

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Ordinary Shares please forward this document at once, together with any accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

A copy of this document, which comprises listing particulars relating to ServicePower Technologies plc prepared in accordance with the Listing Rules made under section 74(4) of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration, in accordance with section 83 of that Act.

Evolution Beeson Gregory Limited, which is regulated by the Financial Services Authority, is acting exclusively for ServicePower Technologies plc and no-one else in relation to the matters described in this document and will not be responsible to any other person for providing the protections afforded to clients of Evolution Beeson Gregory or for advising any such person on the contents of this document or any matter referred to herein.

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# ServicePower Technologies plc

*(Incorporated in England and Wales under the Companies Act 1985 with registered no. 3941006)*



## Placing by Evolution Beeson Gregory of 14,772,727 new Ordinary Shares at 44 pence per share New Services Contract with GEC&I Proposed Issue of Consideration Shares Notice of Extraordinary General Meeting

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Notice of an extraordinary general meeting of ServicePower Technologies plc to be held at the offices of Reed Smith LLP, Minerva House, 5 Montague Close, London SE1 9BB on 15 March 2004 at 11.30 a.m., is set out at the end of this document. Shareholders are asked to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by Capita Registrars, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR by not later than 11.30 a.m., on 13 March 2004. Should you require any further information please contact Capita Registrars at the above address.

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on 16 March 2004. The existing Ordinary Shares are listed on the Official List and traded on the London Stock Exchange.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and is, subject to certain exceptions not for distribution in or into the Prohibited Territories. Overseas Shareholders and any person (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the United Kingdom should seek appropriate advice before taking any action. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

The New Ordinary Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States or under any of the relevant securities laws of the other Prohibited Territories nor has any prospectus in relation to the New Ordinary Shares been lodged or registered by the Australian Securities and Investment Commission. Accordingly subject to certain exceptions the New Ordinary Shares have not been and will not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into the Prohibited Territories or to any national resident or citizen of the Prohibited Territories or in any jurisdiction where it would be unlawful to do so. Any New Ordinary shares offered or sold into the United States will be offered and sold only pursuant to exemptions from federal and applicable state securities laws. Such shares shall be acquired for investment purposes only and not with a view to or for resale in connection with a distribution and may not be sold or otherwise transferred unless registered or qualified pursuant to the applicable provisions of federal and state securities laws or exempt from the registration requirements thereof.

The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission of the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representations to the contrary is a criminal offence in the United States.

All the New Ordinary Shares will be issued credited as fully paid and rank *pari passu* in all respects with the existing issued Ordinary Shares of ServicePower Technologies plc including for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after the date of Admission.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2004
Announcement of the Acquisition and Placing	20 February
Latest time and date for the receipt of Forms of Proxy	11.30 a.m. on 13 March
Extraordinary General Meeting	11.30 a.m. on 15 March
Completion of Acquisition and Placing	16 March
Expected date of Admission and commencement of dealings in the New Ordinary Shares	8.00 a.m. on 16 March
Expected date for the crediting of CREST member accounts	16 March
Expected date for despatch of definitive share certificates	By 19 March

## ISSUE STATISTICS

Number of New Ordinary Shares	16,280,793
Number of Ordinary Shares in issue immediately following the Acquisition and Placing	73,091,446
Number of Placing Shares	14,772,727
Placing Price	44 pence
Placing Shares as a percentage of the current issued share capital of ServicePower	26.00 per cent.
Number of Consideration Shares	1,508,066
Consideration Shares as a percentage of the enlarged issued share capital	2.06 per cent.

## DEFINITIONS

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

“Acquisition”	the proposed acquisition of certain assets and liabilities of Keyprestige pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement made with effect from 30 January 2004 and entered into by ServicePower Inc., KPI and the KPI Stockholders, details of which are set out in paragraph 10.1 of Part V of this document
“the Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the New Ordinary Shares to the Official List by the UK Listing Authority, and to trading on the London Stock Exchange’s market for the listed securities becoming effective in accordance with the Listing Rules and the Admission Standards
“Admission Standards”	the “Admission and Disclosure Standards” published by the London Stock Exchange from time to time
“certificated” or “in certificated form”	where a share or security is not in uncertificated form
“ClaimWorks software”	the claims form processing software and related intellectual property owned by Keyprestige
“Company” or “ServicePower”	ServicePower Technologies plc
“Completion”	the completion of the Acquisition
“Consideration Shares”	1,508,066 new Ordinary Shares to be issued to KPI pursuant to an agreement made between ServicePower Inc. and the Company in satisfaction of certain of ServicePower Inc.’s obligations under the Acquisition Agreement
“CREST”	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form, operated by CRESTCo
“CRESTCo”	CRESTCo Limited
“Daily Official List”	the daily official list of the UK Listing Authority
“Directors”	the directors of the Company at the date of this document whose names are set out in paragraph 3.1 of Part V of this document
“Dollars”, “\$” or “US\$”	the legal currency of the United States
“Enlarged Group”	the Group, as enlarged by the Acquisition
“Evolution Beeson Gregory” or “EVBG”	Evolution Beeson Gregory Limited
“Extraordinary General Meeting” or “EGM”	the Extraordinary General Meeting of the Company convened for 11.30 a.m. on 15 March 2004 by the notice set out at the end of this document, including any adjournment thereof
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Form of Proxy”	the form of proxy for use in connection with the EGM which accompanies this document
“GEC&I”	General Electric Consumer and Industrial
“GEC&I Warrant”	the warrant agreement dated 27 January 2003 and entered into by the Company and General Electric Company on behalf of GEC&I (under its former name GE Consumer Products Unit) as modified pursuant to the Services Contract details of which are described in paragraph 11(iii) of Part V of this document
“Group” or “ServicePower Group”	ServicePower and its subsidiaries

“KPI Stockholders”	Janice Salmon and James Rushton
“Keyprestige” or “KPI”	Keyprestige, Inc.
“Listing Rules”	the Listing Rules of the UK Listing Authority made in accordance with section 74 of FSMA
“Lock-In Deed”	the deed to be entered into at Completion by Keyprestige and each of the KPI Stockholders with ServicePower and EVBG, details of which are set out in paragraph 10.3 of Part V of this document
“London Stock Exchange”	the London Stock Exchange plc
“New Ordinary Shares”	the Consideration Shares and the Placing Shares, together totalling 16,280,793 new Ordinary Shares
“Non-Compete Agreements”	the non-compete agreements to be given by KPI and each of the KPI Stockholders in favour of ServicePower and ServicePower Inc, details of which are set out in paragraph 10.4 of Part V of this document
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 10 pence each in the share capital of the Company
“Placees”	means the placees procured by Evolution Beeson Gregory pursuant to the Placing Agreement
“Placing”	the placing by Evolution Beeson Gregory of the Placing Shares at the Placing Price, as further described in this document
“Placing Agreement”	the conditional agreement dated 20 February 2004 and entered into by the Company and Evolution Beeson Gregory relating to the Placing, further details of which are set out in paragraph 10.2 of Part V of this document
“Placing Price”	44 pence per Placing Share
“Placing Shares”	14,772,727 new Ordinary Shares to be placed by Evolution Beeson Gregory pursuant to the Placing Agreement
“Prohibited Territories”	USA, Australia, Canada, Japan, The Republic of Ireland, The Republic of South Africa and their respective territories and possessions
“Preference Shares”	preference shares of 1 pence each in the share capital of the Company
“Registrars”	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Resolutions”	the resolutions set out in the notice of Extraordinary General Meeting at the end of this document
“Securities Act”	United States Securities Act of 1933 (as amended)
“Services Contract”	the agreement between ServicePower and GEC&I entered into on 30 December 2003 pursuant to which ServicePower will develop GEC&I proprietary software under the provisional name of “Fulcrum” and provide yellow pages job despatch service to GEC&I
“ServicePower Inc.”	a wholly owned subsidiary of the Company
“Shareholders”	holders of Ordinary Shares

“ServicePower Share Option Schemes”	means those share option schemes described in paragraph 8.2 of Part V of this document
“uncertificated” or “uncertificated form”	in respect of a share or other security, where that share or security is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which by virtue of the Regulations may be transferred by means of CREST
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

Amounts in this document expressed in pounds sterling as equivalent amounts stated in US dollars have, unless otherwise stated, been calculated at: US\$1.8202 to £1 being the exchange rate used in the Acquisition Agreement.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Barry Harvey Welck ( <i>Non-Executive Chairman</i> ) David Anthony Brisco ( <i>Chief Executive and Financial Officer</i> ) Ian Stuart MacKinnon ( <i>Executive Director</i> ) Lindsay Claude Neils Bury ( <i>Non-Executive Director</i> )
<b>Company Secretary:</b>	Sally Ann Gillings  <i>all of the Head Office and Registered Office:</i> Petersgate House St Petersgate Stockport Cheshire SK1 1HE
<b>Underwriter, Financial Adviser and Stockbroker</b>	Evolution Beeson Gregory Limited 100 Wood Street London EC2V 7AN
<b>Solicitors to the Company</b>	Reed Smith LLP Minerva House 5 Montague Close London SE1 9BB
<b>Solicitors to Evolution Beeson Gregory</b>	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL
<b>Auditors</b>	BDO Stoy Hayward LLP Prospect Place 85 Great North Road Hatfield Herts AL9 5BS
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

# SERVICEpower

## Letter from Chairman of ServicePower Technologies plc

*Directors*

Mr. Barry Welck *Non-Executive Chairman*  
Mr. David Brisco *Chief Executive Officer and Financial Officer*  
Mr. Ian MacKinnon *Executive Director*  
Mr. Lindsay Bury *Non-Executive Director*

*Registered and Head Office*

Petersgate House  
St Petersgate  
Stockport  
Cheshire SK1 1HE

20 February 2004

*To Shareholders and, for information only, to the holders of options under the ServicePower Share Option Schemes*

**Placing by Evolution Beeson Gregory  
of 14,772,727 new Ordinary Shares at 44 pence per share  
New Services Contract with GEC&I  
Proposed Issue of Consideration Shares  
Notice of Extraordinary General Meeting**

Dear Shareholder,

**Introduction**

The Board of ServicePower has today announced that it proposes to raise approximately £5.9 million, net of expenses, by means of a placing of 14,772,727 Placing Shares at a price of 44p per share. The Placing has been fully underwritten by Evolution Beeson Gregory. Further to this, ServicePower has also announced today that it has entered into an agreement, the purpose of which is to acquire certain assets from Keyprestige. The Consideration is to be satisfied through the proposed issue of 1,508,066 Consideration Shares and a cash payment of up to US\$214,000. The acquisition of these assets will be made through ServicePower Inc., a wholly owned subsidiary of the Company. ServicePower Inc. is not acquiring the business of KPI, and is not acquiring any of KPI's trading agreements under the terms of the Acquisition.

The Placing follows the announcement by the Board of ServicePower on 7 January 2004 that it had signed a major agreement with General Electric Consumer and Industrial ("GEC&I") (the "Services Contract") through which ServicePower has agreed to develop alongside GEC&I a system for processing and managing GEC&I's warranty claims and to manage the despatching of work to key segments of GEC&I's independent servicers across the US. The ClaimWorks software that is being acquired by ServicePower Inc. from Keyprestige will form a key part of the processing system being developed and will speed up the Company's ability to deliver under the Services Contract. Further details of the Acquisition and the related issue of Consideration Shares are set out below in the section headed "The Acquisition".

The Placing is conditional, *inter alia*, upon Shareholders' approval of the Resolutions which will be sought at the Extraordinary General Meeting, notice of which is set out at the end of this document. The purpose of this document is, *inter alia*, to provide you with details of, and the background to, the Placing and Acquisition, to explain why your Directors believe that the Placing and the issue of the Consideration Shares are in the best interests of Shareholders as a whole and why they recommend that you vote in favour of the Resolutions to be proposed at the EGM.



## **Information on the Group**

ServicePower develops and sells artificial intelligence-based software for the scheduling of field service personnel. This software provides businesses with scheduling tools to organise their field engineers or service technicians. It assists businesses in attempting to reduce their current service operating costs, meet service level agreements and thereby ensure improved customer satisfaction and loyalty.

The ServicePower scheduling software crosses all industry verticals from telecommunications and utilities to insurance and cabling companies. ServicePower schedules field force operations in both business to business and business to consumer areas. If an engineer is required at a customer's office or home at a set time, with a specific part, then ServicePower's scheduling software provides an effective solution.

## **Background to the Fulcrum Business Model and the Services Contract**

The Directors believe that there is a large and growing independent servicer market in the US. Currently, within the independent servicers industry, the Directors of ServicePower have recognised that there is little IT infrastructure in place to manage and control this work as existing software vendors are still focusing on providing IT systems to large corporations. However, the escalating cost of employing permanent field service technicians is forcing an increasing number of job providers (manufacturers and retailers) to outsource more work to independent servicers.

With regard to the provision of servicing in the major appliances (white goods) sector, over the past 10 years the number of field service technicians has actually reduced. Some retailers and manufacturers such as Whirlpool, Frigidaire and Circuit City have left the repairs business due to the prohibitive employment costs, while other retailers such as Home Depot, Lowes, and Best Buy offer a warranty service with their major appliances and consumer electronic products which the Directors believe, all use a mix of their own technicians and independent servicers. The independent servicers' base is shrinking annually. With fewer technicians in the market place, retailers having no employed staff of their own are looking to place the warranty work with independent servicers. Inadequate infrastructure and high labour costs means even the remaining large servicers do not operate outside major metropolitan areas, placing more pressure on the independent contractor outside these areas.

The Directors believe independent servicers are finding it increasingly difficult to respond to the many sources of jobs provided in different formats and therefore to manage the demand for their services. Consequently service quality is suffering as incomplete calls and "no-shows" are prevalent. Call centres are handling 3 to 4 inbound calls per despatch due to poor servicer communication, which is an unnecessary overhead for cost conscious job providers. To compound the problems, consumers have become more demanding; a time-banded appointment chosen by the customer is now considered to be the norm. Time-banded appointments are not possible with the current infrastructure used to manage work to independent servicers because they each work for more than one job-provider and so their availability at any time is unknown.

In response to the needs of manufacturers, retailers and independent servicers ServicePower developed the Fulcrum business model (for further information see the "Services Contract" section below), utilising the ServicePower scheduling software, to develop a system to schedule, manage and control the work of independent servicers. ServicePower first introduced the concept in 1999 and initial development took place with Installs, Inc. in late 2001 with the market opportunity being further developed alongside GE Warranty Management, Inc. (a subsidiary of GEC&I) in December 2000.

## **Services Contract**

On 30 December 2003, ServicePower entered into the Services Contract with GEC&I to utilise the ServicePower Fulcrum business model. Under the contract, GEC&I has agreed that ServicePower will take over the despatch of approximately 500,000 jobs per year to independent servicers. These jobs cover both domestic and consumer electronics equipment. ServicePower will receive a guaranteed payment per transaction plus a share of the GEC&I annual cost savings, with the amount payable per transaction fixed for a minimum of five years.

