount lien on every share (not being a fully paid share) registered in the name of each member for any amount called or payable in respect of that share and such lien shall apply to all dividends from time to time declared or other monies payable in respect of such share.

(h) *Return of Capital*

The liquidator on any winding-up of Holdings (whether voluntary or compulsory) may with the authority of an extraordinary resolution, divide among the members in kind the whole or any part of the assets of Holdings (whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds), and for such purpose may set such value as he deems fair upon one or any more class or classes of property, and may determine how such division shall be carried out as between members or classes of members so that if any such division shall be otherwise than in accordance with the existing rights to members, every member shall have the same right of dissent and other ancillary rights as if such resolution were a special resolution passed in accordance of Section 110 of the Insolvency Act 1986.

(i) *Redemption*

Holdings may issue shares on the terms that they are redeemable or are liable to be redeemed at the option of Holdings or the shareholder on such terms and in such manner as may be provided in the articles of association. Holdings may repurchase any of its own shares in certain circumstances.

(j) *Borrowing Powers*

- (i) Subject to the provisions of the Act, the Directors may exercise all the powers of Holdings to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as collateral or as security for any debt, liability or obligation of the company or of any third party.
- (ii) The aggregate amount at any one time owing by Holdings and its subsidiaries in respect of monies borrowed by them or any of them shall not at any time, without a previous sanction of an ordinary resolution of Holdings, exceed a sum equal to four times the Adjusted Capital and Reserves. "Adjusted Capital and Reserves" means for this purpose, a sum equal to the aggregate of:
  - (aa) the nominal capital of Holdings for the time being issued and paid up; and

(bb) the amount standing to the credit of the consolidated capital and revenue reserves (including any share premium account, capital redemption reserve fund and credit balance on the combined profit and loss account) of Holdings and its subsidiaries;

all as shown in the latest audited consolidated balance sheet of the group of which Holdings forms part.

(k) *Pre-emption rights*

There are no rights of pre-emption under the Articles of Holdings, either in respect of transfers of issued Ordinary Shares, or in respect of the allotment of new shares in Holdings. Each of these four contracts is subject to certain third party contracts.

## 6. Directors

6.1 Other than a directorship of Holdings, the current directorships and partnerships of the Directors and directorships and partnerships held by them over the previous five years are as follows:

<i>Name</i>	<i>Current</i>	<i>Past</i>
John McNair	Surrey Group plc Solbraze Limited Techniclean Limited Airtime Interactive Marketing Limited Henley Financial Services Limited Equestria.Net plc The Web Shareshop Limited 2Enable Limited	Henley Holdings plc Motorway Remoulds Limited Niagara Holdings plc Motorway Limited Niagara Therapy (UK) Pension Trustees Limited Virtual Workplace Limited
John Watkins	Amro Biotech plc Auto Online Limited Trustee Services Company Limited Insider Publishing Limited The Guild Equity Research Limited Insider Conferences Limited Guild of Shareholders Nominees Limited Eurodeal Publishing Limited XYZ Holdings Limited Charis Productions International, Inc (USA, FLA) The London Partnership	Backpacker Inns Limited Ernst & Young (a partnership)
Eirion Andrew Charles Neubauer	Airtime Interactive Marketing Limited Workplace Banking Systems Limited Sable Island Limited The Web Shareshop Limited	
John Woolgar	New Issues On Line Limited Ladislav Estates Limited The Web Shareshop Limited The New Issue Investment Company Limited	New Nationwide Securities Limited New Labour Limited Internet Shareholder Relations Limited E-Mail Registrars Limited Issues Direct plc

<i>Name</i>	<i>Current</i>	<i>Past</i>
Robert Stephen Wilkinson	2Enable Limited Equestria.Net plc The Web Shreshop Limited The New Issue Investment Company Limited Veos plc Veos UK Limited	Niagara Holdings plc Niagara Therapy (UK) Limited Niagara Therapy (UK) Pension Trustees Limited Niagara Manufacturing Limited Adjustamatic Beds Limited Niagara Franchising Limited Niagara Services Limited Niagara Exports Limited Direct Consumer Finance Limited Markcare Limited Physiocare Limited Penshurst Press London Limited Nasco Security Limited Spire Properties Limited
Ulick Simon Burke	ALPs FS Limited The Web Shreshop Limited Handstamps (a partnership) ALPs FS (Compliance and Management) Limited	New Nationwide Securities Limited

- 6.2 The business address of each of the Directors is 77-83 Walnut Tree Close, Guildford, Surrey, GU1 4UH.
- 6.3 At the date of this document, none of the Directors has any unspent convictions nor has any of them been subject to any public criticism of statutory or regulatory authorities, nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company. Save as disclosed below, none of the Directors has been a director, at the time of, or within the 12 months preceding such events, of any company which has gone into receivership or liquidation.
- 6.4 John Woolgar and Simon Burke were each a director of New Nationwide Securities Limited. An administrative receiver was appointed over that company on 13 June 1997 under the terms of a debenture and as required by law, C Jacobs & Co, insolvency practitioners issued a report on 12 September 1997. That report was not critical of either John Woolgar or Simon Burke. Since that date no substantive action has been taken by the administrative receiver other than the holding of a meeting of the creditors. That company has ceased all trading.
- 6.5 None of the directors is or has been bankrupt or has made any individual voluntary arrangement or made any composition or arrangement with creditors, other than as disclosed below.
- 6.6 John Woolgar entered into an individual voluntary arrangement ("IVA") with his creditors in 1992 (*High Court No. 188 of 1992*). John Woolgar was subject to a financial settlement following the breakdown of his marriage which resulted in his having no share of the substantial matrimonial home or its contents. He was left with debts he could not meet and was advised to enter into an IVA. John Woolgar complied with the terms of his IVA and the IVA was declared fully implemented on 5 August 1996, a year earlier than anticipated.

## **7. Dividend Policy**

The Directors intend to pay dividends commensurate with the Group's performance and growth in earnings whilst maintaining an appropriate level of dividend cover taking into account the Group's future expansion plans. Initially, only final dividends will be paid in order to retain funds for expansion.

