

# SEPARATOR SHEET

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MINORPLANET SYSTEMS PLC



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COMPANIES HOUSE 10/11/97

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt about the contents of this document and/or the action you should take, you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

This document, which is an Admission Document in relation to the Alternative Investment Market of the London Stock Exchange, has been drawn up as a prospectus in accordance with the Public Offers of Securities Regulations 1995 and a copy has been delivered for registration to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of those Regulations.

The Directors of Minorplanet Systems PLC, whose names appear on page 5 of this document (the "Directors") accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the rules set out in Chapter 16 of the rules of the London Stock Exchange ("AIM Rules"). To the best of the knowledge and belief of the Directors, (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and makes no omission which is likely to affect the import of such information.

# MINORPLANET SYSTEMS PLC

(Incorporated in England and Wales under the Companies Act 1985) (Registered No. 3372097)

**Placing of  
7,000,000 Ordinary Shares of 5p each at a price of 45p per share  
Admission to the Alternative Investment Market  
Nominated Adviser and Nominated Broker  
Charles Stanley & Company Limited**

**Share Capital immediately  
following the Placing**

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>
£2,500,000	50,000,000	Ordinary Shares of 5p each	£1,967,955.20 39,359,104

Application has been made for the whole of the ordinary share capital of Minorplanet Systems PLC (the "Company") in issue immediately following the Placing to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM").

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her independent financial adviser.

The rules of AIM are less demanding than those of the Official List of the London Stock Exchange. It is emphasised that no application is being made for admission of these securities to the Official List of the London Stock Exchange. Further, the London Stock Exchange has not itself approved the contents of this document.

Charles Stanley & Company Limited, which is regulated by The Securities and Futures Authority Limited, is acting as nominated adviser and nominated broker to the Company and no one else in connection with the Placing and the admission of the Company's Ordinary Shares to trading on AIM. Accordingly, Charles Stanley & Company Limited will not be responsible to anyone other than the Company for providing the protections afforded to its own clients nor for affording advice in connection with the Placing or the admission of the Company's Ordinary Shares to trading on AIM. In accordance with the AIM Rules, Charles Stanley & Company Limited expects to confirm to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, to the best of its knowledge and belief all relevant requirements of the AIM Rules have been complied with.

The Placing is underwritten by Charles Stanley & Company Limited and is conditional, *inter alia*, on Admission taking place on or before 17 November 1997 (or such later date not being later than 28 November 1997 as the Company and Charles Stanley & Company Limited may agree).

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## DEFINITIONS

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

“Act”	the Companies Act 1985, as amended
Admission”	admission of the Ordinary Shares and the Placing Shares to trading on AIM
“AIM”	the Alternative Investment Market of the London Stock Exchange
“Approved Scheme”	the executive share option scheme, details of which are set out in paragraph 4.1 of Part 6 of this document
“Capital Bank”	Capital Bank plc, formerly NWS Bank plc, part of the Bank of Scotland
“Charles Stanley”	Charles Stanley & Company Limited, regulated by The Securities and Futures Authority Limited and a member of the London Stock Exchange, The Company’s Nominated Adviser and Nominated Broker
“Company” or “Minorplanet Systems”	Minorplanet Systems PLC
“Directors” or “Board”	the board of Directors of Minorplanet Systems
“Group”	Minorplanet Systems and Minorplanet
“Issue Price”	45p per Placing Share
“London Stock Exchange”	London Stock Exchange Limited
“Minorplanet”	Minorplanet Limited, the sole and wholly-owned subsidiary of the Company
“Ordinary Shares”	ordinary shares of 5p each in the capital of Minorplanet Systems
“Placing”	the placing of the Placing Shares at the Issue Price
“Placing Agreement”	the agreement relating to the Placing, details of which are set out in paragraph 6.6 of Part 6 of this document
“Placing Shares”	the 7,000,000 new Ordinary Shares, which are the subject of the Placing
“PCR Systems”	PCR Systems Limited, a software house contracted to Minorplanet
“Regulations”	the Public Offers of Securities Regulations 1995
“Unapproved Scheme”	the unapproved executive share option scheme, details of which are set out in paragraphs 4.2 of Part 6 of this document

## **GLOSSARY OF TERMS**

AEM1000	Automatic Electronic Manager, the Company's principal product
AEM1000 Pc	Base station transceiver
GPS	Global Positioning System
RAM	Random Access Memory
HGV	Heavy goods vehicle

## **PLACING STATISTICS**

Issue Price per Placing Share	45p
Number of Ordinary Shares in issue following the Placing	39,359,104
Market capitalisation following the Placing at the Issue Price	£17.7 million
The Placing Shares as a percentage of the enlarged issued share capital	17.8 per cent.
Proceeds of the Placing to be received by the Company net of expenses	£2.65 million
Loss of Minorplanet for the 15 months ended 31 August 1997	£2.181 million

## **EXPECTED TIMETABLE**

Dealings expected to commence in the Ordinary Shares	17 November 1997
Definitive share certificates despatched or CREST member accounts credited in respect of the Placing Shares	24 November 1997

## DIRECTORS, SECRETARY AND ADVISERS

Directors:	Michael David Abrahams CBE DL Jeffrey Clive Morris Andrew Daniel Tillman Andrew Paul King BA FCA David Benjamin Gaunt John Dennis Macey Dr Christopher Gerard Michael Harrison MSc PhD CEng MIEE Sir James Spooner MA FCA David Gordon Perry CIMgt  <i>all of 57 Cardigan Lane, Leeds LS4 2LE</i>	<i>Executive chairman</i> <i>Executive deputy chairman</i> <i>Operations director</i> <i>Finance director</i> <i>Sales director</i> <i>Technical director</i>  <i>Research director</i> <i>Non-executive director</i> <i>Non-executive director</i>
Company Secretary and Registered Office:	Andrew Paul King FCA 57 Cardigan Lane Leeds LS4 2LE	
Nominated Adviser and Nominated Broker:	Charles Stanley & Company Limited 25 Luke Street London EC2A 4AR	
Reporting Accountants and Auditors:	Arthur Andersen St Paul's House Park Square Leeds LS1 2PJ	
Solicitors to the Company:	Mishcon de Reya 21 Southampton Row London WC1B 5HS	
Solicitors to Charles Stanley:	Herbert Smith Exchange House Primrose Street London EC2A 2HS	
Patent Agents:	Atkinson & Company The Technology Park 60 Shirland Lane Sheffield S9 3SP	
Bankers:	Bank of Scotland St. Andrew's Chambers 21/22 Park Row Leeds LS1 5JF	
Registrars:	Moorgate Registrars plc Dukesmead House 39 High Street Chelmsford, Essex, CM1 1DE	

## MISSION STATEMENT

The Group intends:-

- **To continue to develop the most efficient vehicle management systems available.**
- **To ensure such systems remain inexpensive to install and run.**
- **To produce such benefits for the user so as to make the systems essential tools for anyone operating any type of vehicle fleet.**
- **To establish market leadership in the UK and then to market the systems worldwide.**
- **To provide the best possible after sales service.**

## KEY INFORMATION

The following information should be read in conjunction with the full text of this document:

- The principal business of the Group is the provision of the Minorplanet Vehicle Management System in the form of the AEM1000 and related software. This device, when fitted to a vehicle, utilises the GPS to triangulate and record its position at predetermined time intervals. The device also monitors and records both vehicle speed and distance travelled. The Company intends to develop the future capability to monitor almost any electronic activity in vehicles, such as alarm conditions, door openings and refrigeration temperatures.
- The Directors believe that one of the most important issues for any company operating a fleet of vehicles is the efficient and effective control of that fleet.
- The Company's research indicates that, before the availability of Minorplanet's fleet management system, as soon as a vehicle left Company premises owners and operators had no certain method of gathering detailed historic information about the movement of their vehicle:
  - the fleet controller could no longer be sure that it was being used in the most efficient way;
  - the operator did not know for certain that the vehicle had taken the most direct route;
  - and
  - it was not certain what time the vehicle arrived at the company's customers or made a delivery.
- **Minorplanet's unique product is the AEM1000, which is developed and assembled at its Leeds office.**
- The AEM1000 is economic to install, has no running costs and can be used to tell the operator where each vehicle has been, when it stopped and started en route, its exact route and speed twenty-four hours a day, three hundred and sixty five days a year, anywhere in the world.
- Once this system is installed, the Directors believe that the operator can make immediate cost savings and that this is one of the major reasons for the initial success of the system.

- The system is suitable for any type of fleet of vehicles, large or small, whether for haulage, distribution, sales, security, service engineers or any other end use.
- Since its incorporation on 18 June 1996 and commencement of trading in September of that year, Minorplanet has designed, prototyped, tested and sold the Minorplanet Vehicle Management System to a wide range of companies, including Polypipe PLC, Dairy Crest Group PLC, Allied National Group and United Construction Service Limited. This has been achieved on a limited budget and with minimal advertising and publicity. The Directors believe that they have identified an area in the vehicle logistics market, which has yet to be fully exploited by any other company. The Group's objective is to develop a strong position in transport and fleet management within the UK and to develop a worldwide business based on existing and future technologies.
- The Directors consider that the increased awareness of the Company following Admission will be of great benefit in helping to expand sales. In addition, the Directors believe the Placing will provide the Group with a firmer financial base, enabling it to achieve faster growth in the UK and facilitate eventual penetration of European and world markets.
- The first systems began to be installed in vehicles in December 1996. For the 15 months ended 31 August 1997 Minorplanet made a pre-tax loss of £2.181 million on sales of £280,000 after writing off all development and set-up costs. Orders placed are increasing.
- The Company is raising £3.15 million before expenses through a placing of 7,000,000 new Ordinary Shares at 45p per share. Following the Placing, the shareholders immediately prior to Placing will be interested in 82.2 per cent. of the enlarged share capital of the Company.
- **Risk factors pertaining to the Group are detailed on page 16 of this document.**



## **PART 1**

### **MINORPLANET SYSTEMS PLC**

#### **Introduction to Minorplanet**

##### **Background**

The origins of the business go back to May 1996, when a group of inventors approached Jeffrey Morris about developing a vehicle management system. After examining the marketplace the group identified an opportunity to develop a system which stored historical information in respect of a vehicle's movements as opposed to real-time monitoring. On 18 June 1996 Minorplanet was incorporated and in September offices were taken at 57 Cardigan Lane, Leeds.

Further development of the system commenced in June 1996, when Andrew Tillman began work with a team of software developers from PCR Systems to write the base station software. By November 1996 an initial version of the tracking system was operational and the first system was installed during December 1996.

Minorplanet rewrote the software early in 1997 and the second version, which was specifically written to take advantage of Windows 95/NT 32-bit operating systems, was launched by February 1997. This new software incorporated speed and mileage information.

Having worked with its initial customers in the early part of 1997 Minorplanet developed its marketing strategy in April 1997 and started to install systems on a trial basis. As the trial periods ended, these trials began to convert into sales. Orders rose steadily through August and September. At present the system has been sold to approximately 50 customers and a further 150 customers are currently on trial or awaiting trial, which the Directors expect to result in further sales.

On 16 May 1997 Minorplanet Systems PLC was incorporated and acquired Minorplanet Limited by means of a share for share exchange on 3 November 1997.

##### **The Product**

The concept of the Minorplanet Vehicle Management System originated after the Directors believed that they had identified a market for a reliable, low cost tracking system. From initial market research the product developed into a fleet logistics system.

##### **AEM1000**

The Minorplanet Vehicle Management System comprises the AEM1000, which is the tracking device fitted to vehicles, a base station transceiver, antennae and tracking software to collect, manipulate and display the stored information.

Utilising the GPS, the AEM1000 triangulates and records its position at predetermined time intervals. The unit also monitors and records both vehicle speed and the distance travelled.

When the vehicle carrying the AEM1000 returns to its designated depot, the recorded information is automatically downloaded to a base station where it can be stored indefinitely.

Once the data has been downloaded successfully, the base station instructs the AEM1000 to erase its memory. Over 10,000 records can be stored. This typically represents three weeks use assuming an eight hour working day and based upon one minute logging intervals.

#### The base station and software

The base station consists of the AEM1000Pc, the transceiver unit that communicates with the AEM1000 unit and passes the downloaded data to the base station computer. The AEM1000Pc is able to download data from a large number of AEM1000 units simultaneously.

The AEM1000Pc is connected to an IBM compatible computer running the Minorplanet Vehicle Management Software, designed and written by the Minorplanet software team for Windows 95 and Windows NT. The software is designed for ease of use and the average training time is two hours for operators with no prior experience in operating windows-based software.