In order to despatch these jobs electronically ServicePower, under the Services Contract, will obtain a royalty free right from GEC&I to use its IT system (for which a patent has been applied for). ServicePower will enhance this IT system by applying both ServicePower technology and the ClaimWorks software being acquired from Keyprestige (see the section headed “The Acquisition” below) and will operate the entire IT system independently, under the provisional name of “Fulcrum”. All intellectual property developed in conjunction with GEC&I will be jointly owned by ServicePower and GEC&I whilst the intellectual property being acquired from Keyprestige and currently within ServicePower, will remain within the Group.

Following the production and testing of the new Fulcrum electronic despatch system, all GEC&I jobs will be transferred to ServicePower along with GEC&I’s database of many thousands of independent servicers across the US. This will form the basis of the Fulcrum system that will be sold to other job providers. All software development of the Fulcrum system has been sub-contracted at a fixed price to TCS, an India-based software development company that coded the original electronic despatch system for GEC&I. All intellectual property developed by TCS on behalf of ServicePower, for the Fulcrum system, will be the property of ServicePower.

In addition, GEC&I will out-source to ServicePower the management of all repair jobs where GEC&I has no identifiable servicer available in their network (“non-network jobs”) and all time critical jobs. ServicePower will source a servicer from its own Fulcrum database, negotiate a fee for the job, despatch the job and later pay the servicer. ServicePower will receive a fixed fee for this work depending on the job type. This will include the fee to be paid to the servicer. The Directors understand that GEC&I completed approximately 28,000 jobs of this type in 2003 at a cost to GEC&I of £2.1 million.

A significant part of the management of warranty insurance claims is the electronic processing of claim forms and the Fulcrum system will manage these forms and the despatch of warranty service jobs. Currently GEC&I, along with several other manufacturers, sub-contracts this work.

The Services Contract provides that GEC&I will out-source the management of all its warranty jobs to the Fulcrum system, and in conjunction with the Board of ServicePower, GEC&I will continue to encourage manufacturers to out-source the management of their jobs to the Fulcrum system. To this end, ServicePower has today announced that it has signed a contract to manage “non-network jobs” services, using the Fulcrum system, with a Fortune 250 appliance manufacturer. Further to this, ServicePower and the management of GEC&I have committed to hold industry seminars and host conferences at GEC&I premises advocating the use of the system.

The Directors anticipate the Fulcrum system will provide a strong base business upon which incremental, chargeable services can continue to be added at a later date. These include charging the servicers for optimising their workload thereby creating incremental capacity; charging the job providers for appointment-offering capability in their call centres as well as vetting servicers for criminal records (recently the state of Texas made this a requirement under state law), co-ordinating training events for manufacturers, customer satisfaction surveys and various reporting and analysis services and paying servicers as agent of the job-provider.

The Directors’ initial aim is to become a market leader in the provision of outsourced services to the US market for the repair of domestic appliances and consumer electronic products. The Directors are aware this model is also applicable to other industry verticals where there is a dependence upon repair work being completed by independent servicers. These markets include, amongst others Heating, Ventilation and Air Conditioning (HVAC), insurance loss adjusters, windscreen repair and home services (such as pool maintenance and pest control). The model is also not just confined to the US, and the Directors are looking to develop similar services for the UK and Europe.

## **The Acquisition**

### *Information on Keyprestige*

KPI was established in 1994 to service warranty claims on behalf of manufacturers (including GEC&I) and retailers and currently manages automated electronic warranty claim form processing for other manufacturers and sources servicers where manufacturers are unable to find them. The company is based in Costa Mesa, California.

The KPI Stockholders have experience in handling claims processing work within a number of US markets including Consumer Electronics, Major Appliances, HVAC, Computer and Office Products and Power Tools and Equipment markets. The Directors believe that the experience of the KPI Stockholders will be important in the successful adoption of the Fulcrum business model in these markets.

#### *Reasons for and benefits of the Acquisition*

As stated previously in this document, the acquisition of the ClaimWorks software, along with access to the KPI Stockholders' experience (in the management of claims and the despatch of warranty service jobs to independent servicers) will form a key part of ServicePower's ability to deliver on its obligations to GEC&I under the Services Contract and speed up its ability to do so, especially as the KPI Stockholders already have significant experience working alongside GEC&I. On Acquisition, ServicePower will begin managing "non-network" jobs through the ClaimWorks software with additional staff being employed for this purpose.

Furthermore, the Acquisition will provide ServicePower with the opportunity to become a major supplier of service jobs to the independent servicer marketplace. While the Directors believe that this will be a major growth area for the Group it also allows the Group to de-risk its operations from developing and selling enterprise software to corporate customers only, enabling the Company to move from its current position as a niche software vendor to a 'total service provider'.

#### *Terms of the Acquisition*

Under the terms of the Acquisition Agreement, ServicePower Inc. will acquire the ClaimWorks software, intellectual property rights, office equipment which includes finance leases, an office lease, certain prepayments (relating to certain of the tangible assets and office lease being acquired) and accounts receivable. The value of the net assets being acquired is approximately £383,000. The Company is not acquiring the business of KPI, and is not acquiring any of KPI's trading agreements under the terms of the acquisition. ServicePower Inc.'s intentions are to utilise the ClaimWorks software in the development of the Fulcrum business model and the experience of the KPI Stockholders will be important in this. To protect the Fulcrum business model, ServicePower will acquire enforceable non-compete covenants from the KPI Stockholders. For this purpose ServicePower has acquired the goodwill of KPI and will, on Completion of the Acquisition, enter into the proposed Non-Compete Agreements.

In consideration of the sale of the assets pursuant to the Acquisition Keyprestige will receive on Completion 1,508,066 Consideration Shares (representing US\$1,290,000 based upon the mid market quotation of ServicePower's Ordinary Shares on 30 January 2004 of 47 pence per share and an exchange rate of US\$1.8202 to £1) together with a cash sum of US\$129,000 (which may increase to US\$214,000 subject to the final settlement of a disputed liability of KPI) and the assumption by ServicePower Inc. of certain specified liabilities of KPI.

On Completion of the Acquisition, each of KPI and the KPI Stockholders will enter into a Non-Compete Agreement with ServicePower Inc. Janice Salmon and James Rushton (the KPI Stockholders) will receive US\$26,000 per annum and US\$1,300 (in total) respectively under the terms of their Non-Compete Agreements. On Completion of the Acquisition, KPI and each of the KPI Stockholders will enter into a Lock-in Deed with ServicePower and EVBG. Under the Lock-in Deed Keyprestige will undertake that it, its successors and assigns will not dispose of any Consideration Shares in the year ending on the first anniversary of the Admission of the Consideration Shares and no more than fifty per cent. of such shares during the year ending on the second anniversary of the Admission of the Consideration Shares. Any disposal must be made through ServicePower's brokers.

The obligations of Keyprestige under the Acquisition Agreement and the Lock-in Deed are or will, on being entered into, be guaranteed by the KPI Stockholders. The obligations of ServicePower Inc. under the Acquisition Agreement are, *inter alia*, conditional upon the Shareholders' approval of the Resolutions and Keyprestige's performance of its obligations under the Acquisition Agreement.

On completion of the Acquisition, each of the KPI Stockholders will enter into an employment agreement with an appropriate member of the ServicePower Group.

The Consideration Shares will represent 2.06 per cent. of the Company's issued Ordinary Shares following the issue of the New Ordinary Shares. The Consideration Shares will, when issued, be credited as fully paid and rank *pari passu* in all respects with ServicePower's existing issued Ordinary Shares. The Acquisition is conditional, *inter alia*, on the passing of the Resolutions and the Placing Agreement becoming or being declared unconditional and not being terminated in accordance with its terms prior to Admission.

Further details of the Acquisition Agreement and related arrangements are set out in paragraph 10 of Part V of this document.

### **Management**

A new division within the ServicePower Group headed by Chris Smith will be formed to deliver the Services Contract. Chris, previously President of GEC&I Warranty Management, Inc., has a wide range of experience in the retailer and appliance sectors, and during his time at GEC&I was heavily involved in the initial discussions about the Fulcrum concept. Prior to holding several positions in GE, Chris held senior positions at Montgomery Ward, Computer City, a subsidiary of RadioShack, and Circuit City. Chris Smith is currently an employee of KPI but will join the Group regardless of whether the Acquisition proceeds.

It is ServicePower's intention to utilise Chris's background to recruit an experienced team from within GEC&I to sell the concept to other manufacturers, retailers and the larger service companies. The KPI Stockholders have agreed to join the Group on completion of the Acquisition. They will report directly to Chris Smith and will manage the operations of the Group in the US servicing warranty claims on behalf of manufacturers and retailers and as a supplier of service jobs to independent servicers.

### **The GEC&I Warrant**

As part of the extended arrangements with GEC&I under the Services Contract, ServicePower has agreed to modify the terms of the original warrant entered into with GEC&I, under its former name, GE Consumer Product Unit, on 27 January 2003 so that the warrant, as modified, will cover an additional 814,039 Ordinary Shares (being 5 per cent. of the New Ordinary Shares). The additional new Ordinary Shares covered by this warrant will be subject to a strike price per new Ordinary Share equal to the Placing Price. In addition, ServicePower has agreed to extend the warrant to cover any additional fund raising to finance the Fulcrum system that would otherwise have the effect of diluting the warrant (the strike price for such additional shares being the price per share at which any new Ordinary Shares are issued under the relevant fund raising).

In exchange for GEC&I agreeing to an orderly exercise of this warrant, ServicePower has also agreed to extend the exercise period of the warrant by 2 years to 20 April 2008.

In the event of ServicePower raising any further financing, other than to finance the Fulcrum system which would have the effect of diluting GEC&I's interest in ServicePower's share capital, GEC&I will be granted the right to acquire sufficient ServicePower shares at the best price permitted by law so as to enable GEC&I to preserve its percentage interest in ServicePower's share capital.

The Directors believed when entering into the GEC&I Warrant that it would further enhance the relationship between the Group and GE. Following the announcement of the Services Contract the Directors feel justified in this belief, with the modifications being made, as declared above, highlighting GE's continued confidence in the Fulcrum business model. Further details of the GEC&I Warrant are set out in paragraph 11(iii) of Part V of this document.

### **Current trading and prospects**

A trading statement released by ServicePower for the period ended 31 December 2003, which was announced on 9 December 2003, is set out in Part II of this document.

Further to this on the announcement of the agreement with GEC&I on 7 January 2004, David Brisco, Chief Executive Officer and Financial Officer of ServicePower also added:



“The signing of the agreement with GEC&I is a significant event for the Company as it gives ServicePower the opportunity to become the major service supplier to the independent servicer marketplace in the US. This new business opportunity will mean ServicePower will evolve from a software supplier to a total service provider with its attendant regular monthly revenue and cash.

This gives the Directors confidence for 2004 and beyond and the Directors look forward to further updating the market in the near future.”

As at the date of this document, trading across the Company has continued to be in line with Directors’ expectations with a number of potential agreements in negotiation. Further to this, the Directors believe that the markets in which the Enlarged Group will be able to operate will provide the Company with an exciting opportunity in both 2004 and the years ahead. The second agreement with a Fortune 250 appliance manufacturer, announced on 20 February 2004, provides independent corroboration of the validity of our solution.

### Reasons for the Placing

The working capital requirements of the Services Contract include the investment in a substantial computer environment to ensure the Fulcrum system operates at optimum availability levels. In addition there will be investment in the ex-GE management and sales team.

In summary, the Company estimates that the net proceeds from Placing will be applied as follows:

	£'000
General Working Capital requirements	4,368
Development of Fulcrum system	550
Employees and marketing development	879
Cash element of the Acquisition	118
Total	<u>5,915</u>

Within the £4.368 million to be raised for General Working Capital requirements the Company anticipates that a significant amount will be used to fund substantial marketing of the Fulcrum system and to continue to enhance the general technology within the Fulcrum system. The balance will be used by the core business as necessary. Historically the Company has operated within prudent financial structures which have necessitated careful cash management and close monitoring of costs. The Directors believe that the further capital to be provided by the Placing will benefit the Group at its current stage of development which will allow ServicePower to fully exploit the opportunities available to it in both the core business and from the Fulcrum business model, with both new and existing customer relationships.

### Details of the Placing

The Company proposes to raise approximately £5.9 million (net of expenses) by the issue of 14,772,727 Placing Shares at the Placing Price pursuant to the Placing. The Placing Shares will represent 20.21 per cent. of the Company’s issued Ordinary Shares following the issue of the New Ordinary Shares. The Placing has been fully underwritten by Evolution Beeson Gregory. The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing issued Ordinary Shares.

Evolution Beeson Gregory has agreed, as agent for ServicePower, to procure cash subscribers for the Placing Shares to be issued under the Placing at the Placing Price. To the extent that it fails to procure subscribers for the Placing Shares, Evolution Beeson Gregory has agreed to subscribe itself, as principal, at the Placing Price for such shares. The Placing Shares are not being made available to existing Shareholders in proportion to their residual holdings of Ordinary Shares.

The Placing is conditional, *inter alia*, upon the Resolutions being passed at the Extraordinary General Meeting to be held at 11.30 a.m. on 15 March 2004, the Placing Agreement becoming unconditional and not being terminated in accordance with its terms and Admission occurring by no later than 8.00 a.m. on 16 March 2004, or such later date (being no later than 8.00 a.m. on 31 March 2004) as Evolution Beeson Gregory and the Company may decide.

Further details of the Placing Agreement are set out in paragraph 10.2 of Part V of this document. Application has been made to the UK Listing Authority and the London Stock Exchange for the Placing Shares and the Consideration Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively.

### **Extraordinary General Meeting**

Details of the EGM and the Resolutions to be voted upon at that meeting are set out in the Notice of EGM annexed to this document at pages 60 and 61.

The purpose of the Resolutions is, *inter alia*, to facilitate the Placing, the issue of the Consideration Shares and the modification of the GEC&I Warrant. The effects of each of the Resolutions is as follows:

#### *Resolution 1*

To increase the authorised but unissued share capital of the Company from £75,000,000 to 125,000,000.

#### *Resolution 2*

To authorise the directors of the Company to allot relevant securities in the Company up to a nominal value of £4,172,999.30 so as to enable the Company to allot the New Ordinary Shares for the purposes of the Placing and the issue of the Consideration Shares and the modification of the GEC&I Warrant and a further £2,463,516.10 of relevant securities.

#### *Resolution 3*

Conditional upon Resolution 2 being passed, to authorise the directors of the Company to allot equity securities pursuant to the authority granted to them under Resolution 2 for cash on a non-pre-emptive basis; this power is limited to the New Ordinary Shares, the modification of the GEC&I Warrant, on pre-emptive offers of equity securities to enable the Company to address fractional entitlements or any exclusion or other arrangement in respect of the offer deemed necessary or expedient to address any legal or practical problems arising under the laws or regulations of any overseas territory or the requirements of any regulatory body and equity securities having a nominal value of up to £369,527.40 otherwise than as aforesaid.

If passed, the authorities to be granted under Resolutions 2 and 3 will expire on the earlier of the date that is 15 months after their passing and the next annual general meeting of the Company.

Save for the allotment of the New Ordinary Shares in connection with the Placing and the Acquisition and any new Ordinary Shares that the Company may be required to issue on an exercise of options granted under the ServicePower Share Option Schemes or the GEC&I Warrant the Directors have no present intention of issuing any further new shares in the Company.

### **Share Option Schemes**

Details of the ServicePower Share Option Schemes are set out in paragraph 8 of Part V of this document.