## **8. Material Contracts**

- 8.1 The following contracts (being contracts otherwise than in the ordinary course of business) have been entered into by the Group within the period from incorporation of the Company to the date immediately preceding the date of this document and are, or may be, material:
- (a) A letter of engagement dated 26 April 2000 between Holdings and Grant Thornton pursuant to which Holdings has appointed Grant Thornton to act as nominated adviser to Holdings for the purposes of AIM. The Company has agreed to pay Grant Thornton an initial fee of £45,000

together with a fee of £15,000 per annum for its services as nominated adviser under the terms of its engagement. The letter contains certain undertakings and indemnities given by Holdings in respect of, *inter alia*, complying with all applicable laws and regulations. The engagement continues for an indefinite period but is terminable by either party on 7 days' notice.

- (b) An Agreement dated 2 June 2000 between Holdings (1), the directors (2) and KBR (3) pursuant to which Holdings has appointed KBR to act as nominated broker to Holdings. The Company has agreed to pay KBR £10,000 in connection with Admission and thereafter a fee of £15,000 per annum for its services as nominated broker under the terms of the agreement. The agreement contains certain undertakings and indemnities given by Holdings in respect of, *inter alia*, complying with all applicable laws and regulations. The engagement continues for an indefinite period but is terminable by either party on three months notice.
- (c) A Lock-In Deed dated 30 May 2000 between Holdings (1), the Directors (2) and Grant Thornton (3) for the purpose of, *inter alia*, ensuring compliance by Holdings of its obligations under the AIM Rules. Pursuant to the terms of this Deed each of the Directors has undertaken not to dispose of any of his Ordinary Shares for a period of 12 months from Admission except in certain limited circumstances.
- (d) Agreement between the Company and Andrew Neubauer dated 7 March 2000 under which Andrew Neubauer assigned to the Company various copyrights created by him before 25 December 1999 in connection with work on behalf of the Company and thereafter any such copyrights to be assigned to Airtime (a company of which Andrew Neubauer is also a director).
- (e) Agreement between the Company and John McNair dated 4 March 2000 under which all present and future copyrights created by John McNair in connection with his work on behalf of the Company are assigned to the Company.
- (f) Agreement between the Company and John Woolgar dated 8 June 2000 under which his know-how in connection with the Web Shreshop concept is assigned to the Company and all present and future copyrights created by John Woolgar connected with his work on behalf of the Company are assigned to the Company.
- (g) Agreement between Rosalind Paxman and Derek Wallace (1), Artery Design (2) and the Company (3) dated 20 December 1999 under which all present and future copyrights created by any of Rosalind Paxman and Derek Wallace and Artery Design relating to computer programs, software, graphics, artwork and associated documents designed to assist in the business of the Company are assigned to the Company.
- (h) A letter agreement between the Company and RMR plc dated 27 April 2000 which sets out the participation of the Company in RMR's virtual investment conference on the internet. Under the agreement RMR has agreed to arrange virtual conferences, build a sponsorship website and give priority to the Company in the promotion of those conferences. The Company has agreed to promote the conference on its website. The Company has agreed to pay RMR plc £50,000 plus VAT. The Company will also receive commission from RMR plc on certain revenue received by RMR plc.
- (i) An agreement dated 15 August 1999 between ALPs and Web Shreshop in which ALPs has appointed the Company to act as an appointed representative, pursuant to PIA rules, permitted to undertake certain types of investment business. ALPs will remit to Web Shreshop 90 per cent. of all commissions and fees earned by Web Shreshop pursuant to the agreement less any clawbacks or other payments owed by Web Shreshop to ALPs.

The agreement provides that Web Shreshop shall indemnify ALPs for any loss caused to ALPs which arises as an indirect result of any action done or failed to have been done in breach of its obligations under the agreement. The agreement may be terminated by either party giving three months notice. If Web Shreshop terminates the contract within 24 months of the date of the contract then it will be liable to pay additional commission to ALPs.

- (j) An Agreement between the Company and Brunswick Group Limited dated 18 February 2000 under which Brunswick Group Limited will provide public relations activities to the Company in return for which it will receive from the Company £24,000 on Admission and £48,000 per annum thereafter.

- (k) A series of three contracts between the Company and Airtime, each dated 8 June 2000 in which Airtime agrees to develop the software for the Company's website, provide the hardware to support the software developed by it and to grant the Company an exclusive licence in perpetuity to use the developed software and any improvements of that software. The consideration for these contracts is £175,000. By a fourth contract, also dated 8 June 2000 Airtime agrees to provide software support and administrative services including the provision of help desk support for users of the website for an annual fee of £195,000. Airtime has agreed not to sell or license the developed software to competitors of the Company.

## 9. Directors' and other interests

- 9.1 The interests of the Directors and persons connected with them (within the meaning of section 346 of the Act), all of which are beneficial, (which have been notified to Holdings pursuant to section 324 or 328 of the Act or which are required to be disclosed in the register of directors' interests pursuant to section 325 of the Act) as at the date of this document and as expected to be immediately following the Offer and Admission are and will be as follows:

	<i>Number of Ordinary Shares prior to the Offer</i>	<i>Percentage of issued share capital prior to the Offer</i>	<i>Number of Ordinary Shares following the Offer (assuming maximum subscription)</i>	<i>Percentage of issued share capital following the Offer (assuming maximum subscription)</i>	<i>Share Options*</i>
John McNair <sup>(1)</sup>	1,800,000	12.5	1,800,000	7.4	—
Eirion Andrew Charles Neubauer <sup>(2)</sup>	4,120,700	28.6	4,120,700	16.9	1,220,700
John Woolgar	2,600,000	18.0	2,600,000	10.6	—
Robert Stephen Wilkinson <sup>(3)</sup>	400,000	2.8	400,000	1.6	—
Ulick Simon Burke <sup>(4)</sup>	260,000	1.8	260,000	1.1	—
John Watkins	500,000	3.5	500,000	2.0	—

\* included in the number of Ordinary Shares assuming maximum subscription. For further information on these options see paragraph 13 in Part I.