Once a signal is received from an AEM1000 unit, the software download module commences two way communications via the AEM1000Pc and, providing that the authorisation codes are confirmed, the data is downloaded and posted to the database within the main software.

This stored data is then utilised by the base station software to replay journeys on digital maps, showing graphically where the vehicle has travelled, where and for how long it has stopped and also to print reports providing textual descriptions of one or a number of journeys.

Positional information is stored on board the AEM1000 and is automatically downloaded to the base station computer without any user intervention when the vehicle returns to a depot. Once installed the system has no running costs. Because the AEM1000 uses GPS for triangulating its position and is not reliant upon third party communication networks, it is able to operate anywhere in the world.

#### GPS

The GPS is funded and controlled by the US Department of Defense. While there are many thousands of civil users of GPS worldwide, the system was designed for and is operated by the US military. The GPS Operational Constellation consists of twenty-four satellites. Twenty-one navigational and three active spheres orbit the earth in twelve-hour orbits. These orbits repeat the same ground track (as the earth turns beneath them) once each day. GPS is free of charge and available to anyone all of the time.

#### Benefits of the Minorplanet Vehicle Management System

In the opinion of the Directors, the majority of existing tracking systems are marketed primarily as security products or tools to monitor driver efficiency in respect of vehicle longevity and maintenance costs. In contrast, the Minorplanet Vehicle Management System is marketed as a method of achieving control over vehicle fleets.

In the opinion of the Directors, the benefits to the customer over existing products in the sector are:

- Cost effective fleet management tool
- Quick and easy installation in any vehicle

- No driver intervention required
- The automatic downloading of data to the base station computer
- Easy to understand maps and reports
- A full customer support service

These factors in turn enable the customer to establish a system of control over the movements of its vehicles.

#### Customer support

All installations of the AEM1000 are carried out by either a subcontractor experienced in the area of mobile telecommunications or by a member of Minorplanet's technical staff. The Minorplanet service team liaises with customers and oversees installations.

A software support team of system developers is available to provide support to customers. Minorplanet also offers an on-line support facility which allows the systems support team to connect to customer base stations via modem to diagnose remotely and where possible rectify problems which may occur.

A member of the service team carries out the initial installation and training at the customer's site to ensure that the users are conversant with the operation and the benefits of the system.

#### Production

The Minorplanet Vehicle Management System comprises: the AEM1000 vehicle unit, the base station unit and the system software. The AEM1000 vehicle unit and base station are assembled at Minorplanet from components readily available from a number of suppliers.

In the opinion of the Directors, the current level of sales do not fully utilise the production facilities and therefore current facilities are in line with anticipated demand in the short term. However, the Directors believe that if current sales growth is maintained it is likely that the Group will outgrow its present premises in the medium term.

#### **The market for Minorplanet's product and technology**

Because of the low cost nature of the system, the Directors believe it likely that the system will be as attractive to car and service fleets as to the general haulage markets where traditionally systems have been marketed.

The initial market for the AEM1000 is companies in the UK that operate fleets of vehicles. The vehicles can range from cars to light commercial vehicles to HGVs. To date all sales have been generated in the UK, but the Directors believe that there are no geographical limits to the potential market for Minorplanet's current and planned products. As such, it is their belief that in due course sales of the AEM1000 can be extended to Europe and other parts of the world.

The total number of HGVs within Europe is estimated at 16.5m in 1996. (Source: Market Penetration Services International Limited).

According to the Department of Transport statistics report "Vehicle Licensing Statistics 1996" published on 5 June 1997, the number of licensed vehicles in Great Britain at the end of 1995 was estimated to be 26.30 million of which about 85% were motor cars. Light goods vehicles amounted to over two million and vehicles with other goods body types totalled 550,000.

**In addition to the market for Minorplanet's systems, the Directors believe that opportunities exist to exploit Minorplanet's information downloading technology, for which a patent has been applied. Minorplanet is in the early stages of discussions with international companies with regard to their making use of this technology.**

## **Future developments**

### *New products*

Minorplanet is able to evolve its hardware and software as market feedback is received and as new technologies become available. Minorplanet is developing further generations of both hardware and software which will encompass a wider range of applications. As these are being developed as a direct result of customer feedback the Directors believe that there will be a ready market for these products. Minorplanet is also developing the system to utilise European and worldwide maps.

### *Intellectual property rights and patents*

All intellectual property rights in respect of the Vehicle Management System are owned by Minorplanet. Further details of patents and other intellectual property rights are set out in Part 5 and Part 6 of this document.

## **Sales and financing**

The sales process usually commences with the telesales operators, who cold-call potential customers to arrange appointments for sales representatives. Increasingly potential customers are approaching Minorplanet directly. The sales representatives then either visit the customers to demonstrate the system or an in-house demonstration is arranged. If the customer is interested in the system an order may be taken or a trial period will be arranged to give the customer the opportunity to assess the benefits of using the system for themselves. The Minorplanet sales representative and service department remains in regular contact to provide operator training and in order to see that the customer is happy with the level of service provided by Minorplanet.

A customer can acquire a system through one of three routes:

- A lease through Capital Bank for thirty six months;
- A lease direct with Minorplanet typically for thirty six months; or
- Outright purchase from Minorplanet

Further details of the vendor funding agreement are detailed in Part 6 of this document.

In the Directors' opinion, on a price comparison alone the Minorplanet system will be attractive to potential customers, even before taking into account the operational advantages the system has over existing fleet management products.

## **The Directors and employees**

The success of the business depends largely on the expertise of the executive Directors. The Board currently consists of seven executive directors and two non-executive directors. A brief biography of each director is set out below.

### *Directors*

#### **Michael Abrahams (Executive chairman)**

Michael Abrahams CBE DL, aged 59, is deputy chairman of the Prudential Corporation PLC, chairman of the London Clinic and Cavaghan & Gray PLC, as well as being a director, amongst others, of Waddington PLC, Drummonds Group PLC, and Scottish Amicable Life PLC. His business knowledge and contacts are of great assistance to the Group's credibility and prospects. He is actively involved in the Group.

#### **Jeffrey Morris (Executive deputy chairman)**

Jeffrey Morris, aged 38, is a Leeds based entrepreneur. For the last 16 years he has been running his own wholesale and retail close-out business which currently trades as Morco Group Limited. He has been responsible for the establishment of Minorplanet, putting together the management team and has been involved in all aspects of the Group's development. The executive directors listed below report directly to Jeffrey Morris.

#### **Andrew Tillman (Operations director)**

Andrew Tillman, aged 39, has over ten years experience in computer systems and IT. He was previously a director of various companies owned by Jeffrey Morris. He was instrumental in the initial design and continuing development of the system software and its mapping capabilities, and is responsible for corporate development and operational activities.

#### **Andrew King (Finance director)**

Andrew King BA FCA, aged 40, was appointed finance director in March 1997. He was formerly head of finance at Morco Group Limited and a partner at Freedman Ross, Chartered Accountants. He is responsible for all finance functions and internal control systems within the Group.

#### **David Gaunt (Sales director)**

David Gaunt, aged 32, was appointed sales director in January 1997. Prior to this he was the founder and managing director of SD Gaunt, a private wholesale and retail company. He is responsible for the sales function of the Group.

#### **John Macey (Technical director)**

John Macey, aged 35, was appointed technical director in November 1996 to oversee product development and to co-ordinate manufacturing and service functions. Prior to this he had fifteen years experience in product development, design and manufacturing. He is responsible both for the overall development of the AEM1000 and for the co-ordination of production.

**Dr Christopher Harrison (Research director)**

Dr Christopher Harrison MSc PhD CEng MIEE, aged 39, was appointed to the Board in November 1996, having received permission from the Vice Chancellor of Manchester University. A leading expert in the field of VLSI (Very Large Scale Integration), he has designed and built embedded systems and single chip micro-controller based systems for a diverse range of applications. He designed, developed and wrote the AEM1000 hardware and software and continues to work on future product development.

**Sir James Spooner (Non-executive director)**

Sir James Spooner MA, FCA, aged 65, is chairman of Morgan Crucible Company plc and the British Telecom Pension Fund Trustees. He was a partner in Dixon Wilson & Company, Chartered Accountants, between 1963 and 1972. Since giving up practice he has been a director of John Swire & Sons Limited and has held numerous other directorships, including Barclays Bank plc and J.Sainsbury plc, as well as being chairman of Coats Viyella plc, Bentalls plc and Helical Bar plc.

**David Perry (Non-executive director)**

David Perry CIMgt, aged 59, is chairman of Anglian Group PLC and a non-executive director of Dewhirst Group PLC and Yorkshire Water PLC. He was previously managing director and then chief executive of Waddington PLC, becoming chairman in 1993. He retired from that position in 1997. During a successful sporting career Mr Perry gained 15 caps at rugby for England.

**Management and employees**

Minorplanet currently employs 61 full time staff.

The following is an analysis of the areas in which employees work as at 24 October 1997:

<i>Department</i>	<i>Number of employees</i>
Development	10
Production	6
Installation	9
Sales and marketing	29
Customer services	2
Sales administration	3
Administration	2
Total	61

It is the Group's policy to promote internally where possible.

In addition to its own employees Minorplanet receives software development expertise from PCR Systems under the contract which is detailed in Part 6 of this document.

The Directors believe that the success of the Group depends upon the attraction, motivation and retention of key employees of a high calibre. In order to reward key employees and to reflect the Company's status as a public company, it has established the share option schemes detailed in paragraph 4 of Part 6.

## **Reasons for the Placing**

The Directors believe that the Placing will:-

- provide extra working capital to enable Minorplanet to fulfil its potential in the marketplace.
- raise the profile of Minorplanet and its product, thus assisting rapid market penetration.
- enable Minorplanet to embark on a full marketing and development programme now that the product is fully proven and demand established.
- provide funds to pay back part of the loans from Directors and their associated companies by which Minorplanet has so far been financed. In particular, Morco Group Limited, a company wholly owned by Jeffrey Morris, has certain obligations which the funds will assist it to honour over time.

## **Details of the Placing**

The Company is raising £3.15 million before expenses through a placing of 7,000,000 new Ordinary Shares at 45p per share. Of the net proceeds of the Placing, amounting to approximately £2.65 million, £1.32 million will be used to repay a portion of the loans advanced to the Group by the Directors and their associated companies.

The balance, amounting to £1.33 million, will be used to strengthen working capital and to take advantage of the expansion opportunities identified above by the Directors. Following the Placing, the Directors will be interested in 69.3 per cent. of the enlarged share capital of the Company.

None of the existing Shareholders are selling Ordinary Shares in the Placing. Under the Placing Agreement, Charles Stanley has agreed to use all reasonable endeavours to procure subscribers for the Placing Shares or to subscribe itself for any remaining Placing Shares.

Pursuant to the Placing Agreement the Directors and their associates have undertaken that they will not dispose of any interest in the Company's shares which they have or may acquire, during the period of twelve months from the date of Admission.

The Placing is conditional on the following occurring on or before 17 November 1997 (or such later time and date, being not later than 28 November 1997 as the Company and Charles Stanley may agree):

- (a) Admission becoming effective; and
- (b) the Placing Agreement becoming unconditional in all other respects and not having been terminated in accordance with its terms.

Further details of the Placing Agreement are contained in paragraph 6.6 of Part 6 of this document.

## Financial record

An Accountants' Report on Minorplanet prepared by Arthur Andersen, Chartered Accountants, for the 15 months ended 31 August 1997 is set out in Part 3 of this document. The recent trading record, which has been extracted from the Accountants' Report in Part 3, is summarised below:

### 15 months ended 31 August 1997

	£'000
<b>Turnover</b>	280
Cost of sales	(137)
<b>Gross profit</b>	143
Other operating expenses (net)	(2,236)
<b>Operating loss</b>	(2,093)
Interest receivable	1
Interest payable	(89)
<b>Loss on ordinary activities before taxation</b>	(2,181)
Tax on ordinary activities	—
<b>Loss for the financial period</b>	<u>(2,181)</u>

Minorplanet incurred all the costs of developing hardware and software during the first period of operations. All of these costs, including those associated with research and development, have been written off to the profit and loss account.

The Company did not start to make sales until December 1996 and free trials only began in April 1997.

## Current trading and prospects

Since 31 August 1997, the date of the end of Minorplanet's first accounting period, it has experienced a significant increase in orders. Orders in September 1997 totalled 190 units as compared with 96 units in August 1997. Current indications are that this rate of progress is being maintained in October.