### **CREST**

Shareholders are able to hold Ordinary Shares either in certificated or uncertificated (that is, in CREST) form. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place within the CREST system if individual Placees so wish. The Ordinary Shares are in registered form.

### **Action to be taken**

You will find accompanying this document a Form of Proxy for use at the EGM. The Form of Proxy should be completed, signed and returned by post or by hand (during normal business hours) to the Company's registrars, Capita Registrars, PO Box 25, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4BR, as soon as possible but in any event so as to arrive by not later than 11.30 a.m. on 13 March 2004 whether or not you intend to attend the EGM. Completion and return of a Form of Proxy will not prevent you from attending the EGM and voting in person should you so wish.

**Further Information**

Your attention is drawn to the further information set out in the remainder of this document set out in Parts II to V.

**Directors' Recommendations**

The Board, which has been so advised by Evolution Beeson Gregory considers that the Placing, the issue of the Consideration Shares and the modification of the GEC&I Warrant are in the best interests of the Company and its Shareholders as a whole. In providing financial advice to the Company, Evolution Beeson Gregory has relied upon the commercial assessments made by the Board. Accordingly the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed to facilitate the proposals set out above at the Extraordinary General Meeting, as they intend to do in respect of their aggregate beneficial holdings of 12,891,295 Ordinary Shares, representing approximately 23 per cent. of the Company's existing issued ordinary share capital.

Yours faithfully

B H Welck  
*Chairman*

**PART II**  
**Trading Update**  
**for the year ended 31 December 2003**

The following is a copy of the full text of a trading update released by ServicePower on 9 December 2003 for the year ended 31 December 2003:

“In 2003 the Company has submitted tenders for an unprecedented number of contracts, but the larger US companies are insisting on a proof of concept and live pilot running prior to the purchase of a software license. The Company has a very high conversion record, but despite the record contract signings, the revenue for the full year will be less than current market forecasts because much of the revenue associated with these contracts will fall into 2004.

Among the recent contract signing is a funded proof of concept that has been signed with a Fortune 100 account and another with a US company conducting insurance risk-assessment reports. These follow on from the previously announced contract with a world-renowned Fortune 100 company. The projects are proceeding well and it is expected that full contracts will be signed in 2004.

The Directors have also previously stated that they are in the advanced stages of negotiation with several other Fortune 500 companies to place significant contracts in Q4, but these have deferred their capital expenditure projects into 2004. It is to avoid exactly this kind of business risk that the directors are keen to implement a “Fulcrum” business model based upon long-term contracts delivering regular monthly revenue and cash from a transaction-based pricing model.

David Brisco, CEO said, “the signing of the Memorandum with GECP is a significant event for the Company as it gives ServicePower the opportunity to become the major service supplier to the independent servicer marketplace in the US. This will mean ServicePower will evolve from a software supplier to a total service provider”.

The Directors look forward to further updating the market in the near future. This, and the deferral of revenue generating contracts into 2004, gives the Directors confidence for 2004.

Note: ServicePower refers to the company and SERVICEPower refers to the product.

9 December 2003”



## PART III

### Unaudited Interim results of ServicePower for the six months ended 30 June 2003

#### “Chairman’s statement

##### Introduction

This year we have seen an unprecedented number of sales opportunities indicating the market for automated scheduling solutions is now established. We are receiving more requests for proposals (RFP) from companies with whom we have had no previous contact and an increasing number of opportunities being referred to us by our partners. The SERVICEPower brand is now well recognised and our products are trusted to deliver quality solutions and a significant return on investment (RoI).

We continue to be seen as the solution of choice for the larger corporate buyers, however they are demanding RoI be proven before deployment. This increases the length of the sales cycle as the companies run a proof of concept and initial pilot before moving to enterprise deployment. However it provides us with good visibility and high confidence about the predictability of future revenues and cash flow.

Revenue for the first half of 2003 is marginally increased from the same period last year at £996k, the gross margin at 55 per cent. is unchanged despite reduced software licence fees. Software support and consultancy revenue is up 22 per cent. to £792k, being evidence of the underlying strength of the business and both will increase as more sites go live. The proposals submitted in the first six months of this year are starting to deliver new contracts and revenues for 2003 and beyond. We have won 3 new contracts and a proof of concept since 1 July worth £1.3 million for 2003 alone. The larger contracts are taking a little longer as the RoI requires confirmation prior to contract signature. The Directors have confidence in the continued revenue growth of the business and that we will soon be trading profitably.

##### Results and Dividend

The loss before and after taxation was £1,146k (2002: loss of £1,252k). The operating cost is £99k less than the first half of last year as expenditure remains closely controlled. The loss per share for the period was 2.21p (2002: loss per share of 2.45p). The Directors do not recommend the payment of a dividend.

##### Business Review

I reported at the AGM in May the company had tendered for an unprecedented number of contracts. I am pleased to report this high level of activity has continued into the second half of the year and it became clear we would need more resources to deliver these projects. A placing of shares with existing and new institutional investors was successfully completed in May, raising £786,000 net of costs. Furthermore our bankers HSBC have extended our £350,000 overdraft facilities for another year. This gives us financial security to increase our consultancy resources as required. I do not envisage the need to raise additional cash funds.

We have previously reported since 1st July we have won contracts with Benco Dental in the US, and with Gent and Siemens Communications in the UK. I am very pleased to now be able to announce the award of a funded proof of concept with a world-renowned Fortune 100 company. In view of our success in turning proof of concepts into successful rollouts, the directors are very confident this project will make a major contribution to future revenues. In addition, existing customers continue to place additional business with us.

##### Technology and Products

ServicePower is renowned for the breadth and quality of its product functionality and the directors are determined this will remain so. The product strategy has three elements.

- The first stage was to re-architect the core product to deliver a resilient and massively scalable system. This was delivered with V5 at the end of 2002 and since the launch, 4 of our customers have upgraded to the new version with a further 5 currently in-test.

- The second stage is to extend the breadth of functionality. Working with new large customers in new market areas will extend our functionality and allow us to sell to a broader marketplace. The next significant delivery will be V5.3, which we expect to be available at the end of 2003.
- The third stage is to extend the range of products we offer. Building on our new SERVICE/Planner and SERVICE/Analytics products released in 2002, this year we released SERVICE/Mobility. This was developed with Konaware Inc. It is a state-of-the-art application that allows field service technicians to receive information about their jobs and report progress back to their headquarters in real time. We have plans to develop further optional modules with our software partners.

### **Partnership Agreements**

In addition to software partners, the company is developing partnerships with companies that will sell, install and support the product in new markets and in particular to non-English speaking countries. We are currently working on several sales campaigns with PDSC and Astea in the US, and with Square in Europe. In March we signed an agreement with Productivity to distribute SERVICEPOWER in Italy and I expect to soon announce similar arrangements for other European countries.

Recent reports by leading industry analysts recommend service companies prioritise projects ranked by RoI. ServicePower is now in a position to deliver three of the highest ranking complementary applications, automated scheduling, mobile communications and information optimisation, thanks to our existing US partnership with Konaware and our recently signed agreement with Infomill, a company based in the UK.

### **Contractor Scheduling**

The long-term view for this business model is very positive. Our three contractor initiatives continue to progress. Our early entry into the contractor market has put us into a strong position to take advantage of our relationships with manufacturers and service companies as the economic conditions improve.

In the short-term the reduction in consumer spending in the US has hindered the development of the contractor-scheduling model. Each of the companies we are working with has introduced expenditure restrictions which have slowed down the implementation and rollout of systems. Whilst revenue is still limited, we have minimised the expenditure committed to the project to ensure we are cash neutral. I anticipate the revenues will increase in the second half of the year as our clients relax their controls in anticipation of the US economic recovery. I also anticipate ServicePower will look to invest heavily in this sector in the next twelve months.

### **Outlook**

The volume of our business from direct sales is rising quickly this year. The number of prospects continues to rise and we are currently on the short-list in several procurements. Industry analysts are in agreement that the demand for products which manage, control and improve the efficiency of mobile field service staff is growing faster than the remainder of the CRM marketplace. By working closely with our partners to broaden our product offering and our channel to market, ServicePower is well placed to maximise the return from this market.

We are now in a position to exploit the opportunity we have created with the contractor-scheduling commercial model and crucially, to build upon the relationships we have developed with key job providers. This growth opportunity is key to our long term ambitions to deliver consistent monthly revenues and cash.

Accordingly the Board is very confident for the future of the Company.

**Barry Welck**  
*Chairman*

17 September 2003

**Consolidated profit and loss account**  
**For the six months ended 30 June 2003**

		<i>Unaudited</i> <i>6 months to</i> <i>30 June</i> <i>2003</i> <i>£'000</i>	<i>Unaudited</i> <i>6 months to</i> <i>30 June</i> <i>2002</i> <i>£'000</i>	<i>Audited</i> <i>12 months to</i> <i>31 December</i> <i>2002</i> <i>£'000</i>
	<i>Note</i>			
<b>Turnover</b>	2	996	986	4,483
Cost of sales		443	439	1,114
<b>Gross profit</b>		<u>553</u>	<u>547</u>	<u>3,369</u>
Administrative expenses – excluding exceptional items		1,706	1,805	4,023
– exceptional items	3	<u>—</u>	<u>—</u>	<u>(98)</u>
		<u>1,706</u>	<u>1,805</u>	<u>3,925</u>
<b>Operating loss</b>		(1,153)	(1,258)	(556)
Interest receivable		8	6	7
Interest payable and similar charges		<u>(1)</u>	<u>—</u>	<u>(6)</u>
<b>Loss on ordinary activities before taxation</b>		(1,146)	(1,252)	(555)
Taxation on loss from ordinary activities	4	<u>—</u>	<u>—</u>	<u>228</u>
<b>Loss on ordinary activities after taxation</b>		<u>(1,146)</u>	<u>(1,252)</u>	<u>(327)</u>
		<i>Pence</i>	<i>Pence</i>	<i>Pence</i>
<b>Loss per share</b>	5			
Basic and diluted		(2.21p)	(2.45p)	(0.64p)
Adjusted		<u>(2.21p)</u>	<u>(2.45p)</u>	<u>(0.83p)</u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

# Consolidated balance sheet

At 30 June 2003

	<i>Unaudited 30 June 2003 £'000</i>	<i>Unaudited 30 June 2002 £'000</i>	<i>Audited 31 December 2002 £'000</i>
<b>Fixed assets</b>			
Tangible assets	37	80	42
Investments	250	250	250
	<u>287</u>	<u>330</u>	<u>292</u>
<b>Current assets</b>			
Debtors	1,217	906	1,126
Cash at bank and in hand	666	—	1,749
	<u>1,883</u>	<u>906</u>	<u>2,875</u>
<b>Creditors: amounts falling due within one year</b>	<u>1,640</u>	<u>1,185</u>	<u>2,294</u>
<b>Net current assets/(liabilities)</b>	<u>243</u>	<u>(279)</u>	<u>581</u>
<b>Total assets less current liabilities</b>	<u>530</u>	<u>51</u>	<u>873</u>
<b>Capital and reserves</b>			
Called up share capital	5,659	5,107	5,107
Share premium account	8,311	8,076	8,076
Share scheme reserve	34	115	17
Merger reserve	(3,008)	(3,008)	(3,008)
Profit and loss account	(10,466)	(10,239)	(9,319)
<b>Shareholders' funds – equity</b>	<u>530</u>	<u>51</u>	<u>873</u>

The board approved the interim report on 17 September 2003.

D Brisco  
*Director*

**Consolidated cash flow statement**  
**For the six months ended 30 June 2003**

	<i>Unaudited 6 months to 30 June 2003 £'000</i>	<i>Unaudited 6 months to 30 June 2002 £'000</i>	<i>Audited 12 months to 31 December 2002 £'000</i>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,899)</b>	<b>(1,077)</b>	<b>288</b>
<b>Returns on investments and servicing of finance</b>			
Interest received	8	6	7
Interest paid	<u>(1)</u>	<u>—</u>	<u>(6)</u>
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>7</b>	<b>6</b>	<b>1</b>
<b>Taxation</b>			
UK corporation tax refund	198	259	259
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	(1)	(2)	(4)
Sale of tangible fixed assets	<u>—</u>	<u>—</u>	<u>1</u>
<b>Cash (outflow)/inflow before management of liquid resources and financing</b>	<b>(1,695)</b>	<b>(814)</b>	<b>545</b>
<b>Management of liquid resources</b>			
(Increase)/decrease in short term deposits	(575)	41	300
<b>Financing</b>			
Share issue proceeds	830	—	—
Issue costs	<u>(44)</u>	<u>—</u>	<u>—</u>
	786	—	—
<b>(Decrease)/increase in cash in period</b>	<b><u>(1,484)</u></b>	<b><u>(773)</u></b>	<b><u>845</u></b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash	(1,484)	(773)	845
Increase/(decrease) in liquid resources	<u>575</u>	<u>(300)</u>	<u>(300)</u>
<b>Change in net funds resulting from cash flows</b>	<b>(909)</b>	<b>(1,073)</b>	<b>(545)</b>
<b>Net funds at beginning of the period</b>	<b><u>1,575</u></b>	<b><u>1,030</u></b>	<b><u>1,030</u></b>
<b>Net funds/(debt) at end of the period</b>	<b><u><u>666</u></u></b>	<b><u><u>(43)</u></u></b>	<b><u><u>1,575</u></u></b>

## Notes forming part of the interim report for the six months ended 30 June 2003

### 1. Basis of preparation

The interim report has been prepared on the basis of the accounting policies set out in the group's financial statements for the year ended 31 December 2002. The financial information set out in this document does not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. Copies of the financial statements of ServicePower Technologies plc for the year ended 31 December 2002 have been delivered to the Registrar of Companies.

### 2. Turnover

	<i>Unaudited 6 months to 30 June 2003 £'000</i>	<i>Unaudited 6 months to 30 June 2002 £'000</i>	<i>Audited 12 months to 31 December 2002 £'000</i>
Analysis by activity:			
Software licence sales	204	335	2,559
Consultancy and support services	792	651	1,924
	<u>996</u>	<u>986</u>	<u>4,483</u>
Analysis by market:			
United States of America	661	610	3,439
United Kingdom	335	374	1,044
Rest of Europe	—	2	—
	<u>996</u>	<u>986</u>	<u>4,483</u>

### 3. Exceptional items

The exceptional item of £98,000 in the year ended 31 December 2002 relates to the reduction in the fair value provision on share options waived in the year.

### 4. Taxation on loss from ordinary activities

No tax charge arises during the period due to the utilisation of taxable losses.

### 5. Loss per share

Basic loss per ordinary share was calculated by dividing the loss by the weighted average number of shares in issue during the relevant financial periods.

The adjusted loss per share is based on the earnings used for the basic calculation as adjusted for the exceptional items.

There are no potential ordinary shares which are dilutive.