### Notes:

- (1) 300,000 Ordinary Shares are held by his son, Iain McNair.
  - (2) 2,900,000 Ordinary Shares held in his name are in trust for the benefit of his children. Share options over a maximum 1,220,700 Ordinary Shares (amounting to 5 per cent. of the issued share capital of Holdings on the basis of the issued share capital immediately following Admission) have been committed to be granted at a price of 35p per ordinary Share by Holdings to Eirion Andrew Charles Neubauer.
  - (3) 200,000 Ordinary Shares are held by his wife, Nicolette Ann Wilkinson.
  - (4) 120,000 Ordinary Shares are held by ALPs in which he holds 35 per cent. of the shares.
- 9.2 Save as disclosed above, the Directors are not aware of any interests of persons connected with them which would, if such connected person were a director, be required to be notified to Holdings pursuant to section 324 or section 328 of the Act and would be required to be entered in the register of directors' interests pursuant to section 325 of the Act.

- 9.3 Save as disclosed in paragraph 9.1 above, the Directors are not aware of any interest (within the meaning of Part VI of the Act) in Holdings' ordinary share capital which, immediately following the Offer and Admission, would amount to 3 per cent. or more of Holdings' issued ordinary share capital or any person who, directly or indirectly, jointly or severally, will or could exercise control over Holdings other than those set out below:

	<i>Number of Ordinary Shares prior to the Offer</i>	<i>Percentage of issued share capital prior to the Offer</i>	<i>Number of Ordinary Shares following the Offer (assuming maximum subscription)</i>	<i>Percentage of issued share capital following the Offer (assuming maximum subscription)</i>
Olivia Jane Benyon <sup>(1)</sup>	2,236,000	15.5	2,236,000	9.6
Guild of Shareholders Nominees Limited <sup>(2)</sup>	1,166,000	8.1	1,166,000	4.8
Rosalind Diane Paxman <sup>(3)</sup>	680,000	4.7	680,000	2.8

*Notes:*

- (1) 200,000 Ordinary Shares are held by the children of Olivia Jane Benyon and 70,000 Ordinary Shares are held by Insider Publishing Limited in which Olivia Jane Benyon holds 72.2 per cent. of the shares. 1,166,000 Ordinary Shares are held by Guild of Shareholders Nominees Limited, a wholly owned subsidiary of Insider Publishing Limited.
- (2) Guild of Shareholders Nominees Limited is a wholly owned subsidiary of Insider Publishing Limited. The Ordinary Shares held by Guild of Shareholders Nominees Limited will be re-registered in the names of 31 beneficial owners, none of whom would individually represent over 3 per cent. of the issued share capital of Holdings prior to or following the Offer and Admission.
- (3) Rosalind Diane Paxman owns 300,000 Ordinary Shares jointly with her business partner, Derek Wallace. Rosalind's husband, Anthony Clarke, owns 180,000 Ordinary Shares. Derek Wallace's wife owns 200,000 Ordinary Shares.
- 9.4 Holdings has committed to grant to Eirion Andrew Charles Neubauer the right to subscribe for 5 per cent. of the issued share capital of Holdings as enlarged by this Offer at an option price of 35p per Ordinary Share. The options are exercisable at any time within five years after the options are granted.
- 9.5 Save as disclosed above, no Director or any person connected with such a Director (within the meaning of section 346 of the Act) will have any interest in the share capital of Holdings.
- 9.6 Save as disclosed herein, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of Holdings.
- 9.7 John McNair holds 17.7 per cent. and Eirion Andrew Charles Neubauer holds 55.2 per cent. of the issued share capital of Airtime. Airtime has entered into material contracts with the Company as described in paragraph 8.1 above. Neither of those Directors have voted or will vote in connection with Airtime's relationship with the Group.
- 9.8 There are no outstanding loans granted by the Group to any of the Directors, nor are there any guarantees provided by the Group for their benefit.
- 9.9 The Directors have each undertaken not to dispose of any interest in the shares of Holdings, for a period of one year from the date of Admission, save in the event of an intervening court order, acceptance of a take-over offer, signing an irrevocable undertaking to accept a take-over offer, the disposal by a shareholder to an offeror making a take-over offer for the company, or in the event of the death of the Director. This is a requirement of the AIM Rules.

## **10. Directors' service agreements**

- 10.1 There are no Directors' service contracts, or contracts in the nature of service, terminable without payment of compensation by Holdings on more than 12 months' notice.
- 10.2 John McNair has executed a Letter of Appointment from Holdings dated 8 June 2000. The principal terms are that he will receive £15,000 per annum and reasonable out of pocket expenses in return for which he will work at least 8 hours per day, 3 days per calendar month. There is no car provided nor pension payable. The contract imposes restrictive covenants preventing him from soliciting employees of Holdings for a period after the end of his service with Holdings.
- 10.3 John Watkins has executed a Letter of Appointment from Holdings dated 8 June 2000 in respect of his work as a non-executive director. The principal terms are that he will receive £5,000 per annum and

reasonable out of pocket expenses in return for which he will work at least 12 days per annum. There is no car provided nor pension payable. The contract imposes restrictive covenants preventing him from soliciting employees of Holdings for a period after the end of his service with Holdings.

- 10.4 Eirion Andrew Charles Neubauer has executed a Letter of Appointment from Holdings dated 8 June 2000. The principal terms are that he will receive £48,000 per annum and reasonable out of pocket expenses in return for which he will work at least 16 hours each week during normal office hours. There is no car provided nor pension payable. The contract imposes restrictive covenants preventing him from soliciting employees of Holdings for a period after the end of his service with Holdings.
- 10.5 John Woolgar has executed a Service Agreement with Holdings dated 30 May 2000. The principal terms are that he will receive £48,000 per year and reasonable out of pocket expenses in return for which he will work at least 8 hours per day, 4 days each week. There is no car provided nor pension payable. The contract imposes restrictive covenants preventing him from soliciting employees or customers of Holdings for a period after the end of his service with Holdings.
- 10.6 Robert Stephen Wilkinson has executed a Letter of Appointment from Holdings dated 8 June 2000. The principal terms are that he will receive £10,000 per annum and reasonable out of pocket expenses in return for which he will work at least 8 hours per day, 2 days per calendar month. There is no car provided nor pension payable. The contract imposes restrictive covenants preventing him from soliciting employees of Holdings for a period after the end of his service with Holdings. He will also receive a success fee of £15,000 on Admission.
- 10.7 Ulick Simon Burke has executed a Letter of Appointment from Holdings dated 8 June 2000. The principal terms are that he will receive £10,000 per annum and reasonable out of pocket expenses in return for which he will work at least 8 hours per day, 2 days per calendar month. There is no car provided nor pension payable. The contract imposes restrictive covenants preventing him from soliciting employees of Holdings for a period after the end of his service with Holdings.
- 10.8 The aggregate remuneration paid and benefits in kind granted to the Directors for the period ended 31 January 2000 amounted to £17,500. It is estimated that the aggregate remuneration and benefits in kind to be granted to the Directors for the year end 31 July 2001 under the arrangement in force at the date of this document will amount to approximately £151,000.