## Dividend policy

The Directors initially intend to retain the earnings of the Company to fund expansion. However, it is their intention in the longer term to pay dividends as soon as the Company has sufficient distributable reserves to be able to do so at a level commensurate with the Group's prevailing capital requirements.

## Corporate governance

The Directors intend to comply, so far as is practicable, with the recommendations of best practice as set out in the Cadbury and Greenbury Reports and in this connection the Board has taken into account the guidance issued by the City Group for Smaller Companies. The Company has two non-executive directors.

The Company has established audit and remuneration committees, which will be chaired by Sir James Spooner.



## **Risk factors**

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

- Demand for the vehicle tracking system may be less than anticipated, or may be affected if new or existing competitors enter the same market.
- Whilst the system has been favourably received when on a trial basis, it may take Minorplanet longer than foreseen to convert the trials into sales.
- Minorplanet showed a loss before tax of £2.181 million for the 15 month period ended 31 August 1997. It may take longer than envisaged before the Group makes profits.
- Technological change could lead to the entry into the market of new competitors with more advanced systems.
- The Company's trading results could suffer if there is a downturn in the UK economy in general or the transport sector in particular.
- The Company is planning very rapid growth over the next four or five years. This could impose strains on the current management and the organisational structure.
- The Ordinary Shares will not be admitted to the Official List of the London Stock Exchange, but will be traded on AIM. This should not be taken as implying that there will be a liquid market in the Ordinary Shares. An investment in the Ordinary Shares may therefore be difficult to realise. As the market for shares in smaller public companies is less liquid than for larger public companies, share prices may be subject to greater fluctuation.

## **Capital Gains Tax Reinvestment Relief**

The Company has received clearance from the Inland Revenue that, on the basis of the facts supplied, the Ordinary Shares will qualify for reinvestment relief as described below. The continuing availability of this relief will be conditional inter alia upon the Company continuing to satisfy the requirements for a qualifying company throughout a period of three years from the date of the investor making his investment.

Part V Chapter 1A of the Taxation of Chargeable Gains Act 1992 allows capital gains tax payable on chargeable gains realised by individuals and certain trustees to be deferred. To qualify for deferral, a sum equal to the amount of the chargeable gain must be invested (usually not more than one year before nor more than three years after the date on which the chargeable gain arises) in the ordinary share capital of an unquoted qualifying trading company or an unquoted company which is the parent of a qualifying trading group. For these purposes ordinary shares of a company whose shares are traded on AIM count as unquoted.

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

**Investors considering taking advantage of reinvestment relief should seek individual advice in order that they may fully understand how the capital gains tax rules apply in their individual circumstances and whether or not the relief will be available to them in such circumstances.**

## **CREST**

The Company's Articles of Association permit its shares to be evidenced in uncertificated form in accordance with the Uncertificated Securities Regulations 1995.

In accordance with the Uncertificated Securities Regulations 1995, the Board resolved on 6 November 1997 to apply to CRESTCo Limited for title to the Ordinary Shares, in issue or to be issued, to be transferred by means of the CREST paperless system. CREST is a voluntary system and, subject to certain limitations, holders of Ordinary Shares may choose to receive share certificates or hold Ordinary Shares in uncertificated form.

It is expected that the Placing Shares will be allotted, at the choice of the placee, in uncertificated form through CREST or in certificated form through the issue of a share certificate. In either case it is expected that CREST member accounts will be credited or share certificates issued for the Placing Shares on or before 24 November 1997. Notwithstanding any other provision of this document, the Company reserves the right to allot and/or issue any new Ordinary Shares (including the Placing Shares) in certificated or uncertificated form. No temporary documents of title will be issued and the Ordinary Shares will be in registered form.

## **Other Information**

Your attention is drawn to the following:

<b>PART 2</b>	Accountants' Report on Minorplanet Systems
<b>PART 3</b>	Accountants' Report on Minorplanet
<b>PART 4</b>	Pro Forma Statement of Net Assets
<b>PART 5</b>	Patent Agents' Report
<b>PART 6</b>	Additional Information

## **PART 2**

### **ACCOUNTANTS' REPORT ON MINORPLANET SYSTEMS PLC**

**ARTHUR  
ANDERSEN**

St Paul's House  
Park Square  
Leeds LS1 2PJ

10 November 1997

The Directors  
Minorplanet Systems PLC  
57 Cardigan Lane  
Leeds  
LS4 2LE

The Directors  
Charles Stanley & Company Ltd  
25 Luke Street  
London  
EC2A 4AR

Dear Sirs,

#### **ACCOUNTANTS' REPORT ON MINORPLANET SYSTEMS PLC ("THE COMPANY")**

The Company has not yet prepared any statutory accounts. However, for the purpose of the proposed placing of the Company's shares in conjunction with admission to trading on the Alternative Investment Market, the Directors have prepared and we have audited non-statutory accounts of the Company for the period from incorporation on 16 May 1997 to 31 August 1997.

We have examined the audited non-statutory accounts of the Company. No audited accounts have been prepared in respect of any period subsequent to 31 August 1997. Our work has been conducted in accordance with the Auditing Guideline 'Prospectuses and the reporting accountant'.

The financial information set out below is based on the audited non-statutory accounts of the Company to which no adjustments were considered necessary.

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 10 November 1997, a true and fair view of the state of affairs of the Company as at 31 August 1997.

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

## Balance sheet

31 August  
1997  
£

### Current Assets

Debtors	2
---------	---

### Capital

Called up share capital (note 3)	2
----------------------------------	---

## Notes to the financial information

1. The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.
2. The Company was incorporated on 16 May 1997 as Pixiedéal PLC. On 15 October 1997, the company's name was changed to Minorplanet Systems PLC. It has not traded and no dividends have been declared or paid. Accordingly, no profit and loss account is presented.
3. **Called up share capital**

	Number	Ordinary shares of £1 each
Authorised	50,000	50,000
Issued	2	2

## 4. Post balance sheet events

On 29 October 1997 each of the existing issued and unissued ordinary shares in the capital of the Company was sub divided into 20 ordinary shares of 5p each ranking *pari passu* in all respects as one class of share. The authorised share capital was then increased from £50,000 to £1,625,000 by the creation of 31,500,000 ordinary shares of 5p each.

On 30 October 1997 the Company issued 1,011,182 ordinary shares in return for a cash subscription at nominal value.

On 3 November 1997 the Company issued a further 31,347,882 ordinary shares as consideration for the acquisition of the entire issued share capital of Minorplanet Limited.

On 6 November 1997 the authorised share capital was increased from £1,625,000 to £2,500,000 by the creation of 17,500,000 ordinary shares of 5p each.

Yours faithfully

Arthur Andersen  
Chartered Accountants

**PART 3**  
**ACCOUNTANTS' REPORT ON MINORPLANET**

**ARTHUR  
ANDERSEN**

St Paul's House  
Park Square  
Leeds LS1 2PJ

10 November 1997

The Directors  
Minorplanet Systems PLC  
57 Cardigan Lane  
Leeds  
LS4 2LE

The Directors  
Charles Stanley & Company Limited  
25 Luke Street  
London  
EC2A 4AR

Dear Sirs,

**ACCOUNTANTS' REPORT ON MINORPLANET LIMITED**

We report in connection with the AIM Admission Document dated 10 November 1997 of Minorplanet Systems PLC.

We have examined the audited accounts of Minorplanet Limited ("the company") for the 15 month period from incorporation on 18 June 1996 to 31 August 1997. No audited accounts have been prepared in respect of any period subsequent to 31 August 1997. Our work has been conducted in accordance with the Auditing Guideline "Prospectuses and the reporting accountant".

We have acted as auditors of Minorplanet Limited in respect of its first accounting period and our report on the accounts for that period was unqualified.

The financial information set out below is based on the audited accounts of Minorplanet Limited to which no adjustments are considered necessary.

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of Minorplanet Limited as at 31 August 1997 and of its loss and cash flows for the period then ended.

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

## **I. Accounting Policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

### *(a) Accounting Convention*

The financial information is prepared under the historical cost convention and in accordance with applicable accounting standards. The company's liabilities exceed its assets by £2,180,000. However the financial information has been prepared on the going concern basis as the Directors believe this basis to be appropriate given their cash flow projections for the business and the funds to be raised from the flotation of the company's parent.

### *(b) Depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on a straight line basis as follows:

Software	33½ per cent.
Office Equipment	33½ per cent.
Technical Equipment	33½ per cent.
Fixtures and fittings	20 per cent.

### *(c) Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost represents direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

### *(d) Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences, except to the extent that they are expected not to reverse in the future, calculated at a rate at which it is estimated that tax will be payable. Advance corporation tax is written off except when recoverability against corporation tax payable is considered to be reasonably assured.

### *(e) Leases*

#### *(i) As Lessee*

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

(ii) As Lessor

The company's net investment in finance leases is stated at the total value of rentals receivable, less finance charges allocated to future periods. Rentals receivable are treated as consisting of a capital repayment and a finance charge, the capital element reducing the net investment in the lease and the finance charge being credited to the profit and loss account. Finance charges are allocated to accounting periods at a constant periodic rate of return over the period of the lease.

(f) *Turnover*

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

(g) *Research and Development*

Research and development expenditure is written off as incurred.

(h) *Patents and Trademarks*

Patents and trademarks are included at cost and depreciated over a period of five years. Provision is made for any permanent diminution in value.

## II. Profit and Loss Account

		<i>For the 15 months ended 31 August Notes 1997 £'000</i>
<b>Turnover</b>		280
Cost of sales		<u>(137)</u>
Gross profit		143
Other operating expenses (net)	1	<u>(2,236)</u>
<b>Operating loss</b>		(2,093)
Interest receivable		1
Interest payable	2	<u>(89)</u>
<b>Loss on ordinary activities before taxation</b>	3	(2,181)
Tax on ordinary activities	5	<u>—</u>
<b>Loss for the financial period</b>		<u><u>(2,181)</u></u>

The above activities all relate to continuing operations.

### III. Balance Sheet

31 August 1997

	<i>Notes</i>	<i>1997 £'000</i>
<b>Fixed assets</b>		
Intangible assets	6	14
Tangible assets	7	<u>180</u>
		194
<b>Current assets</b>		
Stocks	8	310
Debtors	9	172
Cash at bank and in hand		<u>2</u>
		484
<b>Creditors: Amounts falling due within one year</b>	10	<u>(2,849)</u>
<b>Net current liabilities</b>		<u>(2,365)</u>
<b>Total assets less current liabilities</b>		(2,171)
<b>Provisions for liabilities and charges</b>	11	<u>(9)</u>
<b>Net liabilities</b>		<u>(2,180)</u>
<b>Capital and reserves</b>		
Called-up share capital	12	1
Profit and loss account	13	<u>(2,181)</u>
<b>Equity shareholders' funds</b>	14	<u>(2,180)</u>

### IV. Cashflow Statement

15 months ended 31 August

		<i>1997 £'000</i>
Net cash outflow from operating activities	15a	(1,622)
Returns on investments and servicing of finance	15b	(88)
Capital expenditure	15c	<u>(242)</u>
		(1,952)
Financing	15d	<u>1,457</u>
<b>Decrease in cash</b>		<u>(495)</u>
Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the period		(495)
Increase in debt		<u>(1,456)</u>
Change in net debt		(1,951)
Net debt at 18 June 1996	15e	<u>—</u>
Net debt at 31 August 1997	15e	<u>(1,951)</u>



## **V. Notes to the financial information**

### **1. Operating expenses (net)**

	<i>1997</i>
	<i>£'000</i>
Selling costs	576
Administrative expenses	1,259
Research and development costs	401
	<u>2,236</u>

### **2. Interest payable**

	<i>1997</i>
	<i>£'000</i>
On bank loans and overdrafts	22
On other loans	67
	<u>89</u>

### **3. Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging:

	<i>1997</i>
	<i>£'000</i>
Amortisation of patents and trademarks (note 6)	1
Depreciation (note 7)	47
Hire of plant and machinery	
—under operating leases	8
—other	80
Auditors' remuneration	
—audit	10
—other	100
	<u>136</u>

### **4. Staff costs and directors' remuneration**

(a) Staff costs for the period amounted to:

	<i>1997</i>
	<i>£'000</i>
Wages and salaries	780
Social security costs	78
Other pension costs	8
	<u>866</u>

The average monthly number of employees during the period was made up as follows:

	1997 Number
Production	6
Sales	18
Administration	5
	<u>29</u>

(b) Directors remuneration:

<i>Name of director</i>	<i>Emoluments</i> £	<i>Benefits</i> £	<i>Sub-Total</i> £	<i>Pension contributions</i> £	<i>Total</i> £
Executive:					
J C Morris	130,000	4,500	134,500	0	134,500
A D Tillman	44,112	10,588	54,700	1,476	56,176
A P King	22,920	3,038	25,958	0	25,958
J Macey	86,332	4,570	90,902	6,875	97,777
D Gaunt	45,967	3,776	49,743	0	49,743
C Harrison	15,000	2,691	17,691	0	17,691
J Smith	33,150	0	33,150	0	33,150
Aggregate Emoluments	<u>377,481</u>	<u>29,163</u>	<u>406,644</u>	<u>8,351</u>	<u>414,995</u>

Remuneration of J C Morris comprised:

	<i>Emoluments</i> £	<i>Benefits</i> £
Consulting fees paid to Morris and Lewis (Leeds) Limited from incorporation on 18 June 1996 to 31 January 1997	60,000	4,500
Remuneration accrued but not paid from 1 February 1997 to 31 August 1997	70,000	—

J C Morris was not entitled to and did not receive any benefits or pension contributions in the period 1 February 1997 to 31 August 1997.