	<i>Unaudited 6 months to 30 June 2003 £'000</i>	<i>Unaudited 6 months to 30 June 2002 £'000</i>	<i>Audited 12 months to 31 December 2002 £'000</i>
Basic number of weighted shares	<u>51,950,776</u>	<u>51,070,852</u>	<u>51,070,852</u>
Loss	(1,146)	(1,252)	(327)
Exceptional items	<u>—</u>	<u>—</u>	<u>(98)</u>
Adjusted loss	<u>(1,146)</u>	<u>(1,252)</u>	<u>(425)</u>

## **PART IV**

### **Financial Information on ServicePower for the three years ended 31 December 2002**

The financial information set out in this Part IV does not constitute statutory accounts within the meaning of section 240 of the Act. The following financial information relating to the Group for the years ended 31 December 2002, 31 December 2001 and 31 December 2000 has been extracted without material adjustment from the audited consolidated financial statements of ServicePower Technologies plc for these years.

The financial information for the year ended 31 December 2001 has been restated following a decision to reclassify certain expenditure from cost of sales to administrative expenses. The profit and loss account for the year ended 31 December 2001 reflects the original financial information as published and as restated. The restatement had no impact on the balance sheet, cash flow statement or notes to the financial statements for the year ended 31 December 2001. The restated numbers for the year ended 31 December 2001 have been extracted without material adjustment from the published consolidated financial statements of ServicePower Technologies plc for the year ended 31 December 2002.

Copies of the financial statements for the three years ended 31 December 2002 have been delivered to the Registrar of Companies in England and Wales. BDO Stoy Hayward, the predecessor firm to BDO Stoy Hayward LLP, have made a report under section 235 of the Act in respect of the statutory consolidated accounts for the three years ended 31 December 2002. Such reports were unqualified and did not contain a statement under section 237 of the Act.

**Group profit and loss accounts**  
**For the year ended 31 December**

	Note	2000 Total £'000	2001 Total £'000	2001 (restated*) £'000	2002 Total £'000
Turnover	2	3,292	3,150	3,150	4,483
Cost of sales		<u>(1,910)</u>	<u>(1,494)</u>	<u>(1,091)</u>	<u>(1,114)</u>
Gross profit		1,382	1,656	2,059	3,369
Administrative expenses:					
Excluding exceptional items		(4,758)	(4,293)	(4,696)	(4,023)
Exceptional items	3	<u>(779)</u>	<u>(150)</u>	<u>(150)</u>	<u>98</u>
		<u>(5,537)</u>	<u>(4,443)</u>	<u>(4,846)</u>	<u>(3,925)</u>
<b>Operating loss</b>	6	(4,155)	(2,787)	(2,787)	(556)
Interest receivable		209	87	87	7
Interest payable and similar charges	7	<u>18</u>	<u>—</u>	<u>—</u>	<u>(6)</u>
<b>Loss on ordinary activities before taxation</b>		(3,928)	(2,700)	(2,700)	(555)
Tax on loss on ordinary activities	8	<u>—</u>	<u>200</u>	<u>200</u>	<u>228</u>
<b>Loss on ordinary activities after taxation and retained deficit for the year</b>	16	<u><u>(3,928)</u></u>	<u><u>(2,500)</u></u>	<u><u>(2,500)</u></u>	<u><u>(327)</u></u>
<b>Loss per share:</b>	9				
Basic and diluted, in pence		(8.10)	(4.90)	(4.90)	(0.64)
Basic – adjusted for exceptional items, in pence		<u><u>(6.49)</u></u>	<u><u>(4.60)</u></u>	<u><u>(4.60)</u></u>	<u><u>(0.83)</u></u>

\* Details regarding the impact of the restatement of accounting policy are provided on page 22.



## Group balance sheets

As at 31 December

	<i>Note</i>	<i>2000</i> £'000	<i>2001</i> £'000	<i>2002</i> £'000
<b>Fixed assets</b>				
Intangible assets	10	—	—	—
Tangible assets	11	239	119	42
Investments	12	—	250	250
		<u>239</u>	<u>369</u>	<u>292</u>
<b>Current assets</b>				
Debtors	13	1,380	1,210	1,126
Cash at bank and in hand		<u>3,437</u>	<u>1,030</u>	<u>1,749</u>
		4,817	2,240	2,875
<b>Creditors: Amounts falling due within one year</b>	14	<u>1,234</u>	<u>1,306</u>	<u>2,294</u>
<b>Net current assets</b>		<u>3,583</u>	<u>934</u>	<u>581</u>
<b>Total assets less current liabilities</b>		<u><u>3,822</u></u>	<u><u>1,303</u></u>	<u><u>873</u></u>
<b>Capital and reserves</b>				
Called up share capital	15	5,107	5,107	5,107
Share premium account	16	8,096	8,076	8,076
Share scheme reserve	16	115	115	17
Merger reserve	16	(3,008)	(3,008)	(3,008)
Profit and loss account	16	<u>(6,488)</u>	<u>(8,987)</u>	<u>(9,319)</u>
<b>Shareholders' funds – equity</b>	19	<u><u>3,822</u></u>	<u><u>1,303</u></u>	<u><u>873</u></u>

**Group statements of cash flows**  
**For the year ended 31 December**

	<i>Note</i>	<i>2000</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>21</b>	<b>(3,760)</b>	<b>(2,207)</b>	<b>288</b>
<b>Returns on investments and servicing of finance</b>				
Interest received		209	87	7
Interest paid		(10)	—	(6)
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>199</b>	<b>87</b>	<b>1</b>
<b>Taxation</b>				
UK Corporation tax refund		—	—	259
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		(160)	(18)	(4)
Receipts from sales of tangible fixed assets		7	1	1
Purchase of fixed asset investments		—	(250)	—
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(153)</b>	<b>(267)</b>	<b>(3)</b>
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		<b>(3,714)</b>	<b>(2,387)</b>	<b>545</b>
<b>Management of liquid resources</b>				
(Increase)/decrease in short term deposits		(3,100)	2,800	300
<b>Financing</b>				
Issue of shares – net proceeds		8,965	—	—
Repurchase of shares		(1,470)	—	—
Issue costs		—	(20)	—
<b>Cash inflow/(outflow) from financing</b>		<b>7,495</b>	<b>(20)</b>	<b>—</b>
<b>Increase in cash in the year</b>	<b>22</b>	<b>681</b>	<b>393</b>	<b>845</b>

## Notes to the Financial Information

### 1. Accounting policies

The financial information has been prepared under the historical cost convention and is in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

#### *Going concern*

During the year ended 31 December 2002 the Group incurred a loss of £327,000. Due to the inherent nature of the software license industry, the Group cannot predict with certainty the amount or timing of future income. Following completion of development activities, the Board are confident of a significant increase in sales activities through the sale of new licenses, implementation income and opportunities presented by the new business model. Having reviewed current sales opportunities, the Board anticipates that sales activities will generate sufficient income to cover all overheads and costs in the foreseeable future. Accordingly, on this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

#### *Basis of consolidation*

The consolidated financial information incorporates the results of ServicePower Technologies plc and all of its subsidiary undertakings as at 31 December 2002 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

#### *Merger accounting*

Where merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial information, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

#### *Turnover*

Turnover represents sales to outside customers at invoiced amounts less value added tax. Licence sales are recognised as follows:

- 80 per cent. on acceptance of delivery of the software
- 20 per cent. on completion of implementation

Software support is invoiced annually and taken to revenue rateably over the period covered. Implementation and other work are invoiced as the work is performed.

#### *Cost of sales*

Implementation services are now charged to cost of sales according to actual time spent by implementation consultants working on clients projects, the remainder of their time being charged to overheads. This represents a change from prior years whereby all implementation consultants' costs were allocated to cost of sales and the directors believe this more accurately reflects the true cost of implementation. The comparative figures for 2001 have also been restated. The impact of this change is shown in note 4.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

- Short leasehold – over length of lease
- Fixtures, fittings and equipment – 16.6 per cent. to 33.3 per cent. straight-line per annum

### *Research and development – software*

Expenditure on development costs is charged to the profit and loss account in the year in which it is incurred.

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

the recognition of deferred tax assets is limited to the extent that the Group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

### *Financial instruments*

In relation to the disclosures made in note 17, short term debtors and creditors are not treated as financial assets or financial liabilities and the Group does not hold or issue derivative financial instruments for trading purposes.

### *Foreign currencies*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for any permanent diminution in value.

### *Leased assets – operating leases*

Annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

### *Pension costs*

The Company contributes to a number of money purchase pension schemes as well as stakeholder pension schemes. The contributions are charged to the profit and loss account in the period in which they become payable.

## **2. Turnover and net assets**

	2000 £'000	2001 £'000	2002 £'000
Turnover analysis by activity:			
Software licence sales	1,536	1,194	2,559
Consultancy and support services	1,756	1,956	1,924
	<u>3,292</u>	<u>3,150</u>	<u>4,483</u>
Turnover analysis by geographical market:			
United States of America	49	13	—
United Kingdom	3,243	3,137	4,483
	<u>3,292</u>	<u>3,150</u>	<u>4,483</u>
Turnover destination analysis by geographical market:			
United States of America	2,372	2,544	3,439
United Kingdom	872	594	1,044
Europe	48	12	—
	<u>3,292</u>	<u>3,150</u>	<u>4,483</u>

The net assets and pre-tax profit all relate to the principal activity of the Group.

### 3. Exceptional items

	2000 £'000	2001 £'000	2002 £'000
<b>The exceptional items relate to the following:</b>			
Excess employer's National Insurance due on 1999 share options	194	—	—
Accrued cost on share options (including NIC) granted in the period in accordance with UITF17	115	—	—
Write off of goodwill on acquisition	470	—	—
Redundancy costs	—	150	—
Reduction in fair value on share options waived in the year	—	—	(98)
	<u>779</u>	<u>150</u>	<u>(98)</u>

As a result of the Group re-organisation, £470,000 of goodwill arose on the acquisition of the preference shares in ServicePower Business Solutions Limited from external shareholders. This transaction took the form of a share for share exchange (see notes 12 and 15) for a consideration of £1.47 million. Following an impairment review at the time of acquisition, the goodwill was written off in the year.

### 4. Restatement of results

During the year ended 31 December 2002 the Group changed its cost of sales policy as outlined in note 1 to the financial statements. This resulted in a reallocation of costs from cost of sales to administration expenses for the year ended 31 December 2002 amounting to £221,000. 2001 results have been restated on a consistent basis, reallocating £403,000 from cost of sales to administration expenses.

### 5. Employee costs and numbers

	2000 £'000	2001 £'000	2002 £'000
<b>Staff costs</b>			
Wages and salaries	3,210	3,029	2,828
Social security costs	312	311	281
Other pension costs	158	146	132
	<u>3,680</u>	<u>3,486</u>	<u>3,241</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
<b>Staff numbers</b>			
Sales and marketing	13	18	11
Development	27	19	15
Support	5	6	8
Implementation	15	16	13
Administration	6	9	7
	<u>66</u>	<u>68</u>	<u>54</u>
	£'000	£'000	£'000
<b>Directors' emoluments</b>			
Emoluments (excluding pension contributions) (see note (a) below)	216	277	336
Money purchase pension contributions	6	6	6
	<u>222</u>	<u>283</u>	<u>342</u>

There was one director who accrued retirement benefits under a money purchase pension scheme in each of the years ended 31 December 2000, 31 December 2001 and 31 December 2002.

(a) *Directors' remuneration*

Details of the Directors' emoluments for the three years ended 31 December 2002 were as follows:

**For the year ended 31 December 2000**

<i>Directors</i>	<i>Basic salary and car allowance £'000</i>	<i>Benefits in kind £'000</i>	<i>Fees £'000</i>	<i>Performance related bonus £'000</i>	<i>Pension £'000</i>	<i>Total £'000</i>
B H Welck	—	—	24	—	—	24
L N Bury	—	—	10	—	—	10
I S MacKinnon	95	2	—	3	—	100
D A Brisco	77	2	—	3	6	88
	<u>172</u>	<u>4</u>	<u>34</u>	<u>6</u>	<u>6</u>	<u>222</u>

**For the year ended 31 December 2001**

<i>Directors</i>	<i>Basic salary and car allowance £'000</i>	<i>Benefits in kind £'000</i>	<i>Fees £'000</i>	<i>Performance related bonus £'000</i>	<i>Pension £'000</i>	<i>Total £'000</i>
B H Welck	—	—	31	—	—	31
L N Bury	—	—	13	—	—	13
I S MacKinnon	104	1	—	25	6	136
D A Brisco	92	2	—	9	—	103
	<u>196</u>	<u>3</u>	<u>44</u>	<u>34</u>	<u>6</u>	<u>283</u>

In addition, I S MacKinnon received £23,000 for car and accommodation allowance whilst in the United States of America from ServicePower Inc., the Company's US subsidiary.

**For the year ended 31 December 2002**

<i>Directors</i>	<i>Basic salary and car allowances £'000</i>	<i>Other allowances £'000</i>	<i>Benefits in Kind £'000</i>	<i>Fees £'000</i>	<i>Performance related bonus Pension £'000</i>	<i>Pension £'000</i>	<i>Total £'000</i>
B H Welck	—	—	—	31	—	—	31
L N Bury	—	—	—	13	—	—	13
I S MacKinnon	101	21	1	—	32	—	155
D A Brisco	94	15	—	—	28	6	143
	<u>195</u>	<u>36</u>	<u>1</u>	<u>44</u>	<u>60</u>	<u>6</u>	<u>342</u>

I S MacKinnon received £20,625 for car and accommodation allowance whilst in the United States of America from ServicePower Inc., the Company's US Subsidiary. Also a relocation payment of £15,000 was paid on behalf of D A Brisco.

(b) *Directors' shareholdings*

The interests of the Directors in the shares of the Company, all being beneficially owned, were as follows:

	<i>2000 Number</i>	<i>2001 Number</i>	<i>2002 Number</i>
B H Welck	1,266,391	1,619,397	1,930,687
I S MacKinnon	3,673,682	3,369,762	3,873,392
D A Brisco	3,045,986	3,418,716	3,995,216
L N Bury	392,000	692,000	3,192,000

In addition to the above holding, L N Bury has a non beneficial interest in 174,532 ordinary shares.

(c) *Directors' share options*

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of options held by the Directors as at 1 January 2002 and at 31 December 2002 were as follows:

	<i>Approved 1 January 2002 Number</i>	<i>Unapproved 1 January 31 2002 Number</i>	<i>Approved 31 December 31 2002 Number</i>	<i>Unapproved 31 December 31 2002 Number</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>	<i>Exercise price</i>
I S MacKinnon	34,883	—	—	—	August 2003	August 2010	86p
	—	215,600	—	—	April 2003	April 2010	86p
	—	—	17,442	—	October 2005	October 2012	23.5p
	—	—	—	107,800	October 2005	October 2012	23.5p
	—	—	—	46,514	May 2003	May 2012	10p
D A Brisco	34,883	—	—	—	August 2003	August 2010	86p
	—	215,600	—	—	April 2003	April 2010	86p
	—	—	17,442	—	October 2005	October 2012	23.5p
	—	—	—	107,800	October 2005	October 2012	23.5p
	—	—	—	46,514	May 2003	May 2012	10p

All share options held at 1 January 2002 were cancelled during the year and all option holders waived their rights under this scheme. Three new share option tranches were granted in the year and all options held are summarised below.

No share options of the Directors were exercised during any of the years ended 31 December 2000, 31 December 2001 and 31 December 2002. No share options lapsed during the year. The market price of the ordinary shares at 31 December 2002 was 8p and the range during the financial year was 4p to 22.5p.