## **11. Litigation**

None of the companies in the Group is engaged in any legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings active, pending or threatened against or being brought against any company in the Group which may have or have had a significant effect on the financial position of any of those companies.

## **12. Taxation**

The following statements are intended only as a general guide to United Kingdom tax legislation and to the current practice of the Inland Revenue and may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in doubt as to his tax position is strongly recommended to consult professional advisers immediately.

### **12.1 Stamp Duty**

Save in relation to depository receipt arrangements or clearance services, where special rules apply:

- (a) no charge to stamp duty or stamp duty reserve tax ("SDRT") should arise on the issue of new Ordinary Shares under the Offer or on their registration in the names of applicants;
- (b) the subsequent transfer on the sale of Ordinary Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, ordinarily at the rate of 50 pence per £100 (or part thereof) on the amount or value of the consideration. A charge to SDRT at one half of one per cent of the amount or value of the consideration will arise if an unconditional agreement to transfer such shares is not completed by a duly stamped instrument of transfer or is settled within CREST.

## 12.2 Dividends

The United Kingdom ("UK") taxation implications relevant to the receipt of dividends on the Ordinary Shares are as follows:

There is no UK withholding tax on dividends. Individual holders of Ordinary Shares resident in the UK will be taxable on the total of the dividend and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income.

Following the abolition of the Advance Corporation Tax ("ACT") with effect from 6 April 1999 the tax credit on dividends is reduced to 1/9th of the dividend paid (or 10 per cent. of the aggregate of the dividend and the tax credit). However, for individuals resident in the UK, the income tax rates on dividend income are such that lower and basic rate tax payers will have no further liability and the higher rate is 32.5 per cent. rather than 40 per cent. This means that a higher rate tax payer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further liability of £22.50. The same procedure applies for UK resident trustees who are ordinarily liable to tax at the rate applicable to trusts save that in these circumstances a trust rate of 25 per cent. (as opposed to 32.5 per cent.) applies.

Generally, holders of new Ordinary Shares will no longer be entitled to reclaim the tax credit attaching to any dividends paid save where the new Ordinary Shares are held in a Personal Equity Plan or Individual Savings Account when the tax credit can be reclaimed for the dividends paid on or before 5 April 2004. Certain transitional rules apply to dividends received by charities.

Subject to certain exceptions for traders in securities, a holder of new Ordinary Shares which is a company resident for tax purposes in the UK and which receives a dividend will not generally have to pay corporation tax in respect of it.

UK pension funds are not entitled to reclaim any part of the tax credit associated with the dividends received by them.

The liability of UK tax for a person not resident in the UK and not having a UK representative will not be increased as a result of receiving a dividend. Entitlement to reclaim repayment of any part of a tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the UK and the country in which the holder is resident. Holders of new Ordinary Shares who are not resident in the UK should consult their own tax advisers concerning their tax liability on dividends received, whether they are entitled to claim repayment of any part of the tax credit and, if so, the procedure for so doing.

## 12.3 Taxation on Disposal

- (a) For the purposes of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Offer will be regarded as an acquisition of a new holding in the share capital of Holdings.

To the extent that a Shareholder takes up Ordinary Shares provisionally allotted to him, the Ordinary Shares so allotted will, for the purposes of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

Shareholders resident or ordinarily resident in the UK for tax purposes may be liable to tax on any gain arising on the disposal of their Ordinary Shares depending on their particular circumstances (including the availability of exemptions or allowable losses).

For Shareholders who are individuals, taper relief may apply depending on the length of ownership so that the effective rate of capital gains tax on any gain on a disposal by an individual Shareholder may be reduced the longer the Ordinary Shares are held. Indexation allowance no longer applies in the case of individual Shareholders. For corporate Shareholders an indexation allowance (not taper relief) will be available on a disposal in respect of the subscription cost of the Ordinary Shares. Indexation allowance cannot be used to create or increase a loss for tax purposes.

- (b) If an investor is an individual or an investment company, relief for losses incurred by that investor on disposal of the Ordinary Shares may be available under sections 573 to 576 of the Income and Corporation Taxes Act 1988, against income of the same or prior year.

This relief should be available provided Holdings and the investor satisfy the relevant statutory requirements.



#### **12.4 Inheritance tax and business property relief**

Provided a shareholder has owned shares in a qualifying unquoted trading company for at least two years and certain conditions are met at the time of the transfer, 100 per cent. business property relief is available, which reduces the inheritance tax liability on the transfer to nil.

**The statements relating to taxation made in the paragraphs above are intended as a general guide only to relevant aspects of current UK taxation law and Inland Revenue practice and may not apply to certain classes of persons (such as dealers in securities).**

**Any person who is in any doubt as to his tax position, and in particular any person who is subject to taxation in a jurisdiction other than the United Kingdom is strongly advised to consult his professional adviser.**

#### **13. Funds required to be raised**

The minimum amount which, in the opinion of the Directors, must be raised by the Offer in order to provide for the matters referred to in paragraph 21 of Schedule 1 to the POS Regulations is £1,200,000, made up as follows:

- Purchase price of property — Nil.
- Preliminary expenses — £200,000.
- Repayment of monies borrowed for the foregoing — Nil.
- Working capital — £1,000,000.

There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the proceeds of the Offer.

#### **14. Working Capital**

In the opinion of the directors, having made due and careful enquiry, the working capital available to Holdings will, from the time of Admission, be sufficient for its present requirements, that is for at least the next 12 months.

Save for remuneration received in respect of services rendered to Holdings, no payment or other benefits have, within the two years immediately preceding the date hereof, been paid or given or are now proposed to be paid or given by Holdings to any promoter of any company within the Group.