Mr M D Abrahams, Mr H Hyman and Mr B Jacobs received no remuneration. In addition to the remuneration received by Mr A D Tillman above, payments of £25,000 were made to Morris and Lewis (Leeds) Limited, for his services from incorporation of the company to 1 February 1997.

The pension contributions in respect of Mr A D Tillman and Mr J Macey were to defined contribution schemes. No other pension contributions are made by the company in respect of the other directors.

## 5. Tax on ordinary activities

The company suffered no tax charge in 1997.

At 31 August 1997, the company had tax losses of approximately £2 million carried forward to be offset against future profits subject to agreement with the Inland Revenue. No liability for deferred taxation arises, nor is there any potential liability.

## 6. Intangible Fixed Assets

	<i>Patents &amp; Trademarks £'000</i>
<b>Cost</b>	
At 18 June 1996	—
Additions	15
At 31 August 1997	15
<b>Depreciation</b>	
At 18 June 1996	—
Provided during period	1
At 31 August 1997	1
<b>Net book value, 31 August 1997</b>	14
<b>Net book value, 18 June 1996</b>	—

## 7. Tangible fixed assets

	<i>Plant and Equipment £'000</i>
<b>Cost</b>	
At 18 June 1996	—
Additions	230
Disposals	(3)
At 31 August 1997	227
<b>Depreciation</b>	
At 18 June 1996	—
Provided during the period	47
At 31 August 1997	47
<b>Net book value, at 31 August 1997</b>	180
<b>Net book value, at 18 June 1996</b>	—

## 8. Stocks

	<i>1997 £'000</i>
Raw materials and components	32
Finished goods	278
	310

## 9. Debtors

	1997 £'000
Finance lease debtors due after more than one year	27
Finance lease debtors due in less than one year	16
Trade debtors	13
Other debtors	94
Prepayments and accrued income	22
	<u>172</u>

## 10. Creditors: amounts falling due within one year

	1997 £'000
Bank overdraft	497
Directors' loans	513
Unsecured loans	943
Trade creditors	362
Other taxes and social security costs	149
Accruals and deferred income	385
	<u>2,849</u>

Bank overdrafts are secured by fixed and floating charges over the assets of the company. Subsequent to the period end Mr M D Abrahams, a director, gave a personal guarantee for £250,000 in respect of the bank overdraft.

The directors' loans which are unsecured and repayable on demand comprise:

	Amount £
J C Morris	336,924
M D Abrahams	151,296
D B Gaunt	25,000
	<u>513,220</u>

Subsequent to the period end further loans of £100,000 and £150,000 were provided by M D Abrahams and M D Abrahams' childrens trust funds, in which M D Abrahams has no beneficial interest. These loans are unsecured, repayable on demand and bear interest at a rate of 11 per cent. per annum.

Subsequent to the period end the loan from Mr D B Gaunt, a director, was repaid in full.

The unsecured loan is from a company controlled by Mr J C Morris, a director. The loan bears interest at 10 per cent. per annum and is repayable on demand.

On 28 October 1997 the company issued "A" Convertible Loan Notes with a nominal value of £80,000. Sir James Spooner and Mr D B Gaunt (both directors) each subscribed cash for £20,000 "A" Convertible Loan Notes. Sir Martin Jacomb subscribed cash for £40,000 "A" Convertible Loan Notes. The "A" Convertible Loan Notes did not bear interest and carried the right under certain circumstances to convert into ordinary shares of Minorplanet Limited, on the basis that each £20,000 nominal value of "A" Convertible Loan Notes would convert into 1 per cent. of the issued ordinary share capital as enlarged after conversion.

On 28 October 1997 J C Morris assigned debts owed to him by the company of £60,000 to M D Abrahams, £20,000 to Mrs E Abrahams and £60,000 to M D Abrahams & Company unlimited.

On 28 October 1997 the company issued £60,000 nominal value of "B" Convertible Loan Notes to Mr M D Abrahams, £20,000 nominal value of "B" Convertible Loan Notes to Mrs E Abrahams and £60,000 nominal value of "B" Convertible Loan Notes to M D Abrahams & Company in satisfaction of loans totalling £140,000. The "B" Convertible Loan Notes did not bear interest and carried the right under certain circumstances to convert into ordinary shares of Minorplanet Limited on the basis that each £20,000 nominal value of "B" Convertible Loan Notes would convert into 1 per cent. of the issued ordinary share capital as enlarged after conversion.

Conversion of the "A" and "B" Convertible Loan Notes then took place as set out in note 12 below.

#### 11. Provisions for liabilities and charges

	1997 £'000
Provision for product warranty	9
The movement in the period was	
	1997 £'000
At 18 June 1996	—
Charged to the profit and loss account	9
At 31 August 1997	9

#### 12. Called-up share capital

	1997 £'000
<i>Authorised</i>	
1,000 ordinary shares of £1 each	1
<i>Allotted, called-up and fully paid</i>	
1,000 ordinary shares of £1 each	1

The company was incorporated with 1,000 ordinary shares of £1 each.

On 28 October 1997 each ordinary share of £1 was sub-divided into 100 ordinary shares with a nominal value of 1 pence each. The authorised share capital was increased to £1,125 by the creation of an additional 12,500 shares of 1p each which rank *pari passu* with the existing ordinary 1p shares.

On 30 October 1997, 12,358 ordinary shares of 1p were allotted on conversion of the "A" and "B" Convertible Loan Notes in note 10 above.

### 13. Movement on reserves

	<i>Profit and loss account £'000</i>
At 18 June 1996	—
Loss for the period	(2,181)
At 31 August 1997	<u>(2,181)</u>

### 14. Reconciliation of movements in equity shareholders' funds

	<i>1997 £'000</i>
Loss for the financial period	(2,181)
Shares subscribed for	<u>1</u>
Net reduction to shareholders' funds	(2,180)
Opening equity shareholders' funds	—
Closing equity shareholders' funds	<u>(2,180)</u>

### 15. Notes to the cashflow statement

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

	<i>1997 £'000</i>
Operating loss	(2,093)
Depreciation charges	48
Increase in stocks	(310)
Increase in debtors	(172)
Increase in creditors	896
Increase in provisions for liabilities and charges	<u>9</u>
Net cash outflow from operating activities	<u>(1,622)</u>

#### (b) Returns on investment and servicing of finance

	<i>1997 £'000</i>
Interest received	(1)
Interest paid	<u>89</u>
	<u>88</u>

#### (c) Capital expenditure

	<i>1997 £'000</i>
Payments to acquire intangible fixed assets	15
Payments to acquire tangible fixed assets	230
Receipts from sales of tangible fixed assets	<u>(3)</u>
	<u>242</u>

(d) Financing

	<i>1997</i>
	<i>£'000</i>
Issue of ordinary capital	1
New Loans	<u>1,456</u>
	<u>1,457</u>

(e) Analysis of changes in net debt

	<i>1997</i>	<i>Change</i>
	<i>£'000</i>	<i>in Year</i>
		<i>£'000</i>
Cash in hand, at bank	2	2
Overdrafts	<u>(497)</u>	<u>(497)</u>
	<u>(495)</u>	<u>(495)</u>
Debt due within 1 year	<u>(1,456)</u>	<u>(1,456)</u>
Total	<u>(1,951)</u>	<u>(1,951)</u>

**16. Capital commitments**

At 31 August 1997, the company had no capital commitments.

**17. Leases**

Annual commitments under operating leases expire as follows:

	<i>Plant and</i>
	<i>Machinery</i>
	<i>1997</i>
	<i>£'000</i>
Between two and five years	<u>12</u>

**18. Pension costs**

The company operates a defined contribution scheme for two directors for which the pension cost charged for the period amounted to £8,351.

**19. Related party transactions**

Morris and Lewis (Leeds) Limited provided management and administration services to the company and made charges of £562,875 during the period to 31 August 1997. Morris and Lewis (Leeds) Limited also settled creditors of £368,932 on behalf of the company. The creditors had supplied goods and services during the period to 31 August 1997.

The premises used by the company are rented from the M&L Self Administered Pension Fund of which Mr J.C Morris is a beneficiary. No lease agreement has yet been signed. The rentals incurred in the period to 31 August 1997 were £40,000.

The company uses motor vehicles under contract hire agreements between Morris and Lewis (Leeds) Limited and third parties. The contract hire cost has been recharged to the company and amounted to £11,280 in the period to 31 August 1997.

## **20. Litigation**

The company is in dispute with Mr H Hyman, a director, over sums which he is claiming are due to him. The other directors are of the opinion the claim is without foundation and no provision has been recorded in the balance sheet at 31 August 1997.

Yours faithfully

Arthur Andersen  
Chartered Accountants



## PART 4

### PRO FORMA STATEMENT OF NET ASSETS

Set out below, for illustrative purposes only, is an unaudited pro forma statement of the net assets of the Group as at 31 August 1997, assuming completion of the Placing. Due to its nature, the statement cannot give a complete picture of the Group's financial position. It is designed to give only an indication of the net assets of the Group and takes no account of trading since 1 September 1997. It is based on the audited balance sheet of Minorplanet at 31 August 1997.

	<i>Minorplanet Limited 31 August 1997 £'000</i>	<i>Placing £'000</i>	<i>Pro forma statement of net assets £'000</i>
Fixed assets	194	—	194
Current assets			
— Stock	310	—	310
— Debtors	172	—	172
— Cash at bank and in hand	2	833	835
Creditors falling due within one year			
— Bank overdraft	(497)	497	—
— Other loans	(1,456)	1,320	(136)
— Other creditors	(896)	—	(896)
Net current assets (liabilities)	(2,365)	2,650	285
Provision for liabilities and charges	(9)	—	(9)
Net (liabilities) assets	<u>(2,180)</u>	<u>2,650</u>	<u>470</u>

**Note:**

The proceeds from the Placing net of expenses is expected to be £2.65 million and will be satisfied in cash. £1.32 million will be used to repay a portion of the loans from the Directors and their associated companies and the remaining £1.33 million will be used to increase working capital.

**PART 5**  
**PATENT AGENT'S REPORT**

*Atkinson & Co*  
EUROPEAN PATENT ATTORNEYS  
PATENT AND TRADE MARK AGENTS  
The Technology Park  
60 Shirland Lane  
SHEFFIELD S9 3SP

The Directors  
Minorplanet Systems PLC  
57 Cardigan Lane  
Leeds LS4 2LE

The Directors  
Charles Stanley & Co. Limited  
25 Luke Street  
London EC2A 4AR

10 November 1997

Dear Sirs

We are European Patent Attorneys and Patent and Trademark Agents and we report in connection with the AIM Admission Document to be issued on behalf of Minorplanet Systems PLC dated 10 November 1997.

Patents are treated as national property and are enforced by national courts. The Patent Co-operation Treaty and the European Patent Convention are mechanisms for unifying part of the patent grant procedure and, in particular, allow examinations to be conducted in relation to the patentability of an invention before an applicant is committed to enacting validation procedures, often involving the preparation of translations.

Patent protection has been sought by Minorplanet Limited for two inventions and for each of these inventions patent applications have been filed under the British National System and under the Patent Co-operation Treaty, with the latter designating all contracting states. All four patent applications claim an earliest priority date of 16 September 1996.