The approved share options are exercisable subject to the share price increasing by 10 per cent. each year. The exercise price of the approved share options is 23.5p.

The unapproved share options are exercisable subject to the overall percentage increase in the market value of the Company's ordinary shares being greater than the percentage increase of the 75 per cent. of other companies, which are part of the TechMARK Index. The exercise price of the unapproved share options is 23.5p and 10p.

## 6. Operating loss

	<i>2000 £'000</i>	<i>2001 £'000</i>	<i>2002 £'000</i>
Operating profit is stated after charging:			
Depreciation	167	139	74
Research and development	196	825	667
Write off of goodwill (see note 3)	470	—	—
Auditors' remuneration:			
Audit services	32	37	40
Non audit services*	24	31	21
Hire of plant and machinery – operating lease	3	3	—
Hire of other assets – operating leases	123	113	79
Other exceptional items (see note 3)	—	150	(98)

\*In addition, in the year ended 31 December 2000, £91,000 was paid to the auditors in respect of share issue costs.

## 7. Interest payable and similar charges

	<i>2000 £'000</i>	<i>2001 £'000</i>	<i>2002 £'000</i>
Bank loans and overdraft	11	—	6
Other loans (see below)	(29)	—	—
	<u>(18)</u>	<u>—</u>	<u>6</u>

The credit in the year ended 31 December 2000 is in respect of the release of an accrual made in the prior period.

## 8. Taxation on loss from ordinary activities

(a) *The tax charge comprises:*

	2000 £'000	2001 £'000	2002 £'000
Loss on ordinary activities before taxation	(3,928)	(2,700)	(555)
UK corporation tax at 30 per cent.	(1,178)	(810)	(167)
Expenses not allowed for tax purposes	205	16	(23)
Capital allowances for year in excess of depreciation	34	25	15
Losses utilised by research and development tax credit	—	125	17
Losses carried forward against future trading losses	939	621	48
Overseas losses carried forward against future trading losses	—	23	39
Research and development credit – current year	—	(100)	—
Adjustment to tax charge in prior year:			
Research and development tax credit	—	(100)	(157)
Current tax credit for the year	<u>—</u>	<u>(200)</u>	<u>(228)</u>

The corporation tax credits of £200,000 in the year ended 31 December 2001 and £228,000 in the year ended 31 December 2002 arise in respect of research and development taxation credits.

Subject to agreement with the Inland Revenue, the Group has taxable losses of approximately £5.8 million as at 31 December 2002 (2001: £6.6 million, 2000: £4.7 million), which are available for offset against future trading profits. At current tax rates this is equivalent to £1.7 million of future tax credits as at 31 December 2002 (2001: £1.9 million, 2000: £1.4 million).

No deferred tax asset has been recognised on the basis that there is insufficient evidence that the asset would be recoverable in the short term.

## 9. Loss per share

Basic and diluted loss per ordinary share was calculated by dividing the loss by the weighted average number of shares in issue during the relevant financial periods.

The adjusted loss per share is based on the earnings used for the basic calculation as adjusted for the exceptional items.

There are no dilutive potential ordinary shares in issue.

	2000 Number	2001 Number	2002 Number
Basic number of shares	<u>48,497,894</u>	<u>51,070,852</u>	<u>51,070,852</u>
	£'000	£'000	£'000
Loss	(3,928)	(2,500)	(327)
Exceptional item	<u>779</u>	<u>150</u>	<u>(98)</u>
Adjusted loss	<u>(3,149)</u>	<u>(2,350)</u>	<u>(425)</u>

## 10. Intangible asset

Cost and net book value

	£'000
At 1 January 2000	—
Additions (see note 3)	470
Provision for year (see note 3)	<u>(470)</u>
At 31 December 2000, at 31 December 2001 and at 31 December 2002	<u>—</u>



## 11. Tangible fixed assets

	<i>Short leasehold £'000</i>	<i>Fixtures, fittings and equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 January 2000	41	588	629
Exchange movement	1	8	9
Additions	11	149	160
Disposals	—	(6)	(6)
At 31 December 2000	53	739	792
Exchange movement	—	4	4
Additions	—	18	18
Disposals	—	(7)	(7)
At 31 December 2001	53	754	807
Exchange movement	(2)	(14)	(16)
Additions	—	4	4
Disposals	(35)	(414)	(449)
At 31 December 2002	16	330	346
<b>Depreciation</b>			
At 1 January 2000	10	380	390
Exchange movement	—	2	2
Provided during the year	18	149	167
Disposals	—	(6)	(6)
At 31 December 2000	28	525	553
Exchange movement	—	3	3
Provided during the year	13	126	139
Disposals	—	(7)	(7)
At 31 December 2001	41	647	688
Exchange movement	(1)	(10)	(11)
Provided during the year	7	67	74
Disposals	(33)	(414)	(447)
At 31 December 2002	14	290	304
Net book value as at 1 January 2000	31	208	239
Net book value as at 31 December 2000	25	214	239
Net book value as at 31 December 2001	12	107	119
Net book value as at 31 December 2002	2	40	42

## 12. Fixed asset investment

	<i>Unlisted investments £'000</i>
<b>Cost and net book value</b>	
At 1 January 2000 and at 31 December 2000	—
Additions	250
At 31 December 2001 and at 31 December 2002	250

This represents an investment in a four year capital protected bond.

### *Subsidiary and associated undertakings*

The following were subsidiary undertakings and have all been included in the consolidated financial statements:

	<i>Country of incorporation or registration</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
ServicePower Business Solutions Limited	England	Ordinary shares	100%	Development and sale of licences to use scheduling software
ServicePower Inc.	United States of America	Ordinary shares	100%	Implementation and support of scheduling software

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

### **13. Debtors**

	<i>2000 £'000</i>	<i>2001 £'000</i>	<i>2002 £'000</i>
Amounts falling due within one year:			
Trade debtors	1,018	647	401
Other debtors	24	15	10
Corporation tax	—	200	169
Taxation and social security	26	1	1
Prepayments and accrued income	312	347	545
	<u>1,380</u>	<u>1,210</u>	<u>1,126</u>

### **14. Creditors**

	<i>2000 £'000</i>	<i>2001 £'000</i>	<i>2002 £'000</i>
Amounts falling due within one year:			
Bank overdraft	—	—	174
Trade creditors	239	61	188
Other creditors	25	39	94
Tax and social security creditor	66	68	53
Accruals and deferred income	904	1,138	1,785
	<u>1,234</u>	<u>1,306</u>	<u>2,294</u>

### **15. Share capital**

	<i>2000 £'000</i>	<i>2001 £'000</i>	<i>2002 £'000</i>
<b>Authorised:</b>			
75,000,000 Ordinary shares of 10p each	7,500	7,500	7,500
1,000,000 Preference shares of 1p each	10	10	10
	<u>7,510</u>	<u>7,510</u>	<u>7,510</u>
<b>Allotted, called up and fully paid</b>			
51,070,852 Ordinary shares of 10p each	<u>5,107</u>	<u>5,107</u>	<u>5,107</u>

Share movements during the year ended 31 December 2000 were as follows:

	£'000
5 April 2000: 40,120,806 ordinary shares to the shareholders of ServicePower Business Solutions Limited by means of a share for share exchange	4,012
5 April 2000: 1,000,000 preference shares issued at a premium of £1.46 per share by means of a share for share exchange	10
12 April 2000: 2,254,392 ordinary shares to the holders of Share options in ServicePower Business Solutions Limited on the exercise of their options	226
18 April 2000: Placing of 8,695,652 ordinary shares at a premium of £1.05 per share	869
29 June 2000: The preference shares issued by the company, as detailed above, were redeemed at a premium of £1.46 per share	(10)
	<u>5,107</u>

At 31 December 2002, the following share options were outstanding in respect of the ordinary shares:

	<i>Year of grant</i>	<i>Number of shares</i>	<i>Ranges of dates exercisable</i>	<i>Exercise price per share</i>
Unapproved share option scheme	2001	703,773	December 2002 – December 2011	23.5p
Unapproved share option scheme	2002	323,400	October 2005 – October 2012	23.5p
Unapproved share option scheme	2002	1,675,989	May 2003 – May 2012	6.5p
Approved share option scheme	2001	632,118	February 2004 – December 2011	14.0p
Approved share option scheme	2002	52,326	October 2005 – October 2012	43.5p
Approved share option scheme				23.5p

The approved share options are exercisable subject to the share price increasing by 10 per cent. each year. The exercise price of the approved share options is 14p to 43.5p.

The unapproved share options are exercisable subject to the overall percentage increase in the market value of the Company's ordinary shares being greater than the percentage increase of the 75 per cent. of other companies, which are part of the TechMARK Index. The exercise price of the unapproved share options is 23.5p and 6.5p respectively.

## 16. Reserves

	<i>Share Premium account £'000</i>	<i>Share Scheme Reserve £'000</i>	<i>Merger Reserve £'000</i>	<i>Profit and loss account £'000</i>
<b>At 1 January 2000</b>	—	558	(3,008)	(3,117)
Exchange translation differences				(1)
Exercise of share options	—	(558)	—	558
Premium on placing of share issue*	8,096	—	—	—
Share scheme charge	—	115	—	—
Loss for the year	—	—	—	(3,928)
<b>At 31 December 2000</b>	8,096	115	(3,008)	(6,488)
Exchange translation differences	—	—	—	1
Issue costs	(20)	—	—	—
Loss for the year	—	—	—	(2,500)
<b>At 31 December 2001</b>	8,076	115	(3,008)	(8,987)
Exchange translation differences	—	—	—	(5)
Loss for the year	—	—	—	(327)
Share scheme reserve	—	(98)	—	—
<b>At 31 December 2002</b>	8,076	17	(3,008)	(9,319)

\* Shown net of £1.034 million issue costs.

## 17. Financial instruments

### *Treasury policy:*

Management operates as a centralised service managing interest rate and foreign exchange risk and financing. The Board agrees and reviews policies and financial instruments for risk management. The chief operating and financial officer reports regularly to the board. Authorities, procedures and reporting responsibilities are fully documented where necessary and are received regularly by the board.

The Group holds or issues financial instruments to finance its operations and to manage the interest rate and currency risks arising from its operations.

The Group does not trade in financial instruments.

The Group has no borrowings, and generally places surplus funds on short term deposits.

The Group has also placed £250,000 in a four year international FTSE 100 capital protected bond at the year end. The minimum return is £250,000 if left for the four year term of the investment.

In the Directors' opinion, there is no material difference between the book and fair values of the Group's financial instruments at the balance sheet date.

### *Foreign currency exposure:*

Approximately 77 per cent. (2001: 82 per cent., 2000: 70 per cent.) of the Group's sales and 33 per cent. (2001: 44 per cent., 2000: 30 per cent.) of the group's expenditure are denominated in US Dollars. No financial instruments are used to manage exchange rate risk, as the US Dollar is considered by the Directors to be a stable currency.

<i>Functional currency of Group operations</i>	<i>Net foreign currency monetary assets US Dollar £'000</i>
As at 31 December 2002	
Sterling	230
As at 31 December 2001	
Sterling	69
As at 31 December 2000	
Sterling	936

At the year end the Group's funds were held as follows:

	2000 £'000	2001 £'000	2002 £'000
US Dollars	253	735	297
Sterling	3,184	295	1,452
	<u>3,437</u>	<u>1,030</u>	<u>1,749</u>

	2000 £'000	2001 £'000	2002 £'000
At the year end, the Group had undrawn bank borrowing facilities available to it of:			
Sterling overdraft	50	50	176
Standby letters of credit	<u>250</u>	<u>280</u>	<u>40</u>

#### 18. Related party transactions

Other than with subsidiary undertakings, the Group has had no material related party transactions during the year.

#### 19. Reconciliation of movement in shareholders' funds

	2000 Total £'000	2001 Total £'000	2002 Total £'000
Loss for the year	(3,928)	(2,500)	(327)
Net proceeds of share issue	8,965	—	—
Grant of share options	115	—	—
Exchange translation differences	(1)	1	(5)
Issue costs	—	(20)	—
Share scheme reserve	—	—	(98)
Net addition/(reduction) to shareholders' funds	<u>5,151</u>	<u>(2,519)</u>	<u>(430)</u>
Opening shareholders' funds	<u>(1,329)</u>	<u>3,822</u>	<u>1,303</u>
Closing shareholders' funds	<u>3,822</u>	<u>1,303</u>	<u>873</u>

#### 20. Commitments under operating leases

As at 31 December 2000, 2001 and 2002 the Group had annual commitments under non-cancellable operating leases as set out below:

	2000 £'000	2001 £'000	2002 £'000
<b>The minimum rentals payable under operating leases in respect of the next year are:</b>			
Land and buildings – expiring			
Within one year	16	—	—
Within two to five years	<u>101</u>	<u>105</u>	<u>79</u>
	<u>117</u>	<u>105</u>	<u>79</u>
Other operating leases – expiring			
Within one year	—	3	—
Within two to five years	<u>3</u>	<u>—</u>	<u>—</u>
	<u>3</u>	<u>3</u>	<u>—</u>

## 21. Reconciliation of operating loss to net cash outflow from operating activities

	2000 £'000	2001 £'000	2002 £'000
Operating loss	(4,155)	(2,787)	(556)
Depreciation	167	139	74
Profit on disposal of tangible assets	(7)	(1)	1
Decrease in debtors	96	370	53
Decrease/(increase) in creditors	(446)	72	814
Write off of goodwill arising on acquisition	470	—	—
Grant of share options	115	—	—
Share scheme reserve	—	—	(98)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(3,760)</b>	<b>(2,207)</b>	<b>288</b>

## 22. Reconciliation of changes in cash to the movement in net debt

	2000 £'000	2001 £'000	2002 £'000
Increase in cash	681	393	845
Increase/(decrease) in liquid resources:	3,100	(2,800)	(300)
Change in net funds resulting from cash flows	3,781	(2,407)	545
Net (debt)/funds at the beginning of the year	(344)	3,437	1,030
<b>Net funds at the end of the year</b>	<b>3,437</b>	<b>1,030</b>	<b>1,575</b>

Represented by:

	<i>At start of the year £'000</i>	<i>Cash flow £'000</i>	<i>At the end of the year £'000</i>
<b>As at 31 December 2000</b>			
Current asset investments	—	3,100	3,100
Cash in hand, at bank	1	336	337
Overdraft	(345)	345	—
Cash	(344)	681	337
Liquid resources	—	3,100	3,100
<b>Total</b>	<b>(344)</b>	<b>3,781</b>	<b>3,437</b>
<b>As at 31 December 2001</b>			
Cash at bank and in hand	3,437	(2,407)	1,030
Cash	337	393	730
Liquid resources	3,100	(2,800)	300
<b>Total</b>	<b>3,437</b>	<b>(2,407)</b>	<b>1,030</b>
<b>As at 31 December 2002</b>			
Cash at bank and in hand	1,030	719	1,749
Overdraft	—	(174)	(174)
Cash	730	845	1,575
Liquid resources	300	(300)	—
<b>Total</b>	<b>1,030</b>	<b>545</b>	<b>1,575</b>

## 23. Post balance sheet event

Since 31 December 2002 the Company has granted a warrant over 5 per cent. of the Ordinary Shares of the Company in favour of GEC&I (formerly G E Consumer Products unit) which is exercisable at 10p per share being the closing market price of the Company's shares for the five working days following announcement of the grant (made on 27 January 2003).