#### **15. The Nominated Adviser, Nominated Broker and Accountants**

- 15.1 The nominated adviser to Holdings is Grant Thornton regulated by the Institute of Chartered Accountants in England and Wales.
- 15.2 Grant Thornton have given and have not withdrawn their written consent to the issue of this document with the inclusion in this document of their name in the form and context in which it appears.
- 15.3 The nominated broker to Holdings is KBR regulated by the Securities and Futures Authority and a member of the London Stock Exchange.
- 15.4 KBR have given and have not withdrawn their written consent to the issue of this document with the inclusion in this document of their name in the form and context in which it appears.
- 15.5 Smith & Williamson have given and have not withdrawn their written consent to the issue of this document with the inclusion in this document of their reports and references to their name in the form and context in which it appears.

#### **16. Other information**

- 16.1 The total proceeds of the Offer are expected to amount to approximately £3,000,000. After deducting the estimated expenses of the Offer, the net proceeds payable to Holdings are expected to amount to £2,750,000.

- 16.2 The total expenses of the Offer (including amounts payable for professional fees, printing costs and commission on monies raised (assuming full subscription)) are estimated to be £250,000, exclusive of value added tax, all of which are payable by Holdings.
- 16.3 Save as disclosed in the Accountants Reports in Part III, there has been no significant change in the financial position or prospects of Holdings since incorporation.
- 16.4 The accounting reference date of the companies in the Group is 31 July.
- 16.5 Except as stated in this document, there are no significant investments in progress by the Group.
- 16.6 Except as stated in this document, no exceptional factors have influenced the Group's activities.
- 16.7 Except as detailed below or in this Prospectus, no persons (excluding professional advisers or as stated in this document and trade suppliers) have received, directly or indirectly, from the Group within the twelve months preceding Holdings' application for Admission, and no persons have entered into contractual arrangements to receive, directly or indirectly, from any of the Group on or after Admission:
- fees totalling £10,000 or more;
  - securities in Holdings with a value of £10,000 or more calculated by reference to the Offer Price of the Ordinary Shares on Admission; or
  - any other benefit with a value of £10,000 or more at the date of Admission, which includes all the existing shareholders of Holdings.

<i>Name</i>	<i>Value of shares at the Offer Price (£)</i>	<i>Name</i>	<i>Value of shares at the Offer Price (£)</i>
ALPs FS Ltd	36,000	Richard Harman Hewitt	18,000
Olivia Jane Benyon	240,000	John Edmund Howl	12,000
Oliver Benyon	12,000	David Lawrence Kempton	10,200
Thomas Yates Benyon Junior	24,000	Peter Graham and Patricia Ann Knott	10,200
Anthony Patrick Clarke	54,000	Roman Kostiw	10,200
Ann Ellis	42,000	John Charles Kottler	21,000
Clare Hayns	12,000	Alistair John Mackechnie	18,000
Insider Publishing Ltd	21,000	Joanna Sutherland Macleod	15,000
Iain McNair	90,000	Marketsimple Ltd	12,000
Paul Adam Nixon	118,800	David and Irah Maxwell	60,000
Rosalind Diane Paxman and Derek Charles Wallace	90,000	Nigel Charles Milton	10,200
Camilla Sinclair	12,000	John Bertram Moran	15,000
Nicolette Ann Wilkinson	60,000	Makbul Hussain and Fatima Makbul Mubeen	10,200
Kim Wilson	60,000	Michael Harold James Parlett	30,000
Guild of Shareholders Nominees Limited	349,800	Richard Linnell Partridge	15,000
Peter John Amy	30,000	Christopher Ernest Quinn	15,000
Derek Angel	10,200	Brian John Rand	10,200
Barrington Henry and Christine Janet Baillie	12,000	John Cecil Derek Rawlins	10,200
Moir Anne Barton	10,200	Paul Martyn Richards	30,000
Richard Arthur St John Beale	10,200	Maurice Robinson	20,400
Anthony Michael Bolton	19,200	Harry Emanuel Rosenberg	10,200
Philippe de Paris Coombs	10,200	Anthony Charles Raby Scutt	10,200
Danute Liuba Cranfield	10,200	Robert Charles Stedman	19,800
John Raymond Darnell	10,200	Bruce Walker Swann	18,000
Alan Keith Davies	12,000	Peter Robert Tennant	10,200
Roy Percival Davies	10,200	Keith Robert Trevitt	10,200
William Bruce Donaldson	10,200	Andrew John Waters	15,000
Giles Ronald Garton	12,000	Elaine Stella Wilson	30,000
John Peter Hastings-Bass	10,200	Stephen Francis Wood	18,000
		Enid Clare Wyatt	12,000

The above are all Shareholders as at 30 May 2000.

- 16.8 Public Affairs Associates received £13,178 for consultancy work undertaken in connection with the private placing of shares in the Company in December 1999.
- 16.9 ALPs has contracted with the Company to receive a success fee of £10,000 or, if a certain deadline is met, £15,000 for obtaining A1 category for the Company from the PIA.
- 16.10 The Offer Price of 30p per Ordinary Share is at a premium of 29p for each Ordinary Share above the nominal value of each Ordinary Share.
- 16.11 The financial information relating to the Group contained in this document does not comprise statutory accounts for the purposes of section 240 of the Act.

#### **17. Documents available for inspection**

Copies of the following documents may be inspected at the offices of Clyde & Co, Beaufort House, Chertsey Street, Guildford GU1 4HA, Grant Thornton, Enterprise House, Isambard Brunel Road, Portsmouth, Hampshire PO1 2RZ and at the registered office of Holdings during usual business hours on each weekday (Saturday and public holidays excepted) for a period of 14 days from the date of this document:

- 17.1 the memorandum and articles of association of Holdings which will be in force immediately following Admission;
- 17.2 the audited accounts of the Company for the period ended 31 January 2000;
- 17.3 each of the material contracts referred to in paragraph 8 above;
- 17.4 the service agreement and letters of appointment referred to in paragraph 10 above;
- 17.5 the reports of Smith & Williamson set out in Part III of this document;
- 17.6 the written consents of Grant Thornton, KBR and Smith & Williamson referred to in paragraphs 15.2, 15.4 and 15.5 above; and
- 17.7 this document.

#### **18. Availability of Prospectus**

Copies of this Prospectus will be available on [www.webshareshop.com](http://www.webshareshop.com). Printed copies of this Prospectus are also available free of charge from the registered office of Holdings during normal business hours on any weekday (Saturdays and Public Holidays excepted) and shall remain available for at least 14 days after Admission. Preferential treatment will be given to the existing shareholders of Holdings and potential subscribers who have pre-registered their interest in the Offer who must complete the pink Application Form.