**MPL/PO1 - GB 97 19 619**  
**PCT GB97/02522**

The first invention relates to the monitoring of geographically movable objects. Geographical positional data is received substantially continuously at the movable object, usually a vehicle. A first set of data is recorded representing the absolute geographical position of the vehicle at a first position. Subsequent positional data is then recorded representing a second position of the object relative to the first position. The application also includes many claims to subsidiary features of the invention.

**MPL/PO2 - GB 97 14 592**  
**PCT GB97/02519**

The second invention relates to transferring accumulated data from a plurality of vehicles to a data processing station. A first packet type request is transmitted from each vehicle via an open radio channel in response to a predetermined operation, usually the vehicle's ignition being switched off. A first packet type is detected at a receiving station if a transmitting vehicle is within the vicinity of said receiving station. An instruction for data is transmitted in the form of a second packet from a receiving station upon detecting the first packet type. Thereafter, a portion of the accumulated data is transmitted from a detected vehicle in response to the instruction.

Again, many subsidiary features form the basis for dependent claims.

The British application has been searched by the British Patent Office. Three prior art references have been identified which have been placed under category A by the Examiner, given that they are considered to be merely examples of the background art. Thus, unless the Examiner is able to locate more pertinent art, we can be confident that the British application will be accepted and then proceed to grant.

The entering of national processing out of the international applications may be deferred by a total of thirty months from the earliest priority date therefore national patent grant is some way off. The British patent applications will be protected by patent litigation insurance.

We consent to the inclusion of this report in the AIM Admission Document and accept responsibility for it in accordance with the Public Offer of Securities Regulations 1995.

Yours faithfully

Ralph Atkinson  
Atkinson & Co  
European Patent Attorneys  
Patent and Trade Mark Agents

## Minorplanet Limited

### Summary of patent applications

CODE	TYPE	FAMILY	CC	DIV	TITLE	APP No	PUB No	STATUS
MPL	P	01	GB	1	Monitoring Vehicle positions	96 19 315.6		Dead
MPL	P	01	GB	2	Monitoring Vehicle positions	97 19 619.0		Pending
MPL	P	01	WO	1	Monitoring Vehicle positions	GB97/02522		Pending
MPL	P	02	GB	1	Radio Download	97 14 592.4		Pending
MPL	P	02	WO	1	Radio Download	GB97/02519		Pending

## PART 6

### ADDITIONAL INFORMATION

#### 1. Incorporation and Share Capital of Minorplanet Systems PLC

- 1.1 The Company was incorporated in England as a public limited company on 16 May 1997 under the Act with registered number 3372097 and with the name of Pixiedéal plc. On 15 October 1997 the Company's name was changed to Minorplanet Systems PLC. The Company's registered office and principal place of business are at 57 Cardigan Lane, Leeds LS4 2LE.

The principal legislation under which the Company operates is the Act.

On 31 October 1997 the Registrar of Companies issued a certificate to the Company under Section 117 of the Act entitling it to commence business and to borrow.

The liability of the members of the Company is limited.

- 1.2 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each. On 29 October 1997 each of the existing issued and unissued ordinary shares in the capital of the Company were sub-divided into 1,000,000 Ordinary Shares of 5p each and the authorised share capital was increased to 32,500,000 Ordinary Shares by the creation of 31,500,000 new ordinary shares of 5p each ranking *pari passu* in all respects with the existing Ordinary Shares.

- 1.3 By special resolutions of the Company passed on 6 November 1997 it was resolved:-

1. THAT:

- (1) the Minorplanet Systems PLC approved share option scheme (the "Approved Scheme") in the form set out in the draft Rules of the Scheme produced to the Meeting and for the purposes of identification initialled by the Chairman thereof, be and the same is hereby approved and adopted subject to such modifications to the said draft Rules as may be necessary to secure the approval of the Board of the Inland Revenue thereto within the terms of the Income and Corporation Taxes Act 1988 and the Directors be and are hereby authorised to do all acts and things necessary to secure such approval and to carry the said Scheme into effect;
- (2) the Minorplanet Systems PLC unapproved share option scheme (the "Unapproved Scheme") in the form set out in the draft Rules of the Scheme produced to the Meeting and for the purposes of identification initialled by the Chairman thereof, be and the same is hereby approved and adopted and the Directors be and are hereby authorised to do all acts and things necessary to carry the said Scheme into effect; and
- (3) the Directors be and they are hereby authorised to vote as Directors on any matters connected with the Approved Scheme and/or the Unapproved Scheme (each, a "Scheme") notwithstanding that they may be interested in the same save that no Director may vote or be counted in the quorum on any matters

concerning his own participation in a Scheme and any provision to the contrary contained in the Company's New Articles of Association shall be accordingly suspended to that extent.

2. THAT:

conditional on Admission by no later than 28 November 1997:-

- (1) the authorised share capital of the Company be increased from £1,625,000 to £2,500,000 by the creation of 17,500,000 new ordinary shares of 5p each;
- (2) the Directors be authorised, generally and unconditionally, to allot relevant securities (as defined by Section 80 of the Act) of the Company up to an aggregate nominal amount of £882,004 such authority to expire on the date of the Company's next Annual General Meeting (or, if sooner, the expiry of fifteen months after the passing of the resolution) except as regards an allotment made pursuant to an offer or agreement made by the Company before such date such authority to be in substitution for all existing authorities granted to the Directors in respect of the allotment of relevant securities;
- (3) the Directors be authorised pursuant to Section 95 of the Act and to the authority mentioned in sub-paragraph (2) above to allot equity securities (as defined by Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment, such authority to expire on the date of the Company's next Annual General Meeting (or, if sooner, the expiry of fifteen months after the passing of the resolution) except as regards an allotment made pursuant to an offer or agreement entered into by the Company before such date, provided that such power be limited to:-
  - (a) allotments of equity securities up to an aggregate nominal amount of £350,000 pursuant to the Placing;
  - (b) allotments of equity securities in connection with the grant of options to subscribe for shares in the capital of the Company pursuant to the Approved Scheme or the Unapproved Scheme up to an aggregate nominal amount of £100,000;
  - (c) allotments of equity securities in connection with any offer by way of rights in favour of the holders of Ordinary Shares where the equity securities respectively attributed to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the Directors deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
  - (d) allotments of equity securities up to an aggregate nominal amount of £98,397 (being 5% of the ordinary share capital in issue after the Placing) otherwise than in pursuance of sub-paragraphs (a), (b) and (c) above;

- (4) the Memorandum of Association of the Company be amended by deleting the existing Clause 4 and substituting and inserting in its place the provisions contained in Clause 4 of the document produced to the Meeting as the amended Memorandum of Association and signed by the Chairman for the purposes of identification; and
  - (5) the regulations contained in the document produced to the Meeting and signed by the Chairman for the purposes of identification be approved and adopted as the New Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles thereof.
- 1.4 On 6 November 1997 the Directors resolved, subject to Admission becoming effective by no later than 28 November 1997 pursuant to the authority conferred by the resolutions referred to in paragraph 1.3 above, to allot the Placing Shares at a price of 45p per share. Immediately following the Placing the authorised share capital of the Company will be £2,500,000 divided into 50,000,000 Ordinary Shares of 5p each of which 39,359,104 Ordinary Shares will have been issued, fully paid. Following the Placing and Admission the issued Ordinary Shares will comprise approximately 78.7 per cent. of the total authorised share capital of the Company.
- 1.5 Save as disclosed in this paragraph 1 or in paragraphs 2, 4 and 6 below:
  - (1) no share or loan capital of the Company or Minorplanet has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
  - (2) no commission, discount, brokerage or other special term has been granted by the Company or Minorplanet or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company;
  - (3) no share or loan capital of the Company or Minorplanet is under option or is agreed conditionally or unconditionally to be put under option; and
  - (4) other than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for 39,359,104 Ordinary Shares to be admitted to AIM.
- 1.6 The Ordinary Shares issued pursuant to the Placing are being issued at a price of 45p per Ordinary Share representing a premium of 40p over their nominal value of 5p each.
- 1.7 The Placing Shares will rank pari passu in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions hereafter declared, made or paid in respect of the ordinary share capital of the Company.

## **2. Minorplanet Limited**

The Company is the holding company of Minorplanet which carries on business in the design, marketing and development of a fleet management and logistics system. Minorplanet is a private limited company wholly owned directly by the Company and incorporated in England. It was incorporated on 18 June 1996 under the Act with registered number 3213219, its registered office and principal place of business are at 57 Cardigan Lane, Leeds LS4 2LE and its authorised share capital is £1,125 divided into 112,500 ordinary shares of 1p each of which 112,358 shares are in issue and fully paid.

### 3. Interests of Directors and others

- 3.1 The interests of the Directors in the issued ordinary share capital of Minorplanet Systems (as required to be notified pursuant to Section 324 and Section 328 of the Act, and required to be shown by the Register of Directors' Interests maintained under the provisions of Section 325 of the Act) and the interests of connected persons within the meaning of Section 346 of the Act, the existence of which is known or could, with reasonable diligence, become known by a Director (which would if such connected persons were Directors be required to be notified as stated above) as at 7 November 1997 being the latest practicable date prior to the printing of this document, and as they are expected to be on Admission are as follows:-

<i>Director</i>	<i>Number of Ordinary Shares (before Placing)</i>	<i>Percentage of the issued share capital (before Placing)</i>	<i>Number of Ordinary Shares (on Admission)</i>	<i>Percentage of the issued share capital (on Admission)</i>
Jeffrey Morris <sup>1</sup>	18,662,400	57.67	18,662,400	47.42
Christopher Harrison	2,725,344	8.42	2,725,344	6.92
John Macey	2,725,344	8.42	2,725,344	6.92
Michael Abrahams <sup>2</sup>	2,459,232	7.60	2,459,232	6.25
Sir James Spooner	323,424	1.00	323,424	0.82
David Gaunt	323,424	1.00	323,424	0.82
David Perry <sup>3</sup>	—	—	50,000	0.13

Note 1: Includes 8,755,200 Ordinary Shares held by Debra Morris, the wife of Jeffrey Morris.

Note 2: Includes 323,424 Ordinary Shares held by Elizabeth Abrahams, the wife of Michael Abrahams and 1,164,960 Ordinary Shares held by M. D. Abrahams & Company, an unlimited company of which Michael Abrahams is a director and shareholder.

Note 3: Includes 50,000 Ordinary Shares subscribed in the Placing by a pension fund of David Perry

The following options have been granted to Directors under the Unapproved Scheme as set out in paragraph 4.2 below:

	<i>Number of Ordinary Shares under option</i>
Andrew Tillman	647,182
Andrew King	323,591
David Gaunt	323,591

- 3.2 Save as disclosed in paragraphs 3.1 and 4, no Director (or any member of his family or persons connected with him for the purposes of Section 346 of the Act) has any interest (whether beneficial or non-beneficial) in the share capital of the Company or the share capital of Minorplanet.
- 3.3 Save as disclosed above, the only interests (within the meaning of Part VI of the Act) which so far as the Directors are aware will represent 3% or more of the enlarged issued share capital of the Company are as follows:-



<i>Shareholder</i>	<i>Ordinary Shares</i>	<i>Percentage of the issued share capital (on Admission)</i>
Nigel Stockdale	2,246,400	5.71
Paul Burke	1,631,520	4.15

- 3.4 There are no outstanding loans granted by the Company or Minorplanet to any of the Directors, nor are there any guarantees provided by the Company or Minorplanet for the benefit of any Director.
- 3.5 Save as disclosed in paragraph 6 and paragraph 12 below, no Director has or has had any interest in any transactions which are or which were unusual in their nature or conditions or which are or were significant to the business of the Group and which have been effected by the Group and which remain in any respect outstanding or unperformed.
- 3.6 The Company has entered into the agreements and terms of appointment with the Directors which are set out in paragraphs 3.6.1 and 3.6.2. The aggregate remuneration payable to the Directors under the arrangements in force at the date of this document (including in each case pension fund contributions and benefits in kind) for the financial year ending 31 August 1998 is estimated to be £515,000. The aggregate remuneration paid (including in each case pension fund contributions and benefits in kind) by Minorplanet to the directors of that company during the last completed financial period ended 31 August 1997 amounted to £414,995.
- 3.6.1 The following executive Directors have entered into service agreements with the Company each dated 7 November 1997 and each containing the further terms set out in paragraphs 3.6.4, 3.6.5 and 3.6.6 below:
- (a) Michael Abrahams entered into a service agreement with the Company which provides for him to act as part time Executive Chairman of the Company at a salary of £50,000 per annum.
  - (b) Jeffrey Morris entered into a service agreement with the Company which provides for him to act as Executive Deputy Chairman of the Company at a salary of £100,000 per annum. Mr Morris' agreement allows him to continue carrying out his duties as a Director of Morco Group Limited.
  - (c) Andrew Tillman entered into a service agreement with the Company which provides for him to act as Operations director of the Company at a salary of £75,000 per annum. Mr Tillman's agreement allows him to continue in his position as Company Secretary of Morco Group Limited.
  - (d) Andrew King entered into a service agreement with the Company which provides for him to act as Finance director of the Company at a salary of £60,000 per annum.
  - (e) David Gaunt entered into a service agreement with the Company which provides for him to act as Sales director of the Company at a salary of £60,000 per annum.