## PART V

### Additional Information

#### 1. Responsibility

The Directors whose names appear in paragraph 3.1 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that this is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- 2.1 The Company was incorporated in England and Wales under the Act as a public company limited by shares on 1 March 2000 with registered number 3941006 under the name ServicePower Business Technologies plc. On 2 March 2000 the Company's name was changed to ServicePower Technologies plc. The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.2 The Company's registered and head office, which is also its principal place of business, is Petersgate House, St Petersgate, Stockport, SK1 1HE, England, United Kingdom.

#### 3. The Directors

- 3.1 The Directors are listed below together with their respective positions:

Barry Harvey Welck	<i>(Non-Executive Chairman)</i>
David Anthony Brisco	<i>(Chief Executive and Financial Officer)</i>
Ian Stuart MacKinnon	<i>(Executive Director)</i>
Lindsay Claude Neils Bury	<i>(Non-Executive Director)</i>

The business address of the Directors is Petersgate House, St Petersgate, Stockport, Cheshire SK1 1HE, United Kingdom.

- 3.2 Brief biographical details of each of the Directors are set out below:

*Barry Welck (aged 55), Non-Executive Chairman*

Barry Welck was a founding member of ServicePower Business Solutions Limited ("SBS"), the Group's main trading company. From 1989 to 1993 Mr Welck was the chairman and CEO of SPC International Limited, a firm specialising in electrical equipment. From 1993 to 1996 Mr Welck took on two further positions, as an executive director of Widney Plc, a UK engineering company, and as managing director of Bow Finance Limited, a position that he still holds. Mr Welck regularly invests in a broad range of early stage technology companies.

*David Brisco (aged 46), Chief Executive and Financial Officer*

David Brisco is responsible for operational management, finance, personnel, properties and MIS facilities, as well as commercial and legal contracts for ServicePower. Before co-founding SBS, Mr Brisco held a variety of business finance positions with ICL/Fujitsu. Previous to that Mr Brisco was group accountant with Park Place Investment Group Limited and before that he was a senior auditor with Coopers & Lybrand.

*Ian MacKinnon (aged 53), Executive Director*

Ian MacKinnon has more than 25 years of experience in the computer and IT industries and is a founder and the managing director of SBS Inc.. Prior to this Mr MacKinnon held senior sales and marketing positions at ICL/Fujitsu. Before that Mr MacKinnon was involved in the development of an IT strategy for the European manufacturing operations of the Mars Group.

*Lindsay Bury (aged 64), Non-Executive Director*

Lindsay Bury has been with the Group since January 2000. He was a founding director of ACT, now part of Misys. Mr Bury is also a non-executive director of the Sage Group Plc. He is the chairman of South Staffordshire Group Plc, a water company, and Henderson Electric & General Investment Co Plc. Mr Bury is also a director of a number of private software companies.

Mr Welck and Mr Bury comprise the committee members of ServicePower's remuneration and audit committees. Mr Brisco attends the audit committee meetings by invitation.

- 3.3 The companies and partnerships outside the Group of which the Directors have been directors or partners at any time during the five years prior to the date of this document are as follows:

<i>Name of Director</i>	<i>Current directorships and partnerships outside the ServicePower Group</i>	<i>Previous directorships and partnerships</i>
Barry Welck	Offeld Developments Ltd Totalace Ltd New Era Management Ltd New Era Investments Bow Finance Ltd Bow Property Finance Ltd NSC Pharma Ltd Stilo Technology Ltd Colmore (Birmingham) Ltd Deep Red Ltd Langdon Community (limited by guarantee) Langdon College (limited by guarantee) Barry Welck Consultants (partnership)	Myratech.net plc Room Service Deliveries Ltd (In Receivership) Oakleigh Property Management
David Brisco	None	None
Ian MacKinnon	None	None
Lindsay Bury	Casewise Systems Limited Fauna and Flora Preservation Society Henderson Electric and General Investment Trust Plc Millichope Management Limited Newhall EV Limited Sapphire Group Limited SEV Foldings Limited SEV Investments Limited South Staffordshire Group Plc STF Management Limited STF Nominees Limited STF Trustee Limited Sumit Enterprise Limited Sumit Equity Ventures Limited Sumit Nominees Limited Sumit Trustee Limited The Roxboro Group Plc The Sage Group Plc Trinity College of Music, London WTI Europe Limited	GK Communications Limited Jack Knight Group Plc Moor Park Charitable Trust Limited Planning Consultancy Limited Sapphire Holdings Ltd S.S.W.W. Trust Funds Limited Sumit Limited Sumit Management Services Limited Unicorn International Plc



3.4 As at the date of this document no Director:

- (i) has any unspent convictions in relation to indictable offences;
- (ii) has been bankrupt or entered into individual any voluntary arrangements;
- (iii) was a director with an executive function at any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (iv) has been a partner in a partnership at the time or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (v) has had his assets the subject of any receivership or has been a partner in a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (vi) has been subject to any public criticism by any statutory or regulatory authority (including any designated professional bodies) or has ever 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 a company.

4. Share Capital

- 4.1 The following table shows the authorised, issued and fully paid share capital of the Company (i) as at 19 February 2004, the latest practicable date prior to the publication of this document and (ii) as it will be immediately following the completion of the Acquisition and the Placing (assuming that no additional Ordinary Shares are issued pursuant to an exercise of options granted under the ServicePower Share Option Schemes or otherwise):

	Authorised			Issued	
	Number	Amount		Number	Amount
(i)	75,000,000	£7,500,000	Ordinary Shares	56,810,653	£5,681,065.30
	1,000,000	£10,000	Preference Shares	0	£0.00
(ii)	125,000,000	£12,500,000	Ordinary Shares	73,091,446	£7,309,144.60
	1,000,000	£10,000	Preference Shares	0	£0.00

- 4.2 The existing Ordinary Shares are, and the New Ordinary Shares will be fully paid or credited as fully paid. The New Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares.

- 4.3 The alterations in the share capital of the Company in the three years preceding 19 February 2004 (the latest practicable date prior to the publication of this document) are summarised below:

- (i) As at 19 February 2001 there were 51,070,852 Ordinary Shares in issue.
- (ii) Allotments of 4,607,085 Ordinary Shares at 15.75p per share and 500,000 Ordinary Shares at 15.75p per share were made on 29 May 2003 and 17 June 2003 respectively by way of subscription by institutional investors.
- (iii) Allotments of 417,616 Ordinary Shares and 97,715 Ordinary Shares were made on 13 June 2003 and 24 September 2003 respectively at 6.5p per share on the exercise of options granted under the ServicePower Share Option Schemes.
- (iv) Further allotments of 117,385 Ordinary Shares at 6.5p per share were made in January 2004.

- 4.4 As at 19 February 2004, the latest practicable date prior to the publication of this document, 18,189,347 Ordinary Shares remained authorised but unissued. Of these 5,772,531 are reserved to meet the obligations of the Company to issue Ordinary Shares under the ServicePower Share Option Schemes and the GEC&I Warrant (before modification in accordance with the Services Contract arrangements).

- 4.5 As a result of the Placing and Acquisition, 16,280,793 New Ordinary Shares will be issued, leading to an increase in the issued share capital of £1,628,079.30 and the number of Ordinary Shares covered by the GEC&I warrant will increase to 3,367,579.
- 4.6 On 20 May 2003 the Directors were granted a general and unconditional authority for the purposes of section 80 of the Act, by means of an ordinary resolution of the Company to exercise all powers of the Company to allot relevant securities (as defined in section 80 of the Act) up to a maximum aggregate nominal amount of £510,708. Such authority will expire on the date of the Company's annual general meeting in 2004, or on 20 August 2004, whichever is the earlier. This authority has been fully utilised. The authorities required for the purposes of the Placing, the Acquisition and the modifications of the GEC&I Warrant are described in paragraphs 4.8 and 4.9 below.
- 4.7 On 20 May 2003 by means of a special resolution of the Company passed on the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred on them as referred to in paragraph 4.6 above as if section 89(1) of the Act did not apply, (a) in connection with any pre-emptive issue; and (b) otherwise than in connection with a pre-emptive issue up to an aggregate nominal amount of £510,708, for a period expiring on the date of the annual general meeting in 2004, or on 20 August 2004, whichever is the earlier.
- 4.8 Pursuant to the terms of the Resolutions to be proposed at the Extraordinary General Meeting:
- 4.8.1 the Company's authorised share capital will be increased from £7,500,000 to £12,500,000 by the creation of 50,000,000 new Ordinary Shares (representing an increase of 67 per cent. of the Company's authorised share capital at the date of this document) to permit the issue of the New Ordinary Shares and the modifications of the GEC&I Warrant and to maintain a reasonable margin of authorised but unissued share capital;
- 4.8.2 the Directors will be generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to a maximum aggregate nominal amount of £4,172,999.30 (representing 41,729,993 Ordinary Shares and approximately 73 per cent. of the Company's issued share capital at the date of this document, such authority to expire on the date which is 15 months after the date of the passing of the resolution, or at the next annual general meeting of the Company following the passing of the resolution if that shall occur sooner; and
- 4.8.3 the Directors will be will be empowered for the period of their authority in sub-paragraph 4.8.2 above, to allot equity securities (as defined in section 94 of the Act) pursuant to such authority for cash free from the pre-emptive provisions of section 89(1) of the Act for the purposes of (a) the allotment of New Ordinary Shares and the modifications of the GEC&I Warrant; (b) rights issues and other pre-emptive offers but with flexibility to deal with fractional entitlements and overseas regulatory problems; and (c) the allotment (otherwise than pursuant to sub-paragraph (a) or (b) above) of equity securities up to an aggregate nominal value of £369,527.40.
- 4.9 Save in respect of the issue of New Ordinary Shares pursuant to the Placing and Acquisition and any issues of Ordinary Shares which may be required to be made pursuant to the ServicePower Share Option Schemes and the GEC&I Warrant, the Directors have no current intention to exercise the proposed authority to allot securities.
- 4.10 The provisions of section 89(1) of the Act (which to the extent not disapplied pursuant to section 95 of the Act confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are to be paid up wholly in cash), will apply to the authorised but unissued share capital of the Company.

- 4.11 The existing Ordinary Shares are, and the New Ordinary Shares will be when issued, in registered form and capable of being held in certificated and uncertificated form. No temporary documents of title will be issued in respect of the New Ordinary Shares. The existing Ordinary Shares have been, and application has been made for the New Ordinary Shares to be, admitted to the Official List and to trading on the London Stock Exchange's market for listed securities.
- 4.12 Subject to the Company's memorandum and articles of association, the Directors may determine that any class of shares may be held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the applicable provisions of English law) to facilitate the transfer of shares in uncertificated form or that the shares of any class should cease to be held and transferred as aforesaid.

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

### **5.1 Memorandum of Association**

The memorandum of association of the Company provides that its principal object is to carry on business as a general commercial company. The objects of the Company are set out in full in clause 4 of its memorandum of association, which is available for inspection at the address specified in paragraph 20 of this Part V below.

### **5.2 Articles of Association**

The articles of association of the Company (the "Articles") include provisions to the following effect:

(i) *Rights attaching to the Ordinary and Preference Shares*

(a) *As to Income*

Ordinary Shares:

Any dividend declared shall (as regards any Ordinary Shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the Ordinary Shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall, if the board of directors (the "board") so resolves, be forfeited and shall cease to remain owing by the Company.

Preference Shares:

The Preference Shares carry a fixed dividend of fifteen pence per Preference Share in respect of each calendar year until redemption of the Preference Shares calculated from 1 March 2000 (payable in two equal instalments on 30 June and 31 December each year) in priority to any payment by way of dividend to the holders of Ordinary Shares (the "Preference Dividend"). Any arrears of Preference Dividend shall carry interest at fifteen per cent from each dividend date until payment in full. No Preference Share dividend will be payable if the Preference Shares are redeemed in full on or before 30 June 2000.

(b) *As to Capital*

Ordinary Shares:

In the event of a winding up, holders of Ordinary Shares are entitled to the assets of the Company after payment of the debts and liabilities of the Company after paying to the holders of the Preference Shares all unpaid arrears and accruals of any Preference Dividend.

Preference Shares:

The holder of Preference Shares shall have the right to receive on a liquidation after payment of the debts and liabilities (in proportion to the number of Preference Shares held by them) all unpaid arrears and accruals of any Preference Dividend.

(c) *As to Voting*

Ordinary Shares:

At any general meeting of the Company on a show of hands every Ordinary Shareholder present in person shall have one vote and on a poll every Ordinary Shareholder present in person or by proxy shall have one vote for every Ordinary Share held by him.

Preference Shares:

The Preference Shares carry no right to vote unless the Company fails to redeem the Preference Shares on or before 29 June 2000.

(d) *Redemption*

The Company is entitled to redeem its Preference Shares for cash at a redemption price of 147 pence per share at any time by giving not less than seven days' notice in writing in respect of tranches of at least 100,000 Preference Shares.

(e) *Variation of Rights*

Subject to the provisions of the statutes, all or any of the rights attached to any class of shares in the Company may be varied or abrogated in such manner as those rights may provide for, or (if no provision is made) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the authority of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

(f) *Transfer of Shares*

Transfer of uncertificated shares shall be effected in accordance with the relevant statute. The board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer of an uncertificated share where permitted by the statutes.

All transfers of certificated shares shall be effected by an instrument in writing in any usual or common form, or in any other form acceptable to the directors. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The board may in its absolute discretion and without assigning any reason for its decision, decline to register any transfer of a certificated share which is not a fully paid share (provided that this does not prevent dealings in those shares from taking place on an open and proper basis) and any transfer of a share on which the Company has a lien.

The board may, in its absolute discretion and without assigning any reason for its decision, decline to register the transfer of a certificated share unless the instrument of transfer:

- (i) is in respect of only one class of share;
- (ii) is duly stamped or certified as not chargeable to stamp duty and deposited at the registered office of the Company or at such other place as the board may determine; and
- (iii) (except where the shares are registered in the name of a market nominee and no certificate has been issued) is accompanied by the relevant share certificate and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the transfer is executed by some other person on his behalf, the authority of that person to sign).

The registration of transfers may be suspended and the register closed at such times or such periods (not exceeding 30 days in any year) as the board may reasonably require and either generally or in respect of any class of shares, except that the registration of any participating security may only be suspended as permitted by the statutes.

(ii) **Changes in Share Capital**

The Company may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amount as the resolution shall prescribe. All new shares created pursuant to the Articles shall be subject to the Act and the Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise and shall be unclassified unless otherwise provided by the Articles, by the resolution creating shares or by the terms of allotment of the shares.

The Company may by ordinary resolution:

- (a) consolidate, or consolidate and sub-divide, all or any of its share capital into shares of larger amount than its existing shares;
- (b) cancel any shares which have not been taken or agreed to be taken by any person and reduce the amount of its capital by the shares cancelled; and
- (c) sub-divide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of association or by the Articles (subject to the Act).

Subject to the Act and the rights attached to any class of shares, the Company may purchase any of its own shares (including redeemable shares).