## **PART VI**

### **APPLICATION PROCEDURE AND TERMS AND CONDITIONS**

#### **1. Conditions and terms of the Offer**

Subscribers may apply for Ordinary Shares only on the Application Form.

The Offer is conditional upon Admission and upon receiving application for at least 4,000,000 Ordinary Shares.

As cheques or banker's drafts are to be presented for payment before the conditions of the Offer are fulfilled, the application monies will be kept in a separate bank account and any interest earned on such monies will be retained for the benefit of Holdings.

If the Offer does not become unconditional, no Ordinary Shares will be issued and all monies received by the Registrars in connection with the Offer will be returned to the Subscribers without interest as soon as practicable thereafter by sending a cheque crossed "Account Payee Only" in favour of the Subscriber(s) through the post, at the risk of the persons entitled thereto, to the address set out in Box 3 of the Application Form.

Further terms and conditions of the Offer are set out in this Part VI. The Application Form represents a right to apply for Ordinary Shares.

#### **2. Procedure for Application and Payment**

If you wish to apply for Ordinary Shares you should complete the Application Form in accordance with the instructions thereon and send it or deliver it by post or by hand, together with the appropriate remittance to Connaught St Michaels Limited, PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU so as to arrive no later than 3.00 pm on 14 July 2000. A reply paid envelope is enclosed for your use. If you post your Application Form, you are recommended to allow at least four working days for delivery.

Cheques or bankers' drafts should be made payable to "Connaught St Michaels Limited a/c Web Shreshop" and crossed "Account Payee Only". All payments must be made by cheque or bankers' draft in pounds sterling drawn on a bank or building society in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or a member of either of the committees of Scottish or Belfast Clearing Houses, or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided for the members of either of those companies or those committees, and must bear the appropriate sort code in the top right hand corner. Cheques or bankers' drafts must be for the full amount. No interest will be allowed on payments made. An application will not be considered unless these requirements are fulfilled. Once submitted, applications are irrevocable. Cheques and bankers' drafts are liable to be presented for payment upon receipt. Subscribers should note that the Application Form contains a warranty (which is a term of the Offer) that cheques will be honoured on first presentation. Any cheque that has not been so honoured or is not honoured by 3.00 pm on 14 July 2000 may be deemed invalid. If an application from a Subscriber is not accepted or is accepted for fewer Ordinary Shares than the number applied for, the balance of the amount paid on application will be returned by no later than 3.00 pm on 14 July 2000 (unless extended) without interest by sending a cheque crossed "Account Payee Only" in favour of the Subscriber(s) through the post, at the risk of the person(s) entitled thereto, to the address set out in Box 3 of the Application Form.

The Directors reserve the right to instruct the Registrars to seek special clearance of bankers' drafts and cheques to allow Holdings to obtain the value of any remittance at the earliest opportunity.

All documents and remittances sent by post by or to a Subscriber (or as the Subscriber may direct) will be sent at the Subscriber's own risk.

By completing and delivering the Application Form, you (as the applicant(s)):

- (a) agree that all applications, and contracts resulting therefrom, under the Offer shall be governed by and construed in accordance with English law; and
- (b) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you accordingly agree that no person responsible

solely or jointly for this document or any part thereof shall have any liability for any such information or representation.

If you are in any doubt whether or not you should apply for any of the Ordinary Shares, you should consult your independent professional adviser immediately. If you are in any doubt as to the procedure for acceptance and payment you should contact Connaught St Michaels Limited, PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU, telephone 01582 405333.

### **3. Money Laundering Regulations 1993**

The verification of identity requirements of the Money Laundering Regulations 1993 will apply to applications with a value of £9,500 or greater which are to be settled by way of a third party payment and verification of the identity of the Subscriber(s) for Ordinary Shares may be required. Failure to provide the necessary evidence of identity within a reasonable period of time following a request for verification of identity and in any event by no later than 3.00 pm on 14 July 2000 (unless extended) may result in your application being treated as invalid.

In order to avoid this, payment should be made by means of a cheque drawn by the Subscriber named on the Application Form. If this is not practicable, and you use a cheque drawn by a third party, a building society cheque or a bankers' draft, you should:

- (a) write the name and address of the Subscriber(s) named in Box 3 (and Box 7, if appropriate) of the Application Form on the back of the cheque, building society cheque or bankers' draft and record the date of birth of that person;
- (b) if a building society cheque or bankers' draft is used, ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited; and
- (c) if you are making an application as agent for one or more persons, indicate on the Application Form whether you are a UK or EC regulated person or institution (eg. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact Connaught St Michael Limited and seek guidance.

If you deliver your Application Form by hand, you should ensure that you have with you evidence of identity bearing your photograph (eg your passport).

In any event, if it appears to the Registrars that a Subscriber is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Subscriber appears to be acting will be required. In relation to any application in respect of which the necessary verification of the identity of the Subscriber named in Box 3 of the Application Form or the person on whose behalf any such Subscriber appears to be acting has not been received on or before 3.00 on 14 July 2000 (unless extended), Holdings will treat the relevant application as invalid and application monies will be returned (without interest).

### **4. Overseas Subscribers**

#### **4.1 General**

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 to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation could lawfully be made without compliance with any registration or other legal requirements other than any such requirements which have been fulfilled.

It is the responsibility of any person outside the United Kingdom wishing to apply for Ordinary Shares under the Offer to satisfy himself as to the full observance of the laws and any regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consent which may be required and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territory.

Holdings reserves the right to treat as invalid any Application Form that appears to Holdings or its agents to have been executed or despatched in a manner which may involve a breach of securities legislation of any jurisdiction.

#### **4.2 USA and Canada**

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended). The Ordinary Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any US Person. Persons subscribing for Ordinary Shares shall be deemed to represent and warrant to Holdings that they are not a US Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares and in the United States or to any US Person. As used herein "US Person" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or any political subdivision thereof or any estate or trust which is subject to United States federal income taxation regardless of the source of its income. Holdings has not been nor will be registered under the United States Investment Company Act of 1940 (as amended). Accordingly the Ordinary Shares may not (other than in certain circumstances) be offered, sold, transferred, taken up or delivered in the USA or Canada or to any resident of those jurisdictions.