- (f) John Macey entered into a service agreement with the Company which provides for him to act as Technical director of the Company at a salary of £52,000 per annum.
  - (g) Dr Christopher Harrison entered into a service agreement with the Company which provides for him to act as part-time Research director of the Company at a salary of £12,000 per annum. Dr Harrison remains employed by the University of Manchester and nothing in his agreement with the Company shall prevent him carrying out his duties under his employment with the University. If Dr Harrison (having used his reasonable endeavours to procure such consent) is unable to obtain the consent of the University of Manchester to his service agreement with the Company by 30 April 1998, he shall be entitled to terminate his service agreement on one month's written notice.
- 3.6.2 Sir James Spooner and David Perry have each entered into agreements with the Company dated 7 November 1997 for their appointments as non-executive directors of the Company, each for a fee of £12,000 per annum.
- 3.6.3 There has been no waiver of emoluments during the financial period immediately preceding the date of this document and there is no other arrangement under which any Director has agreed to waive future emoluments.
- 3.6.4 Each of the executive directors, except Michael Abrahams and Dr Chistopher Harrison, will be eligible to receive a performance related bonus, at the discretion of the Remuneration Committee. It is the present intention of the Remuneration Committee that in the financial year to 31 August 1998 a bonus of 10% of salary will be payable if pre-tax profits of at least £2.5 million are achieved, and a maximum bonus of 100% of salary will be payable if pre-tax profits of at least £7 million are achieved, the bonus being payable on a straight line basis in between these targets.
- 3.6.5 Each of the agreements set out in paragraph 3.6.1 is subject to either party giving to the other not less than twelve months notice in writing at any time. The salary of each executive directors will be reviewed by the Board on 1 January of each year the first review taking place on 1 January 1998. Each executive director except Michael Abrahams and Dr Christopher Harrison will be entitled to additional benefits including private medical insurance, a company car and fuel for private use in the UK, permanent disability insurance and annual contributions to a money purchase scheme to be put in place by the Company of 15% of the director's salary (excluding any bonus). Each executive director (except for Chrisopher Harrison) is also entitled to death in service life insurance at the rate of three times his salary. Each executive Director is restricted from being involved in competing businesses, both during the period of his employment with the Company and for a period of twelve months thereafter. Director's liability insurance is to be maintained by the Company in respect of each executive director.
- 3.6.6 Each of the agreements set out in clauses 3.6.1 and 3.6.2 is terminable forthwith by the Company if Admission has not occurred by 31 March 1998.
- 3.7 Jeffrey Morris was adjudged bankrupt by Leeds County Court in 1978. In 1983 he was granted an unconditional discharge. Save as disclosed in this document, none of the Directors:
- (a) is currently or has over the previous five years been a director of any company or a Partner in any partnership other than those which are disclosed in this Part 6;

- (b) has any unspent convictions in relation to indictable offences;
- (c) has been involved in any bankruptcy or individual voluntary arrangements;
- (d) has been involved as a director of a company which has gone into receivership or been the subject of any compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors at the time of or within the 12 months preceding such events;
- (e) has been involved as a partner when the partnership has been the subject of any compulsory liquidation, administration or partnership voluntary arrangement at the time of or during the preceding 12 months;
- (f) has been involved in any receiverships of any of his assets or of any assets of a partnership of which he was a partner at the time of or within 12 months preceding such events; or
- (g) has been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies) or has been 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.

- 3.8 Those persons set out in paragraphs 3.1 (including as set out in the notes therein) and 3.3 are persons who are, or were within the 12 months preceding the date of this document, entitled to exercise or control the exercise of 3 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the Company.

The Company is entitled to exercise or control the exercise of all votes able to be cast on all matters at general meetings of Minorplanet.

- 3.9 The directorships held by each of the Directors over the five years preceding the date of this document other than in the Company are as follows:-

**Sir James Spooner** - Current Directorships: Britel Fund Nominees Limited; Britel Fund Trustees Limited; Britel (Mam) Nominees Limited; Cleveland Square Properties (London) Limited; Countryside Securities Limited; The Folkestone Race Course plc; Glanmoor Investments Limited; Goldsmiths College Estates Limited; Hermes Pensions Management Limited; Mabbiridge Limited; Minorplanet Limited; The Morgan Crucible Co plc; Pytchley House Estate Limited; Royal Opera House, Covent Garden Limited; ROH Developments Limited; ROH Holdings Limited; ROH Management Limited; ROH Pension Trustees Limited; John Swire & Sons Limited; John Swire & Sons Inc (USA); Swire Properties Limited (Hong Kong); United States Cold Storage Inc (USA); Wonderful Beast Company Limited.

Past Directorships: Barclays PLC; Barclays Bank PLC; Hemming Publishing Limited; The Housing Finance Corporation Limited; New Telscheme Nominees Limited; J. Sainsbury PLC; J. Sainsbury Common Investment Fund Limited; THFC (Indexed) Limited.

**Michael Abrahams C.B.E DL** Current Directorships: - Waddington plc; Prudential Corporation plc; Cavaghan & Gray Group plc; M.D. Abrahams & Co.; LWD Limited; Drummond Group plc; Trustees of the London Clinic Limited; The Prince of Wales' Institute of Architecture; Bagendon Nominees Limited; Minorplanet Limited; Scottish Amicable Life Plc.

Past Directorships: Morco Group Limited

**Jeffrey Morris** - Current Directorships: Morco Retail Limited; Morris & Lewis (Leeds) Limited; Comstar Limited; Autogain Limited; Morco Group Limited; Bold Properties Limited; Aerogloss Limited; Minorplanet Limited.

Past Directorships: Growthmarket Limited (dissolved); Titanbase Limited.

**Andrew Tillman** - Current Directorships: Morco Retail Limited; Morris & Lewis (Leeds) Limited; Comstar Limited; Autogain Limited; Modem Network Limited; Minorplanet Limited.

Past Directorships: Growthmarket Limited (dissolved); Atomic effort Limited (dissolved); Titanbase Limited.

**Andrew King** - Current Directorships: Minorplanet Limited.

Past Directorships: Morco Retail Limited

**Dr. Christopher Harrison** - Current Directorships: C.L. Security Limited; Minorplanet Limited.

Past Directorships: none.

**David Gaunt** - Current Directorships: S & D Gaunt (Plants) Limited; Minorplanet Limited.

Past Directorships: Yorkshire Produce Centre Limited

**John Macey** - Current Directorships: Modem Network Limited; Minorplanet Limited

Past Directorships: none.

**David Perry** - Current Directorships: Dewhirst Group Plc; Yorkshire Water Plc; Anglian Group Plc.

Past Directorships: Waddington Plc; Whitecroft Plc; National & Provincial Building Society.

#### **4. Share Option Schemes**

##### **4.1 *The Approved Scheme***

Pursuant to a resolution dated 6 November 1997 the Company adopted the Approved Scheme under which options to acquire shares may be granted to employees (including directors) of the Company. It is intended that this Scheme will be operated as an Inland Revenue approved share option scheme, and a formal application for approval will be submitted to the Inland Revenue.

The following is a summary of the Rules of the Approved Scheme. At this date no options have been granted under the Scheme.

#### 4.1.1. *Eligibility*

Any employee or director (who is required to work a minimum of 25 hours a week) of the Company or another company over which the Company has control and which is nominated by the Board to be a participating company is eligible to participate in the Approved Scheme.

#### 4.1.2 *Grant of Options*

No payment is required for the grant of options. The Board may, on such date as it shall determine in accordance with the Rules, grant options to eligible employees which it may in its absolute discretion select. Options may not be granted more than ten years after the Adoption Date.

#### 4.1.3. *Option Price*

The price at which participants in the Approved Scheme may acquire shares may not be less than the higher of the market value of the share on the day immediately preceding the date of grant and the nominal value.

#### 4.1.4. *Limits*

Any option granted to a participant shall take effect only to the extent that the aggregate market value of shares subject to that option, when aggregated with the market value of shares under a subsisting option granted under the Approved Scheme and any other Inland Revenue approved share option scheme (except a savings related share option scheme) does not exceed £30,000 or such other limit as may from time to time be specified by Schedule 9 of the Income and Corporation Taxes Act 1988.

No options may be granted on any date over shares which:

- (1) when aggregated with the number of shares issued or remaining issuable on the exercise of options granted under the Approved Scheme or any other employee share scheme in the previous ten years would exceed 10% of the issued share capital of the Company;
- (2) when aggregated with the number of shares issued or remaining issuable on the exercise of options granted under the Approved Scheme or any other employee share scheme in the previous three years would exceed 3% of the issued share capital of the Company; or
- (3) when aggregated with the number of shares issued or remaining issuable on the exercise of options granted under the Approved Scheme and any other executive share option scheme in the previous ten years would exceed 5% of the issued share capital of the Company.

For the purpose of these limits options to acquire shares granted under any employee share scheme prior to the date of Admission will not be counted.

#### 4.1.5. *Exercise and Lapse*

Options may normally be exercised in whole or in part at any time following the earliest of the third anniversary of the date of grant of the option, the death of the option holder or the option holder ceasing to be a director or employee of a participating company by reason of illness or disability, redundancy, retirement or the employing company ceasing to be a participating company. Exercise may be subject to the achievement of pre-determined performance criteria as outlined below.

In the event of a take-over of the Company (unless an option holder releases his option over a company which is currently a participating company for an option over shares in an acquiring company) reconstruction or amalgamation options will also become exercisable.

Shares will be transferred to a participant within 28 days of the effective date of exercise of the option.

Options will normally lapse on the earliest of the following:

- (1) the tenth anniversary of the date of grant;
- (2) 12 months following the date of death of the participant;
- (3) the latest of 12 months following the date on which the participant ceases to hold office or employment with a participating company, or 42 months after the date of grant, or 42 months after the date he last exercised an option to which section 185(3) of the Income and Corporation Taxes Act 1988 applies if such cessation is as a result of injury or disability, redundancy, retirement two or more years after grant or early retirement by agreement with his employer, or the employing company ceasing to be a participating company or any other reason determined on the recommendation of the Board;
- (4) the passing of an effective resolution or the making of an order by the court for the winding up of the Company; or
- (5) the participant being deprived of the legal or beneficial ownership of the option by operation of law or being declared bankrupt.

No option may be granted, exercised, released or surrendered at a time when such grant, exercise, release or surrender would not be in accordance with the "Model Code on Directors Dealings in Securities" issued by the London Stock Exchange as amended from time to time.

#### **4.1.6 *Performance Conditions***

The exercise of options will normally be conditional upon the achievement of predetermined performance criteria. These will be determined by the Board prior to the grant of any options.

#### **4.1.7 *Variation of Share Capital***

With the prior consent of the Inland Revenue the number and/or exercise price of shares under option may be adjusted by the Board as it considers to be fair and reasonable (and which in the opinion of the auditors justifies such an adjustment) in the event of any variation in the share capital of the company due to any capitalisation, subdivision, reduction or otherwise. In the event of such adjustment the aggregate amount payable on the exercise of an option must not be increased and the exercise price may not be less than the nominal value of a share.

#### **4.1.8 *Rights attaching to Shares***

Ordinary shares allotted under the Approved Scheme will rank *pari passu* with other shares of the Company of the same class in issue at the date of allotment.

#### 4.1.9 *Amendments*

Whilst the Approved Scheme retains approval no alterations will take effect without the prior approval of the Inland Revenue. Subject to this the Board may amend the Approved Scheme at any time, but no amendments to the advantage of participants or employees will be made without the prior approval of the Company in General Meeting, unless the amendment is a minor alteration or addition to benefit the administration of the Approved Scheme, or is necessary or desirable to obtain or maintain Inland Revenue approval or to take account of any change in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company or any subsidiary of the Company or any participant.