If there are any shares convertible into share capital of the Company in issue which the Company proposes to purchase, then the Company shall not purchase or enter into a contract to purchase such shares unless (i) either the terms of issue include provisions permitting the Company to purchase its own shares or (ii) providing for adjustment to the conversion terms upon purchase or the contract shall have first been approved by an extraordinary resolution passed at a separate meeting of the holders of such convertible shares.

Subject to the Act and any rights attached to any class of shares, the Company may by special resolution reduce its share capital redemption reserve, share premium account or other undistributable reserve.

(iii) ***Directors' Interests***

A director who to his knowledge is in any way interested in a contract, proposed contract or arrangement with the Company or any subsidiary of the Company shall declare the nature of his interest at the board meeting at which the question of his entering into a contract or arrangement is first taken into consideration.

A director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment, or as the holder of any office or place of profit with the Company or any undertaking in which the Company is interested. A director shall not vote (or be counted in the quorum) in respect of a contract or arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of the Company.

If any question arises at any meeting as to the materiality of the director's interest or his entitlement to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, the question shall be referred to the chairman of the meeting (or, if the director concerned is the chairman, to the other directors at the meeting) and his ruling (or, as the case may be, the ruling of the majority) shall be final and conclusive, except where the nature or extent of the interests of the director concerned have not been fully disclosed.



The above prohibitions shall not apply and a director may vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries; or (ii) a debt or obligation of the Company or any of its subsidiaries for which he has assumed responsibility (in whole or in part and whether alone or jointly) under a guarantee or indemnity or by the giving of security;
- (b) any contract concerning the subscription or purchase by him of shares, debentures or other securities of the Company pursuant to an offer or invitation to members or debenture holders of the Company, or any class of them, or to the public or any section of them;
- (c) any contract concerning any issue or offer of any shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or any sub-underwriter;
- (d) any contract concerning another company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he (together with connected persons) does not hold an interest representing 1 per cent. or more of any class of the equity share capital of such company;
- (e) any contract for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the contract or arrangement relates; and
- (f) any contract concerning the purchase or maintenance of insurance for the benefit of any director or for persons who include directors.

(iv) *Remuneration of Directors*

The fees of the directors (other than any directors for the time being holding an executive office or employment with the Company or a subsidiary of the Company) shall not exceed in aggregate £100,000 per annum. Any director who holds any executive office (including for this purpose the office of chairman or deputy chairman whether or not such office is held in an executive capacity) or who serves on any committee or who acts as trustee of a retirement benefits scheme or an employee's share scheme or who otherwise performs services which, in the opinion of the board, are beyond the ordinary duties of a director may be paid such extra remuneration by way of salary, commission or otherwise as the board may determine.

(v) *Retirement of Directors*

Any provisions of any statute which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate the office of directors on account of his having reached the age of 70 or any other age or requiring special notice or any other special formality in connection with the appointment of any director over a specified age, does not apply to the Company.

Where any general meeting of the Company is convened at which, to the knowledge of the board, a director is proposed for appointment or re-appointment who will be 70 or more at the date of the meeting the board shall give notice of his age in the notice convening the meeting (or in any document accompanying the notice) and the accidental omission to do so shall not invalidate any proceedings or any appointment or re-appointment of the director at that meeting.

At each general meeting at least one-third of the directors (excluding those appointed during the year by the board) shall retire from office. Each director must retire at the third annual general meeting following his appointment or re-appointment.

(vi) *Borrowing Powers*

The board may exercise all the powers of the Company to borrow money and to mortgage all or any parts of its undertaking, property, assets (present and future) and uncalled capital and, subject to and in accordance with the Act, to issue debentures and other securities, whether outright or as collateral security for any guarantee, debt, liability or obligation of the Company or any third party.

The board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings to secure that the aggregate principal amount of all borrowings by the Group outstanding at any time shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two and half times its adjusted capital and reserves (as defined in the relevant Article).

**6. Interests in Share Capital**

- 6.1 As at 19 February 2004, the latest practicable date prior to the publication of this document, the interests of the Directors (and persons connected with them within the meaning of section 346 of the Act) in the share capital of the Company which (a) have been notified to the Company pursuant to section 324 or section 328 of the Act; or (b) are required to be entered in the register maintained pursuant to section 325 of the Act; or (c) are interests of a person connected with a director (within the meaning of section 346 of the Act) which would if the connected person were a director of the Company, be required to be disclosed under (a) or (b) above, and the existence of which is known or which could with reasonable diligence be ascertained by that Director, were, and, on the assumptions referred to below, immediately following the Placing and Acquisition are expected to be as set out below (all interests specified are beneficial unless otherwise stated):

<i>Name of Director</i>	<i>Number of Ordinary Shares as at the date of this document</i>	<i>Number of Ordinary Shares immediately following the Placing and Acquisition</i>
Barry Welck	1,930,687	1,930,687
David Brisco	3,995,216	3,995,216
Ian MacKinnon	3,773,392	3,773,392
Lindsay Bury	3,192,000	3,192,000

In addition to the above holdings, Lindsay Bury has a non-beneficial interest in 174,352 Ordinary Shares through a charitable trust called the Millichope Trust.

In aggregate, the Directors' interests in Ordinary Shares set out above, all of which are beneficial interests unless otherwise stated, amount to 22.69 per cent. of the Company's current issued share capital and 17.64 per cent. of the Company's enlarged issue share capital immediately following the Placing and Acquisition (assuming that no additional Ordinary Shares are issued pursuant to any of the Company's Share Option Schemes or otherwise).

- 6.2 As at 19 February 2004, (the latest practicable date prior to the publication of this document), the Directors had been granted, and had outstanding, options as follows under the ServicePower Share Option Schemes:

<i>Name</i>	<i>Unapproved Scheme Number</i>	<i>Approved Scheme Number</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>	<i>Exercise Price (£):</i>
David Brisco	46,154		01/06/03	31/05/12	0.10
	107,800		07/05/06	06/05/13	0.10
		17,442	07/05/06	06/05/13	0.125
Ian MacKinnon	46,154		01/06/03	31/05/12	0.10
	107,800		07/05/06	06/05/13	0.10
		17,442	07/05/06	06/05/13	0.125

In the financial year ending 31 December 2003 the following share options were cancelled:

<i>Name</i>	<i>Unapproved Scheme</i>	<i>Approved Scheme</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>	<i>Exercise Price</i>	<i>Date of Cancellation</i>
David Brisco	107,800	17,442	31/10/05	30/10/12	23.5	06/05/03
Ian MacKinnon	107,800	17,442	31/10/05	30/10/12	23.5	06/05/03

Notes:

- (1) The approved share options are exercisable subject to the market price of Ordinary Shares increasing by 10 per cent. each year.
- (2) The unapproved share options are exercisable subject to the overall percentage increase on the market value of the Company's Ordinary Shares being greater than the percentage increase of 75 per cent. of other companies which are part of the TechMARK Index.

- 6.3 As at 19 February 2004, the latest practicable date prior to the publication of this document, the Directors were aware of the following persons who, directly or indirectly, are, and, based on the assumptions set out below, immediately following the completion of the Placing and the Acquisition will be, interested in 3 per cent. or more of the issued share capital of the Company.

<i>Name</i>	<i>Number of ServicePower Ordinary Shares as at the date of this document</i>	<i>Percentage of issued share capital as at the date of this document</i>	<i>Percentage of issue share capital immediately following the Placing and Acquisition</i>
Rock Nominees	6,643,662	11.69	9.09
David Brisco	3,995,216	7.03	5.47
Ian MacKinnon	3,773,392	6.64	5.16
Rathbones – L. Bury	3,192,000	5.62	4.37
Nortrust Nominees	3,388,000	5.96	4.64
D Crumpton	3,050,986	5.37	4.17
Pershing Keen	1,980,556	3.49	2.70
Guy Higson & Myles Stott Nominees – B. Welck Discretionary Trust	1,930,687	3.40	2.64

Notes:

- (1) Assuming that no additional Ordinary Shares are issued pursuant to the ServicePower Share Option Schemes or otherwise.
- (2) The GEC&I Warrant prior to its modification, as described in paragraph 11 (iii) of this Part V, if exercised in full immediately following the issue of the New Ordinary Shares would result in 2,553,540 new Ordinary Shares being allotted to GEC&I constituting 3.49 per cent. of the then-issued share capital of the Company.

- 6.4 Save as disclosed above, the Directors are not aware of any person who is, or who will be, immediately following the Placing and Acquisition, directly or indirectly interested in 3 per cent. or more of the issued share capital of the Company.
- 6.5 No Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Group in the current or immediately preceding financial year or during an earlier financial year and which remains in any respect outstanding or unperformed.
- 6.6 As at 19 February 2004, the latest practicable date prior to the publication of this document, there were no outstanding loans granted by any member of the Group to any Directors, nor were any guarantees provided by any member of the Group for the benefit of any Director.
- 6.7 The Directors are not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company



## 7. Directors Employment Agreements

- 7.1 The executive Directors are all engaged under 12 month's rolling service agreements with the Company dated 13 April 2000.

<i>Name</i>	<i>Annual Salary</i>	<i>Pension Contributions</i>
David Brisco	£85,680.00	£6,120.00
Ian MacKinnon	£91,599.96	N/A

In addition to basic salary the executive Directors receive certain benefits-in-kind, namely private fuel, life cover and private medical insurance.

The executive Directors' service contracts are terminable by the Company (at its absolute discretion) by payment in lieu of notice, or on 12 months' prior written notice by either party. Each executive Director is subject to non-competition (for 9 months) and non-solicitation of customers and employees (for 12 months) following termination of employment. Under their service agreements the executive Directors are entitled to 25 days' paid holiday each year.

In addition, the executive Directors' service contracts make provisions for the payment of performance related bonuses. The payment of these is at the discretion of the Remuneration Committee. In the current year, the bonuses payable to Ian MacKinnon and David Brisco are a maximum of £60,000 and £35,000 respectively.

- 7.2 Barry Welck and Lindsay Bury are each engaged as non-executive Directors under letters of appointment dated 23 March 2000. Their appointments are terminable without compensation or loss of office (at the request of the Board under the Company's articles of association) at any time by the Company. The two non-executive Directors may resign on giving three months prior written notice. The term may be renewed by agreement of the Board. Lindsay Bury receives an annual fee £12,500 and Barry Welck an annual fee of £30,000.
- 7.3 There are no other existing or proposed service contracts between any Directors and any member of the Group.
- 7.4 The total aggregate remuneration paid and benefits in kind granted to the Directors by any member of the Group in respect of the year ended 31 December 2003 under any description whatsoever was approximately £288,857.88.
- 7.5 It is estimated that, under the arrangements in force as at the date of this document, the aggregate remuneration payable and benefits in kind to be granted to or in respect of the services of the Directors by any member of the Group for the financial year ending 31 December 2004 will amount to £295,643.
- 7.6 The total emoluments receivable by the Directors will not vary as a result of the Acquisition.

## 8. ServicePower Share Option Schemes

- 8.1 As at 19 February 2004, the latest practicable date prior to the publication of this document, and in addition to the options granted to Directors set out in paragraph 6.2, 3,218,991 options over ServicePower's Ordinary Shares each were outstanding as set out in the table below. All of these options were granted for no consideration under the ServicePower Share Option Schemes described below. The options were granted between 1 June 2002 and 6 May 2003 and every option has an exercise period which lapses on the tenth anniversary of its grant, therefore the end of the exercise period for each option granted will be between 31 May 2012 and 6 May 2013. The earliest date for exercise for each of the outstanding options is set out below.

<i>Number of Ordinary Shares under option: Unapproved Scheme</i>	<i>Approved Scheme</i>	<i>First date of exercise:</i>	<i>Exercise price* (in pence)</i>
1,049,173		1 June 2003	10
1,506,093		May 2006	10
	434,744	7 May 2003	12.5
	17,442	7 January 2004	10
	147,323	5 September 2004	14
	47,500	29 December 2004	23.5
	8,358	17 July 2006	17.5
	8,358	4 November 2006	17.5

\*Note: under the rules of the ServicePower Share Option Schemes the minimum exercise price (per Ordinary Share) is the nominal value of the share (10 pence).

## 8.2 *The ServicePower Share Option Schemes*

The Company has established two discretionary share option schemes to enable employees and executive directors of the Company to be granted options to acquire Ordinary Shares (“Options”). The ServicePower Technologies plc (Approved) 2000 Share Option Scheme (“Approved Scheme”), an Inland Revenue approved scheme for employees in the UK and the ServicePower Technologies plc (Unapproved) 2000 Share Option Scheme (the “Unapproved Scheme”) for employees and executive directors in the UK and US offices. The Approved Scheme and Unapproved Scheme (together, the “Schemes”) are summarised below. The terms of the Schemes are essentially the same save as indicated to the contrary.

### (i) *Eligibility*

Options to acquire Ordinary Shares may be granted at the discretion of the Directors or a committee thereof to any director or employee who is required to devote a minimum of 25 hours per week to the business of the Group (“Eligible Participants”).

### (ii) *Grant of Options*

No Option may be granted after the tenth anniversary of either Scheme.

Options may only be granted within the period of 42 days following the preliminary announcement of the Company’s final and interim results for any financial period, within the period of 14 days immediately after an individual becomes an Eligible Participant and at other times in exceptional circumstances.

### (iii) *Scheme Limits*

In any ten year period, not more than ten per cent. of the Company’s issued Ordinary Share capital may be put under option under the Schemes (and any other share option scheme established by the Company). In any ten year period, not more than five per cent. of the Company’s issued Ordinary Share capital may be under option under the Schemes (and any other share option scheme established by the Company save for approved savings-related schemes) unless the excess options are subject to performance criteria such that the ABI guidelines consider them to be super options. These limits are exclusive of options granted prior to the Admission.

The aggregate market value of the Shares which an Eligible Participant may acquire under the approved Scheme (and any other discretionary approved share option scheme established by the Company or any associated Company) must not exceed £30,000. There is no such limit under the Unapproved Scheme.

### (iv) *Exercise Price*

The price per share payable on the exercise of an Option under the Approved Scheme will be the average of the middle market quotations for an Ordinary Share on the three dealing days immediately preceding the date of grant as derived from the Daily Official

List (or, if greater and the shares are to be subscribed, not less than the nominal value of an Ordinary Share). The price per share payable on the exercise of Options granted pre-Admission is set out in paragraphs 6.2 and 8.1 above. In relation to future Options granted under the Unapproved Scheme, the Directors have a discretion as to the exercise price of an option, but it can not be less than a 25 per cent. discount on the average of the middle market quotations for an Ordinary Share on the three dealing days immediately preceding the date of grant as derived from the Official List (or if shares are to be subscribed, not less than the nominal value of an Ordinary Share).

In the event of a variation of the share capital of the Company, the directors may make such adjustments as they consider appropriate and auditors of the Company confirm as being fair and reasonable, to the number of the Ordinary Shares subject to Options and the price payable on exercise of Options. In the case of the Approved Scheme, prior approval of the Inland Revenue is required.

(v) *Additional Conditions*

The Remuneration Committee may impose any performance based objective target on the grant of an Option (“Performance Target”). The Options will then generally only be exercisable if and to the extent that the Performance Target has been met.