No application to subscribe for Ordinary Shares may be made under this document or the Application Form in USA or Canada.

#### **4.3 The Commonwealth of Australia**

Subscribers who are resident in Australia should note the following. No prospectus in relation to the Ordinary Shares has been lodged with, or registered by, the Australian Securities and Investments Commissions. Accordingly, the Ordinary Shares may not (other than in certain circumstances) be offered, sold, transferred, taken up or delivered in Australia, or to or by any resident of Australia.

No application to subscribe for Ordinary Shares may be made under this document or the Application Form in Australia.

#### **4.4 Republic of Ireland**

Subscribers who are resident in the Republic of Ireland should note the following. As a result of regulations in the Republic of Ireland, no offer of Ordinary Shares is being made under this document to Subscribers with registered or mailing addresses in the Republic of Ireland.

No application to subscribe for Ordinary Shares may be made under this document or the Application Form in the Republic of Ireland.

### **5. CREST**

CREST is the computerised share transfer and settlements system which allows shares and other securities to be held in electronic form rather than paper form although a shareholder can continue dealing based with share certificates and stock transfer forms. For private investors who do not trade frequently, this latter course is likely to be more cost-effective. For more information concerning CREST, Subscribers should contact their broker or, alternatively, CREST Co Limited at Trinity Tower, 9 Thomas More Street, London E1 9YN.

The Offer will be processed entirely outside the CREST system. Accordingly, definitive share certificates representing allotted Ordinary Shares will be issued after completion of the Offer (see Section headed "Share Certificates" below). Subscribers can then decide whether they wish to continue to hold their shares in certificated form.

### **6. Admission to AIM**

Application will be made to the London Stock Exchange to admit the Ordinary Shares of Holdings to trading on AIM. It is expected that dealings in the Ordinary Shares will commence on 31 July 2000.

### **7. Share Certificates**

Definitive certificates in respect of the Ordinary Shares to be issued will be despatched by first class post, at the risk of the person entitled thereto, and in the case of joint holders to the holder whose name stands first in the register in respect of the joint holding concerned, by 26 July 2000 and, pending such despatch, transfers will be certified against the register. No temporary documents of title will be issued.

## **8. Further Terms and Conditions of Application**

Each Subscriber by whom, or on whose behalf an Application Form is executed, irrevocably undertakes, represents, warrants and agrees to and with Holdings and Grant Thornton to the following effect:

1. he/she/it hereby acknowledges that the acceptance and basis of allocation of Ordinary Shares is in the absolute discretion of the Directors and that they have reserved the right to reject the whole or in part or to scale down or limit any application. Applications for Ordinary Shares under the Offer will be satisfied in full up to a maximum of 10,000,000 Ordinary Shares. In the event that applications under the Offer exceed in aggregate 10,000,000 Ordinary Shares, applications under the Offer may be scaled back in the first instance and then, if necessary, be subject to a ballot. Preferential treatment will be given to the existing shareholders of Holdings and potential subscribers who have pre-registered their interest in the Offer. If any application is not accepted or is accepted for fewer Ordinary Shares than the number applied for, the application monies or the balance thereof (as the case may be) will be returned by 31 July 2000 by sending the Subscriber's cheque or bankers' draft or a crossed cheque in favour of the Subscriber, in each case by post and at the risk of the person entitled thereto, to the address of the first-named Subscriber without interest. Notifications of non-acceptance or acceptance will not be issued pending issue of definitive certificates for the Ordinary Shares or return of the application monies (as the case may be);
2. that it is a condition of the Offer that applications to the value of approximately £9,500 or more which are settled by way of third party payments e.g. bankers' draft, building society cheque or a cheque drawn by someone other than the Subscriber will be subject to the UK's Verification of Identity Requirements which are contained in the Money Laundering Regulations 1993 and that he/she/it hereby acknowledges that he/she/it has read and understood the information and requirements contained in the Section headed "Money Laundering Regulations 1993" contained in this Part VI.
3. he/she/it warrants that the cheque or banker's draft enclosed with the Application Form will be honoured on first presentation and agree that if such cheque or banker's draft is not so honoured he/she/it will not be entitled to receive a share certificate for any Ordinary Shares unless and until he/she/it makes payment in cleared funds for such Ordinary Shares and such payment is accepted by Holdings in its absolute discretion (which acceptance will be on the basis that he/she/it indemnifies Holdings against all costs, damages, losses, expenses and liabilities arising out of, or in connection with the failure of his/her/its remittance to be honoured on the first presentation);
4. he/she/it understands that an application by him/her/it to invest in Holdings shall be deemed to be an offer up to the value of his/her/its application and that such offer shall be deemed to take effect on delivery or despatch by post (as the case may be) of the Application Form;
5. he/she/it confirms that he/she/it is not relying on any information or representation in relation to Holdings other than that contained in this document and agrees that neither Holdings nor any person responsible for this document or any part of it shall have any liability for any information or representation not so contained;
6. he/she/it hereby authorises Holdings to send a cheque for any monies returnable to him/her/it by first class post at his/her/its risk to the address first given in Box 3;
7. he/she/it agrees that his/her/its application is irrevocable;
8. he/she/it agrees that, if he/she/it has signed the Application Form on behalf of any other person he/she/it has due authority to do so and that such person will also be bound accordingly and be deemed to have given the confirmation, warranties and undertakings contained therein;
9. he/she/it warrants that he/she/it is not, nor is he/she/it applying for or on behalf of a person who is, under the age of 18;
10. he/she/it warrants and declares that he/she/it has read and reviewed the Section headed "Overseas Subscribers" in this Part VI of the Prospectus and that (if applicable) he/she/it has complied with the requirements;
11. he/she/it warrants that, in connection with his/her/its application, he/she/it has observed the laws of all requisite territories, obtained any requisite governmental or other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her/its application in any territory and that he/she has not taken any action which will or may result in Holdings and/or KBR and/or Grant Thornton acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or his/her/its application;