No alteration or addition may be made which would abrogate or adversely effect the subsisting rights of participants without their consent in accordance with the Rules.

#### 4.2 *The Unapproved Scheme*

Pursuant to a resolution dated 6 November 1997 the Company adopted the Unapproved Scheme under which options to acquire shares may be granted to employees (including directors) of the Company. This Scheme will not be approved by the Inland Revenue. As at 10 November 1997 options over 1,294,364 Ordinary Shares have been granted under the Scheme, as detailed in paragraph 3.1. The exercise of these options is not conditional upon the achievement of performance conditions. The Unapproved Scheme will operate under the same rules as the Approved Scheme in all respects except those outlined below.

References to Inland Revenue approval shall be disregarded.

##### 4.2.1 *Option Price*

The price at which participants in the Unapproved Scheme may acquire shares prior to the date of Admission may not be less than the Issue Price.

##### 4.2.2 *Limits*

No eligible employee will be granted options to acquire shares if this would result in the total exercise price of shares over which options have been granted to such employee in the preceding 10 years under any executive share option scheme to exceed four times his annual rate of remuneration. For the purpose of these limits options to acquire shares granted under any employee share scheme prior to the date of Admission will not be counted.

##### 4.2.3 *Exercise and Lapse*

Options will lapse 12 months following the date on which the participant ceases to hold office or employment with a participating company if such cessation is as a result of injury or disability, redundancy or retirement two or more years after grant or early retirement by agreement with his employer, or the employing company ceasing to be a participating company or any other reason determined by the recommendation of the Board.

Reference in the Approved Scheme to options lapsing on the tenth anniversary of the date of grant will be amended to read the seventh anniversary.

##### 4.2.4 *Amendments*

Adjustments may be made in the event of any demerger of the Company.

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

The Memorandum of Association of the Company provides that its principal object is to carry on the business of a holding company and a general commercial company and to carry out the other objects more particularly set out in the Memorandum of Association of the Company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the address set out in paragraph 16 below.

The Articles of Association of the Company adopted conditionally upon Admission (the "Articles") contain, inter alia, provisions to the following effect:-

### **5.1 Dividends**

- (1) Subject to the Act and every other statute from time to time in force concerning companies and affecting the Company (together the "Statutes"), the Company may by ordinary resolution declare dividends to be paid to members of the Company according to their rights, but not exceeding the amount recommended by the Directors. If, in the opinion of the Directors, the profits of the Company available for distribution justify such payments, the Directors may from time to time pay interim dividends and may also pay any fixed rate dividend on the half-yearly or other dates prescribed for payment. Subject to any special rights attaching to shares, all dividends will 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 but, if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date, such share shall rank for or be entitled to dividend accordingly.
- (2) No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.
- (3) All dividends unclaimed may be invested or otherwise used by the Directors for the benefit of the Company until claimed and all dividends unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.
- (4) The Directors may, if so authorised, offer shareholders in respect of any dividend the right to elect to receive ordinary shares by way of scrip dividend instead of cash.

### **5.2 Winding-up**

The Articles of Association contain no special provisions relating to rights to assets on a winding up. Accordingly, the general law will apply and any assets available for distribution to members after payment to creditors will be distributed to members pro rata to their holdings of shares. Upon winding up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes:-

- (1) divide among the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and, for that purpose, set such values as he deems fair upon any property to be divided and determine how the division shall be carried out between the members; and
- (2) vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall with the like sanction think fit but no member shall



be compelled to accept any share or other assets upon which there is any liability.

### **5.3 *Voting***

Subject to any terms as to voting upon which any shares may be issued, or may from time to time be held, and to the provisions of the Articles, every member who (being an individual) is present in person or (being a corporation) is present by a representative not being himself a member shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

### **5.4 *Variation of Rights***

Subject to the Statutes, if at any time capital of the Company is divided into different classes of shares, the rights attached to any class of shares may (unless otherwise provided by the terms of the issue of shares of that class) be varied, modified or abrogated, whether or not the Company is being wound up, either (a) in such manner (if any) as may be provided by such rights or (b) in the absence of any such provision either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). At every such separate general meeting the necessary quorum shall be at least two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

### **5.5 *Transfer of Shares***

All transfers of shares in certificated form shall be effected by instrument in writing, which shall be executed by or on behalf of the transferor and (unless the share is fully-paid) by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of, or which includes, shares in certificated form which are not fully paid. The Board may also refuse to register any instrument of transfer of shares unless it is:-

- (1) lodged (duly stamped if so required by law in order to be registered) at the Company's registered office or at such place as the Board may appoint accompanied by the relevant share certificate(s);
- (2) in respect of only one class of share; and
- (3) in favour of not more than four persons jointly.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or is excepted from the requirement) under the Uncertificated Securities Regulations to register the transfer and they may refuse to register any such transfer in favour of more than four transferees.

### **5.6 *Pre-emption Rights***

The Company may at any time and from time to time by special resolution authorise the Directors to allot equity securities (as defined in Section 94 of the Act) for cash as if

Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:-

- (a) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of members where the equity securities respectively attributable to the interests of the members are proportionate (as nearly as possible) to the respective numbers of shares held or deemed to be held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise; and
- (b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities having, in the case of relevant shares (as defined in Section 94 of the Act), a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate the sum specified in the special resolution;

and such power shall (unless otherwise specified in such special resolution or varied or abrogated by special resolution passed at an extraordinary general meeting) expire at the conclusion of the next annual general meeting following the passing of the special resolution, but the Directors 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 pursuant to the offer or agreement as if such power had not expired.

Save as provided below, the Company may not allot any of the authorised but unissued ordinary share capital of the company, not subject to the power referred to above unless the shares are to be allotted wholly or partly paid up otherwise than in cash or unless the company has followed the procedure laid down by section 89(1) of the Act. This procedure is broadly as follows:-

Before agreeing to allot any shares in the Company for cash to persons who are not existing shareholders, the Company must previously make an offer in writing to each existing holder of shares in the Company to allot to him on the same or more favourable terms a proportion of the shares to be allotted pro rata to his existing holding. The offer must be sent to his registered address in the United Kingdom or to the address in the United Kingdom supplied by him to the Company for the giving of notice to him. The offer must state the period of not less than 21 days during which the offer may be accepted, and the offer shall not be withdrawn before the end of that period. Only after the period during which the offer may be accepted has expired or after the Company has received notice of the acceptance or refusal of every offer so made, may it allot the shares which are the subject of the offer to a person other than the offeree.

Save in accordance with the provisions of the Act as set out above no other pre-emption rights are contained in the Articles of Association of the Company regarding the issue and allotment of shares in respect of authorised share capital or to the transfer of shares.

There are no procedures for the exercise of pre-emption rights relating to any part of the Company's share capital beyond those specified in the Act, subject to the authority granted to the Directors referred to above.

### 5.7 *Redemption*

Subject to the provisions of the Statutes the Company may purchase its own shares including redeemable shares.

## 6. **Material Contracts**

In addition to the contracts referred to elsewhere in this Part 6 and the matters disclosed in paragraphs 11 and 14 below the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or Minorplanet during the two years immediately preceding the date of this document and are or may be material:

- 6.1 An agreement (the "Services Agreement") dated 2 December 1996 between Minorplanet (1) K & P Limited ("the Supplier") (2) Peter Crathorne Rackham (3) and Kathleen Mary Rackham (4) pursuant to which Minorplanet has agreed to engage the services of the Supplier to develop computer software for Minorplanet for the purpose of its business and the Supplier has agreed to act in such a capacity. The Supplier will receive a monthly fee of £15,000 plus VAT on the terms more particularly set out in paragraph 5.1 of the Services Agreement. By a Deed of Variation dated 21 October 1997, the Services Agreement was varied to provide, *inter alia*, that the Services Agreement would continue until the fifth anniversary of the date of Admission. Notwithstanding this, Minorplanet may at any time terminate the Services Agreement provided that it shall then either (at Minorplanet's option) (a) acquire the whole of the share capital of the Supplier for the lower of £2,000,000 or an amount equal to 1% of the value of Minorplanet Systems as at the date of Admission or the date of termination of the Services Agreement (whichever is the lesser) or (b) make a payment to the Supplier of that amount. Minorplanet may procure that a third party fulfils its obligations;
- 6.2 An agreement dated 2 December 1996 between PCR Systems (1) K & P Limited (2) Peter Crathorne Rackham (3) Kathleen Mary Rackham (4) Charles Rackham (5) and Paul Swindlehurst (6) (collectively the Contractors) and Minorplanet (7) pursuant to which each of the Contractors, with full title guarantee, assigned to Minorplanet the entire copyright (present and future) in the computer software, more particularly described therein, free from all charges, liens and encumbrances for the full period of such copyright, in consideration for the sum of £1 paid by Minorplanet;
- 6.3 An agreement dated 14 November 1996 between Capital Bank PLC (formerly NWS Bank plc) ("NWS") (1) and Minorplanet (2) pursuant to which the parties entered into an arrangement for a term of three years whereby NWS agreed, *inter alia*, to provide finance to selected Minorplanet customers for the purchase by such customers of plant and other equipment supplied by Minorplanet. This agreement also sets out terms relating to the sharing between NWS and Minorplanet of the proceeds of any resale of such plant and other equipment after the expiry of the relevant finance period;
- 6.4 An assignment dated 5 December 1996 between Dr Christopher Gerard Michael Harrison (1) John Dennis Macey (2) and Minorplanet (3) pursuant to which Dr Harrison and Mr Macey severally assigned to Minorplanet in consideration for the sum of £1 paid by Minorplanet, all their Intellectual Property Rights (as defined therein) to Minorplanet. Identical assignments have been executed by Paul Burke and Jeffrey Morris;

6.5 An agreement dated 3 November 1997 between the Company (1) and those persons set out in the Schedule to such agreement (2) pursuant to which the shareholders of Minorplanet transferred to the Company the entire issued share capital in Minorplanet held by them in consideration of the issue to them of 31,347,882 Ordinary Shares in aggregate;

6.6 Pursuant to an agreement dated 7 November 1997 and made between the Company (1), Michael David Abrahams & others (2) Charles Stanley (3), and Elizabeth Amanda Abrahams and others (4) (the "Placing Agreement") Charles Stanley has agreed, as agent for the Company, subject to the conditions contained in the Placing Agreement, to use all reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price or failing which to subscribe itself for the Placing Shares at the Issue Price.

If the Placing Agreement becomes wholly unconditional, Charles Stanley will receive in consideration for its services thereunder (together with VAT, where applicable):

(a) a fee of £100,000; and

(b) a commission of 3% of the aggregate value at the Issue Price of the Placing Shares.

If the Placing Agreement fails to become unconditional or is otherwise terminated, the Company shall pay or reimburse an amount equal to the time costs incurred by Charles Stanley in connection with the Placing up to a maximum aggregate amount of £10,000 plus VAT.

The Company has also agreed to pay Charles Stanley all costs and reasonable expenses incurred in relation to the Placing whether or not the Placing Agreement becomes unconditional.

The obligations of Charles Stanley under the Placing Agreement are conditional, inter alia, on Admission occurring and becoming effective not later than 17 November 1997 or such later time or date as the Company and Charles Stanley shall agree, not being later than 28 November 1997.

The Placing Agreement contains certain warranties, indemnities and undertakings given by the Company and the Directors and their associates in favour of Charles Stanley;

6.7 An agreement dated 7 November 1997 between Charles Stanley (1) and the Company (2) pursuant to which Charles Stanley will be paid, in addition to the fee disclosed in paragraph 6.6 above, an annual fee of £15,000 (plus VAT) for acting as Nominated Advisor and Nominated Broker to the Company. The appointment may be terminated by either party on sixty days notice in writing to take effect at the end of such notice period.

## **7. The Securities and Exchange Commission**

7.1 Proceedings were commenced by the Securities and Exchange Commission (the "Commission") against Mr Jeffrey Morris on 23 November 1994, when the Commission obtained a Temporary Restraining Order ("TRO") against Mr Morris' assets worldwide. The allegations made by the Commission related to the investment by Mr Morris, in conjunction with a business acquaintance, in shares and options in Hilton Hotels Corporation ("Hilton") trading on the New York Stock Exchange. The Commission alleged that Mr Morris entered into a number of transactions during the period 14 to 17 November 1994 in contravention of the US Securities Regulations.