12. he/she/it authorises Connaught St Michaels Limited, or any person authorised by it, as his/her/its agent, to do all things necessary to effect registration of any Ordinary Shares allotted to him/her/it and authorise any representative of Connaught St Michaels Limited, to execute any document required therefor;
13. he/she/it agrees that the Application Form and all matters in connection herewith shall be construed in accordance with and governed by the laws of England and Wales. He/she/it agrees to submit to the exclusive jurisdiction of the English Courts but that nothing shall limit the right of Holdings to bring any action, suit or proceedings arising out of or in connection with the Application Form or any matter in connection therewith in any manner permitted by law or in any court of competent jurisdiction;
14. he/she/it hereby declares that he/she/it has read, understood and agreed to the terms and conditions contained in the Prospectus and the Application Form, including the risk factors set out in Part I of this document and has taken all appropriate professional advice which he/she/it considers necessary before submitting this application and that he/she/it is aware of the special risks involved in participating in an investment of this nature and he/she/it understands that his/her/its application is made upon the terms of the Prospectus and this Application Form;
15. he/she/it acknowledges that, in relation to the transactions described in this document, the advisers of Holdings mentioned therein are acting for Holdings and are not acting for him/her/it or on his/her/its account and that accordingly, will not be responsible to him/her/it for providing protections afforded to their clients, for advising him/her/it on any transactions described herein or for ensuring that such transaction is suitable for him/her/it; and
16. he/she/it agrees that terms and expressions used in the Application Form shall have the meaning set out in this document unless the context requires otherwise.

Dated: 9 June 2000



## HOW TO COMPLETE THE APPLICATION FORM

Before making any application to acquire Ordinary Shares, you are advised to consult an independent financial adviser authorised under the Financial Services Act 1986. The following instructions should be read in conjunction with the Application Form and the terms and conditions of application set out in the Prospectus.

No offer to subscribe for Ordinary Shares in the capital of Holdings plc can be revoked. Every application will be subject to the memorandum and articles of association of Holdings and the terms and conditions of application set out in the Prospectus. Should the Offer be oversubscribed you agree to accept a lower number of shares, or, in the case of a ballot, you may receive no allocation of Ordinary Shares.

Payment must be made in full upon application for the stated number of Ordinary Shares. By signing this Application Form you give an undertaking that the cheque will be honoured upon first presentation for payment. We agree to register any Ordinary Shares for which this application is accepted in your name.

Applications must be made using an original Application Form or an Application Form from the Company's website.

**1 Insert in Box 1 (in figures) the number of Ordinary Shares for which you are applying.**

Applications must be for a minimum of 7,000 Ordinary Shares, i.e., the minimum subscription is £2,100. Applications for more than the minimum must be made in multiples of 1,000 Ordinary Shares.

**2 Insert in Box 2 (in figures) the amount of your cheque or banker's draft.**

**3 Insert your full name and address in BLOCK CAPITALS in Box 3.**

**4 Date and sign the Application Form in Box 4.**

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

**5 Insert your email address (if any).**

Please write your email address clearly using upper and lower case letters as appropriate and remembering connecting symbols such as '\_' '-' '/' '\' '@' and spaces.

**6 You must pin a single cheque or banker's draft to your completed Application Form in Box 6. Your cheque or banker's draft must be payable to "Connaught St Michaels Limited a/c Web Shareshop".**

A separate cheque or banker's draft must accompany each application. No other method of payment is acceptable. No receipt will be issued for this payment. An application may be accompanied by a cheque drawn by a person other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person named in Box 3.

**7 You may apply jointly with up to three other persons.**

You must then arrange for the Application Form to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in BLOCK CAPITALS in Box 7.

**8 Box 8 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 3 and sign Box 4).**

## Web Shareshop (Holdings) plc APPLICATION FORM

**Important:** Before completing this form you should read the notes in the Prospectus on pages 50 to 54 and overleaf. Capitalised words in the Application Form have the meaning set out in the Prospectus. Boxes 1-4 must be completed by all applicants. Your remittance must be pinned at Box 6. Boxes 7 and 8 must also be completed in the case of joint applicants. Applications must be for a minimum of 7,000 Ordinary Shares. Applications must be made in multiples of 1,000 Ordinary Shares. Box 5 is optional but it is important for those applicants who wish to apply for membership of the Placings Club.

**PLEASE RETURN YOUR COMPLETED APPLICATION FORM AND CHEQUE OR BANKERS DRAFT BY POST, OR DELIVER IT TO: Connaught St Michaels Limited, P O Box 30, Cresta House, Alma Street, Luton, Bedfordshire, LU1 2PU**

**IN EACH CASE IT MUST ARRIVE NO LATER THAN 3.00 pm on 14 July 2000 (unless closed earlier or extended by the Directors).**

**(Block Capitals except Box 5. For Box 5, please write your email address clearly using upper case and lower case letters as appropriate and remembering connecting symbols, such as ‘\_’ ‘.’ ‘/’ ‘\’ ‘@’ and spaces.)**

I/We offer to subscribe for	(minimum 7,000)	Ordinary Shares at 30p each	<b>1</b>
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in Web Shareshop (Holdings) plc on the terms and subject to the conditions of application set out in the Prospectus dated 9 June 2000.

and I/We attach a cheque or banker's draft for the amount payable, namely	£	<b>2</b>
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Mr/Mrs/Miss or Title		Forenames (in full)		Surname		<b>3</b>
Address (in full)      Postcode						
Email*						<b>5</b>
Date		Signature				<b>4</b>

Pin your cheque or banker's draft for the amount shown in Box 2 made payable to "Connaught St Michaels Limited a/c Web Shareshop."	<b>6</b>
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**Boxes 7 and 8 must be completed in the case of joint applicants only**

Mr/Mrs/Miss Title	<b>7</b>	Mr/Mrs/Miss or Title	<b>7</b>	Mr/Mrs/Miss or Title	<b>7</b>
Forenames (in full)		Forenames (in full)		Forenames (in full)	
Surname		Surname		Surname	
Address (in full)		Address (in full)		Address (in full)	
Postcode		Postcode		Postcode	
Email*	<b>5</b>	Email*	<b>5</b>	Email*	<b>5</b>
Signature	<b>8</b>	Signature	<b>8</b>	Signature	<b>8</b>

**Intermediaries claiming commission should stamp the box below**

Stamp of Intermediary	SRO and Membership Number
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\* I confirm that by giving my email address, I grant my consent to receiving further information relating to the Offer.

**END OF DOCUMENT**