- 7.2 Mr Morris co-operated fully with the Commission from the outset of their investigation, however, he was unable to sustain the continuing escalation in costs as a result of being involved in such a litigation against an agency of the US Government. Mr Morris allowed the Commission to disgorge his alleged share of the profits from the trading in Hilton securities and paid an additional amount to the US Treasury. The total paid by Mr Morris to the Commission came to just over US\$210,000. Mr Morris came to a full and final settlement of the dispute with the Commission in October 1995 without admitting or denying the allegations made by the Commission. There was no finding of fact against Mr Morris and the Commission accepted this.

## **8. Taxation**

- 8.1 The Directors have been advised that the Company is presently, and following completion of the Placing, will be a close company as defined by Section 414 of the Income and Corporation Taxes Act 1988.
- 8.2 Under current United Kingdom taxation legislation, no tax will be withheld from dividend payments by the Company but the Company will generally have to account to the Inland Revenue for an amount of Advance Corporation Tax ("ACT") at a rate which is 20 per cent of the aggregate value of the dividend and the tax credit itself (equivalent to 25 per cent of the cash dividend). The income tax charge in respect of dividends for lower and basic rate tax payers is at the lower rate of 20 per cent and such shareholders will have no further liability to tax on their dividends. Higher rate taxpayers will be liable to tax on the sum of the dividend plus the tax credit at the higher rate of 40 per cent, against which liability they can offset the 20 per cent tax credit.

A United Kingdom resident corporate shareholder should in general be able to treat a dividend received (together with the associated credit) as franked investment income available to frank its own distributions. Persons who are not resident in the United Kingdom should consult their own tax advisers on whether or not they can benefit from all or part of any tax credit and what relief or credit may be claimed in the jurisdiction in which they are resident.

From 2 July 1997 the tax credit is not repayable to pension funds or companies. From 6 April 1999 the tax credit is not repayable to United Kingdom non-taxpayers generally (apart from charities under transitional arrangements). Also from 6 April 1999, the tax credit is to be reduced to 1/9 of the cash dividend. Income tax rates payable on dividends by United Kingdom shareholders will be adjusted to ensure that no additional income tax is payable.

- 8.3 The Company does not intend for the foreseeable future to pay a foreign income dividend. Foreign income dividends are to be abolished with effect from 6 April 1999.
- 8.4 The Company has been advised as follows in relation to stamp duty and stamp duty reserve tax that:-
- (1) the issue of the Placing Shares pursuant to the Placing should not give rise to a charge to stamp duty or stamp duty reserve tax. Section 93 of the Finance Act 1986 may impose a 1.5 per cent. stamp duty reserve tax charge on any Placing Shares issued to a depository nominee company and Section 96 of the Finance Act 1986 may impose a similar charge on Placing Shares issued to a person whose business includes the provision of clearance services or its nominee. Any future dealings in these shares will be subject to stamp duty or stamp duty reserve tax in the normal way.

- (2) any transfer of Ordinary Shares will generally be subject to ad valorem stamp duty on the instrument of transfer (or, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, stamp duty reserve tax) usually at the rate of 50p per £100 (or part thereof) on the value of the consideration for the relevant transfer; and
- (3) liability to pay any stamp duty or stamp duty reserve tax is generally that of the transferee or purchaser.

8.5 Individual shareholders who are resident or ordinarily resident and domiciled in the UK may, depending on their particular circumstances, suffer a liability to UK capital gains tax on chargeable gains arising on the disposal of any shares in the Company. UK corporate shareholders (assuming they are not exempt from UK tax on chargeable gains) would be liable to UK corporation tax on any chargeable gains which arise on the disposal of shares in the Company.

Persons who are neither resident nor ordinarily resident in the UK for tax purposes may be within the charge to tax on capital gains on the disposal of their shares in the Company if they carry on a trade in the UK through a branch or agency to which the shares are attributable.

*The above statements are intended as a general guide to current United Kingdom law and practice and relate only to the position of persons who are absolute beneficial owners of shares. They may not apply to certain classes of persons such as dealers. Any person who is in doubt as to his taxation position or requires information which is more detailed than the general outline above should consult his professional advisers.*

## 9. Working Capital

In the opinion of the Directors of the Company, having made due and careful enquiry and after taking into account the net proceeds of the Placing and the bank facilities available to the Group on Admission, the working capital available to the Company and the Group will from the date of Admission be sufficient for their present requirements.

## 10. Indebtedness

At the close of business on 30 September 1997, the Group had borrowings as follows.

	£
Bank overdraft (secured)	532,476
Loan from Mr J C Morris (unsecured)	376,820
Loan from Mr M D Abrahams (unsecured)	253,115
Loan from Mr D B Gaunt (unsecured)	27,500
Loan from related company (unsecured)	1,005,127
<b>Total borrowings</b>	<b><u>2,195,038</u></b>

The bank overdraft is secured by a fixed and floating charge over Minorplanet's assets.

The loan from Mr J C Morris bears interest at 10% per annum. The loan from Mr M D Abrahams bears interest at LIBOR plus 4% per annum. The loan from Mr D B Gaunt does not bear interest. All the loans from the directors are repayable on demand.

The loan from the related company is from a company owned by Mr J C Morris. The loan bears interest at 10% per annum and is repayable on demand.

At the close of business on 30 September 1997 the Group had no outstanding contingent liabilities under bonds and guarantees.

Save as disclosed above at the close of business on 30 September 1997 the Group has no loan capital outstanding or created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, including bank overdraft liabilities, under acceptances (other than normal trade bills) or acceptance credits, hire purchase, commitments, mortgages, charges, guarantees or other contingent liabilities.

## **11. Litigation**

Minorplanet is currently in dispute with Howard Hyman over sums which Mr Hyman is claiming are due to him. Mr Hyman is currently a director of Minorplanet but not of Minorplanet Systems and was engaged by Minorplanet in March 1997 to provide certain specified services to Minorplanet in connection with the proposed placing and admission to AIM. As consideration for his services, Minorplanet agreed to issue to Mr Hyman 3% of the ordinary share capital of Minorplanet, whether or not his endeavours resulted in admission to AIM, and, subject to successful admission to AIM, a success fee of £100,000. By an unsigned letter dated 20 August 1997, which was delivered to Minorplanet by Mr Hyman, Mr Hyman requested that he be issued 10% of the ordinary share capital of Minorplanet and a success fee of £200,000. Minorplanet did not agree to this. In the opinion of the directors of Minorplanet, Mr Hyman failed to perform his obligations satisfactorily or at all under his contract.

On 9 September 1997, Mr Hyman was requested to resign as a director of Minorplanet. On 16 September 1997 Mr Hyman's solicitors wrote to Minorplanet's solicitors, confirming that Mr Hyman had not tendered his resignation as a director of Minorplanet and that he was claiming compensation in respect of services provided by him to Minorplanet, on a quantum meruit basis. On 24 October 1997 Mr Hyman served a writ on Minorplanet. Minorplanet is presently seeking advice from its solicitors on the preparation of a counterclaim to Mr Hyman's claim.

Save as aforesaid there are no legal or arbitration proceedings active, pending or threatened against the Company or being brought by the Company which are having or may have a significant effect on the Company's financial position.

## **12. Premises**

The Company occupies premises at 57 Cardigan Lane, Leeds LS4 2LE. The freehold is owned by M&L Self Administered Pension Fund of which Mr Jeffrey Morris is a beneficiary. The lease is proposed to be entered into between the freehold owner and Minorplanet imminently. The term of the lease will be for fifteen years at an annual rent of £39,000. The premises comprise 5,065 square feet.

## **13. General**

- 13.1 The minimum amount which, in the opinion of the Directors, must be raised for the purposes set out in paragraph 21 of Schedule 1 to the Public Offers of Securities Regulations 1995 is £3.15 million.

- 13.2 Save as disclosed in this document there has been no material change in the financial or trading position of Minorplanet since 31 August 1997 being the date to which the latest audited accounts of Minorplanet were prepared. The Group has no significant investments in progress.
- 13.3 The financial information contained in this document does not constitute statutory accounts of the Company within the meaning of Section 240(5) of the Act. Statutory accounts for Minorplanet for the period 31 August 1997 have been prepared and delivered to the Registrar of Companies pursuant to Section 242 of the Act. The auditors have reported on such set of accounts within the meaning of section 235 of the Act. The report was unqualified within the meaning of Section 271 of the Act and did not contain a statement under Sections 237(2) or (3) of the Act. No statutory accounts have been prepared or delivered for the Company.
- 13.4 There are no arrangements in force for the waiver of future dividends.
- 13.5 The Company will pay all costs, charges and expenses connected with the Placing, including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all legal, accounting and other professional fees and expenses. The total costs and expenses are estimated to amount to approximately £500,000 (excluding VAT).
- 13.6 The accounting reference date of the Company and Minorplanet is 31 August.
- 13.7 Messrs. Abrahams, Morris, Harrison, Macey and Gaunt are, or may be deemed to be, promoters of the Company. Save as disclosed in this document, no cash, securities or benefits have, within the two years immediately preceding the date hereof, been paid or given to any promoter or are proposed to be paid or given in respect of consultancy services rendered.
- 13.8 There are no specified dates on which entitlement to dividends or interest thereon on Ordinary Shares arises.
- 13.9 No securities of the Company or Minorplanet have been promoted to the public during the two years preceding the date of this document and no prospectus or circular including audited accounts has previously been published by the Company or Minorplanet.
- 13.10 For the purposes of Section 82 of the Act the time of the opening of the subscription lists is 8.30 am on 13 November 1997 and the lists may be closed at any time thereafter.
- 13.11 Monies received by applicants pursuant to the Placing will be held in Charles Stanley Clients' Account until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 28 November 1997 application monies will be returned to applicants at their risk without interest.
- 13.12 Share certificates in respect of the Ordinary Shares to be issued pursuant to the Placing are expected to be despatched to applicants by post at their risk within 14 days of Admission.



14. Between June 1997 and September 1997, when Charles Stanley was appointed, Minorplanet had discussions with Dawnay Day & Company Limited and Albert E Sharp Corporate Finance Company Limited with regard to their respective appointments as Nominated Adviser and Nominated Broker in connection with the application for Admission to AIM proposed at that time. Appointment Letters were signed. These letters were terminated by notice in writing sent by Minorplanet on 5 September 1997.

The following fees will be paid by the Company following admission: Dawnay Day & Company Limited £15,000.00 (excluding VAT and disbursements) and Albert E Sharp Corporate Finance Limited £32,850 (excluding VAT and disbursements).

Save as disclosed above, no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) have received, directly or indirectly, from the Company within the 12 months preceding the Company's application for admission of the Ordinary Shares to trading on AIM, and no persons have entered into contractual arrangements to receive directly or indirectly from the Company on or after such admission:

- (i) fees totalling £10,000 or more;
- (ii) securities in the Company with a value of £10,000 or more calculated by reference to the issue price of the Ordinary Shares on Admission; or
- (iii) any other benefit with a value of £10,000 or more at the date of Admission.

## **15. Consents**

- 15.1 Arthur Andersen have given their written consent to the inclusion herein of their reports and the references thereto and to their name in the form and context in which such reports and references are included and accept responsibility for their reports set out in Part 2 and Part 3 in accordance with paragraph 45(8)(b) and paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.
- 15.2 Charles Stanley & Company Limited has given its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which such references are included.
- 15.3 Atkinson & Co. has given its written consent to the issue of this document with the inclusion herein of its report as set out in Part 5 and the references to its name in the form and context in which such references are included.

## **16. Documents Available for Inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Mishcon de Reya at 21 Southampton Row, London WC1B 5HS until 24 November 1997:-

- 16.1 the Memorandum and the Articles of Association of the Company adopted conditionally on Admission;
- 16.2 the audited accounts of Minorplanet and the Company for the period ended 31 August 1997;

- 16.3 the reports from Arthur Andersen, auditors and reporting accountants, set out in Part 2 and Part 3;
- 16.4 the report from Atkinson & Co, European Patent Attorneys, Patent and Trade Mark Agents set out in Part 5;
- 16.5 the service agreements and terms of appointment referred to in paragraph 3.6 above;
- 16.6 the material contracts referred to in paragraph 6 above;
- 16.7 the share option schemes referred to in paragraph 4 above; and
- 16.8 the written consents referred to in paragraph 15 above.

DATED: 10 November 1997

Copies of this document are available to the public, free of charge, at the offices of Mishcon de Reya, 21 Southampton Row, London WC1B 5HS, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until 14 days from the date on which the Ordinary Shares are admitted to trading on AIM.