(vi) *Exercise of Options*

In normal circumstances, an Option will only be exercisable by an Eligible Participant if he remains in employment with the Group (or any other participating company designated as such by the Directors). Under the Approved Scheme an Option may normally only be exercised between the third and tenth anniversaries of the date of the grant. Under the Unapproved Scheme the Directors can fix the exercise period as they see fit, save that the minimum period which must elapse before an Option normally becomes exercisable is one year from the date of grant and Options must be exercised before the tenth anniversary of the grant.

Early exercise of an Option will be permitted under the Scheme if an individual retires on or after their 60th Birthday or in accordance with the terms of their contract or earlier with the consent of the Directors, leaves on account of injury, ill-health, disability, redundancy or pregnancy or because the business in which they are employed is sold or, at the discretion of the Directors, in other exceptional circumstances which do not include misconduct or impropriety on the part of the employee.

In the event of a take-over of the Company, Options may be exercised whether or not they have vested within six months after the date on which the offer becomes or is declared unconditional. The Approved Scheme specifically provides that with the concurrence of the acquiring company, Option holders may exchange their Options under the Scheme for options to acquire shares in the acquiring company or its parent company.

If a resolution is proposed for the voluntary winding-up of the Company, Options under the Approved Scheme may be exercised at any time thereafter until the resolution is passed or defeated, if they have vested. Under the Unapproved Scheme, Options are similarly exercisable whether or not they have vested.

(vii) *Voting, Dividend, Transfer and Other Rights*

Until Options are exercised, Option holders have no voting or dividend rights in respect of the shares the subject of their Options.

Shares issued and allotted under the Schemes following the exercise of an Option will rank *pari passu* in all respects with the then existing shares of the same class of the Company, with the exemption of rights attaching by reference to a record date on or before the date of allotment. The Company will apply to the London Stock Exchange for such shares to be admitted to the listing on the Official List.

(viii) *Administration and Amendment*

The Directors may alter the Schemes save that the prior sanction of the Company in general meeting is required if the effect of the alteration would be to extend the class of persons eligible for the grant of Options or to alter to the advantage of holders of Options any of the provisions of the Scheme in relation to events involving the variation of share capital; the limitations on the grant of Options; the determination of Options; the adjustment of Options; the restrictions on the exercise of Options; the rights to be attached to shares acquired on exercise; the rights of option holders on the winding up of the Company; the transferability of Options; or any Performance Target.

With regard to the Approved Scheme the approval of the Inland Revenue is required before any alteration becomes effective.

(ix) *General*

The grant of an Option does not form any part of the Eligible Participant's contract of employment.

Options will be capable of being satisfied by the issue of Ordinary Shares by the Company or by the transfer of Ordinary Shares to option holders.

Under the Unapproved Scheme, Option holders are required to indemnify the Company in respect of UK PAYE and employees' National Insurance contributions.

## 9. **Subsidiary Undertakings**

9.1 The Company has two subsidiaries, of which one is held directly and one indirectly. In each case the Company either owns or controls 100 per cent. of the issued share capital and voting rights in each of these undertakings.

9.2 The Company's principal subsidiary undertakings are:

<i>Subsidiary undertaking</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class of share held</i>	<i>Percentage of share and voting rights</i>	<i>Registered Office</i>
ServicePower Business Solutions Limited	England	Development and sale of licences to use scheduling software	'A' Ordinary 'B' Ordinary 12% cumulative redeemable preference	100%	Petersgate House, St Petersgate, Stockport SK1 1HE, UK
ServicePower Inc.	United States	Implementation and support of scheduling software	Common	100%	711 Bestgate Road, Suite 202, Annapolis, Maryland 21401, USA

ServicePower Business Solutions Limited ("SBS") is directly owned by the Company and ServicePower Inc. is directly owned by SBS. All subsidiary undertakings (directly or indirectly owned) of the Company are consolidated in the results of the Group.

## 10. **Details of Placing and Acquisition**

### 10.1 Acquisition Agreement

ServicePower Inc. has entered into a conditional Acquisition Agreement with Keyprestige and the KPI Stockholders effective as of 30 January 2004, the purpose of which is to facilitate an asset purchase rather than a business purchase by ServicePower Inc. from Keyprestige. The Acquisition Agreement is expressed to be subject to the laws of the State of California, USA.

The principal purpose of the Acquisition is to acquire the ClaimWorks software and the expertise of the KPI Stockholders. However, in order to assist the KPI Stockholders with their tax planning, ServicePower Inc. has agreed to acquire the operating assets of KPI including

intellectual property rights, office equipment including finance leases, an office lease, certain prepayments (relating to certain of the tangible assets an office lease being acquired), accounts receivable amounting to approximately 70 per cent. (by book value) of KPI's assets at which threshold the KPI Stockholders will be entitled to take advantage of certain roll-over relief provisions under US tax law thereby ensuring that ServicePower Inc. is acquiring more than 70 per cent. by value of the assets of KPI. ServicePower Inc. is not acquiring the business of KPI, and is not acquiring any of KPI's trading agreements under the terms of the Acquisition. ServicePower Inc.'s intentions are to utilise the ClaimWorks software in the development of the Fulcrum business model and the experience of the KPI Stockholders will be important in this. To protect the Fulcrum business model, ServicePower will acquire enforceable non-compete covenants from the KPI Stockholders. For this purpose ServicePower Inc. has acquired the goodwill of KPI and ServicePower and ServicePower Inc. will, on Completion of the Acquisition, enter into the proposed Non-Compete Agreements with KPI and the KPI Stockholders. ServicePower Inc. will utilise the operating assets acquired in establishing a West Coast Office.

The obligations of ServicePower Inc. under the Acquisition Agreement are conditional upon, *inter alia*, the Shareholders passing the Resolutions and the Placing Agreement becoming or being declared unconditional and not having been terminated in accordance with its terms prior to Admission, each of KPI and the KPI Stockholders having performed or complied with their obligations and covenants under the agreement prior to and at Completion and the representations and warranties of KPI made under the agreement being true and correct on the date of Completion as if made on that date. Each of ServicePower Inc.'s and KPI's obligations under the agreement are conditional upon, *inter alia*, no adverse proceedings having been brought which would restrain or prohibit the transactions contemplated by the agreement and each complying with its obligations to the other at Completion.

The terms of the Acquisition Agreement provide for ServicePower Inc. to acquire the ClaimWorks software and other operating assets of Keyprestige detailed above. In consideration ServicePower Inc. has agreed to procure that Keyprestige will receive on Completion 1,508,066 Consideration Shares (representing US\$1,290,000 million based upon the mid market quotation of ServicePower's Ordinary Shares on 30 January 2004 of 47 pence per share as published in the Daily Official List and an exchange rate of US\$1.8202 to £1) together with a cash sum from ServicePower Inc. of not less than US\$129,000 and not more than US\$214,000. The additional sum of up to US\$85,000 that may become payable will be calculated by reference to KPI's settlement of a disputed lawyer's invoice. ServicePower has agreed to contribute up to US\$85,000 maximum towards this settlement as part of the overall purchase price although the settlement itself has no relevance to the assets of KPI to be acquired by ServicePower Inc. pursuant to the Acquisition. In addition, ServicePower Inc. will assume certain specified liabilities of KPI customary for an agreement of this nature being (i) wages and other payments arising in the ordinary course of KPI's business after 30 January 2004 and prior to Completion and (ii) certain obligations of KPI accruing in the ordinary course of business under specified operating and capital leases and agreements and contracts, if any, entered into by KPI after 30 January 2004 but before Completion with the prior written consent of ServicePower Inc; provided, in each case, that the liabilities do not arise out of (a) a breach on the part of KPI or a KPI Stockholder, (b) a contractual obligation or agreement not expressly assumed by ServicePower Inc. under the Acquisition Agreement and (c) that the relevant leases, contracts and agreements are assigned by KPI to ServicePower Inc. at Completion. In the event of ServicePower Inc. terminating the Acquisition Agreement (unless such termination occurs as a result of a breach of a representation, warranty or covenant made under the Acquisition Agreement by KPI or a KPI Stockholder) ServicePower Inc. has agreed to pay KPI for certain costs relating to KPI's employment of Chris Smith (US\$ 33,192.56) and work undertaken by TCS on KPI's software system (US\$ 141,784).

On Completion of the Acquisition Keyprestige and each of the KPI Stockholders will enter into Non-Compete Agreements with ServicePower and ServicePower Inc. and the Lock-in



Deed with ServicePower and EVBG (details of which are set out in paragraph 10.3 below) and each of the KPI Stockholders will enter into an employment agreement with ServicePower Inc.

The Acquisition Agreement contains covenants, representations and warranties given by Keyprestige in favour of ServicePower Inc. (collectively the “Warranties”) the terms of which are usual for an agreement of this nature. The Warranties are given with effect from 30 January 2004 and are deemed to be repeated at Completion by reference to the facts and circumstances then subsisting. The Warranties are expressed to subsist for a period of 3 years from the date of Completion save that certain Warranties relating to taxes, employees and employee benefit plans are expressed to survive for the period of the applicable statute of limitations, certain Warranties relating to environmental matters are expressed to survive for 10 years from the date of Completion and certain Warranties relating to the title and capacity of KPI and the KPI Stockholders are expressed to survive indefinitely. The obligations of Keyprestige under the Acquisition Agreement are guaranteed by the KPI Stockholders.

ServicePower has agreed to allot and issue the Consideration Shares to KPI pursuant to a conditional agreement made between ServicePower and ServicePower Inc. with effect from 30 January 2004. This agreement is conditional upon the Acquisition Agreement becoming unconditional in all respects (save for the allotment of the Consideration Shares and occurrence of Admission).

## 10.2 Placing Agreement

On 20 February 2004 (1) the Company and (2) EVBG entered into a conditional agreement pursuant to which EVBG has conditionally agreed as agent of the Company to use its reasonable endeavours to procure cash subscribers for the Placing Shares at the Placing Price. EVBG has further conditionally agreed to subscribe as principal at the Placing Price for any Placing Shares for which it does not procure placees. The Placing Agreement is conditional, *inter alia*, upon the Acquisition Agreement being completed in accordance with its terms, the Resolutions to be proposed at the EGM being duly passed and Admission taking place on or before 8.00 a.m. on 16 March 2004 or such later date as the Company and Evolution Beeson Gregory may agree, being not later than 8.00 a.m. on 31 March 2004.

Under the Placing Agreement the Company has agreed to pay EVBG (together with any applicable VAT) a commission of 5 per cent. of the aggregate value at the Placing Price of 9,544,091 Placing Shares and a commission of 1 per cent. of the aggregate value at the Placing Price of 5,228,636 Placing Shares and issued pursuant to the Placing and a fee for corporate finance advice of £100,000, in total representing approximately £332,976. The Company has agreed to pay all the costs and expenses of the Placing.

The Placing Agreement contains warranties and indemnities given by the Company in favour of EVBG, *inter alia*, as to the accuracy of the information contained in this document. These warranties and indemnities are customary for an agreement of this kind. EVBG may, in its absolute discretion by written notice to the Company, terminate the Placing Agreement in specified circumstances prior to Admission, for example, if there is a material breach of any of the warranties before Admission.

## 10.3 Lock-In Deed

On Completion KPI and the KPI Shareholders will enter into the Lock-in Deed with the Company and EVBG under which KPI will agree on behalf of itself, its successors and assigns (i) not to dispose of the Consideration Shares, at any time prior to the first anniversary of the date of Admission, (ii) during the 12 month period commencing on the first anniversary of the date of Admission not to dispose of more than 50 per cent. of the Consideration Shares otherwise than through EVBG taking into account EVBG’s representations with a view to maintaining an orderly market in the Company’s shares, and (iii) thereafter not to dispose of Consideration Shares otherwise than through the Company’s broker taking into account such broker’s representations with a view to maintaining an orderly market in the Company’s shares. KPI’s obligations under the Lock-In Deed are guaranteed by the KPI Stockholders.

#### 10.4 KPI Stockholders' Non-Compete Agreements and service agreements

On Completion each of KPI and the KPI Stockholders will enter into a Non-Compete Agreement with the Company and ServicePower Inc. Each agreement provides that the relevant KPI Stockholder will not carry on the business of servicing warranty claims on behalf of manufacturers and retail sellers, within the State of California, for the period of 2 years from the date of Completion or, if longer, in the case of each KPI Stockholder one year from the termination of their employment with the relevant Group member with cause or for a period of six months if terminated without cause. Janice Salmon and James Rushton (being the KPI Stockholders) will receive US\$26,000 per annum and US\$1,300 (in total) respectively on entering into their Non-Compete Agreements. In addition each of the KPI Stockholders will enter into a service agreement with ServicePower Inc. on substantially the terms of ServicePower's standard service agreement for senior managers.

### 11. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, (i) have been entered into by the Company or one or more of the Group within the period of two years immediately preceding the date of this document and are, or may be, material; or (ii) contain provisions under which the Company or one or more members of the Group has any obligation or entitlement which is material to the Group as at the date of this document;

- (i) the Acquisition Agreement described in paragraph 10.1 of this Part V of this document; and
- (ii) The Placing Agreement described in paragraph 10.2 of this Part V of this document.
- (iii) On 27 January 2003 the Company entered into a warrant agreement (the "GEC&I Warrant") with GEC&I, under its former name GE Consumer Product Unit. The GEC&I Warrant, in consideration for the sum of £1, grants the right to GEC&I to subscribe for 2,553,540 Ordinary Shares (representing 5 per cent. of ServicePower's current issued share capital as at 27 January 2003) at any time between 1 May 2003 and 30 April 2006. The strike price for these shares is 10 pence per share, being the 5 day average of the middle market quotation for the Ordinary Shares as derived from the Daily Official List prior to 27 January 2003.

Under the Services Contract, ServicePower has agreed with GEC&I to modify the GEC&I Warrant such that the GEC&I Warrant would provide that (i) GEC&I would have the additional right under the warrant to subscribe for such number of additional Ordinary Shares as represent 5 per cent. of the New Ordinary Shares (being 814,039 new Ordinary Shares) at the Placing Price. In addition the Warrant will be further extended to cover 5 per cent. of the Company's issued share capital arising from any subsequent fund raising to finance the Fulcrum system (the strike price in respect of such additional new Ordinary Shares to be equal to the issue price under the fund raising) (ii) the exercise period of the warrant is extended by two years (30 April 2008) in consideration for GEC&I agreement to engage in an orderly exercise of liquidating its warrants, and (iii) in the event of future fund raisings not relating to the financing of the Fulcrum system during the exercise period of the warrant GEC&I will be granted the right but not the option to subscribe for such number of shares as would be sufficient to preserve its interests in ServicePower's share capital at the best available strike price permitted by law.

### 12. Working Capital

The Company is of the opinion that, taking into account the bank facilities available to the Group and the net proceeds from the Placing, the Group has sufficient working capital for its present requirements, that is, at least for the next 12 months from the date of this document.

### 13. Principal Establishments

The Group conducts its activities from the principal establishments set out below:

<i>Location</i>	<i>Size</i>	<i>Type of Tenure and Term Remaining (Months)</i>
5th and part of 4th floor Petersgate House, St Petersgate, Stockport SK1 1HE, UK	6,244 sq ft.	Leasehold, 10 years
711 Bestgate Road, Suite 202, Annapolis, Maryland 21401, USA	4,180 sq ft.	Leasehold, 2 months

### 14. United Kingdom Taxation

#### 14.1 United Kingdom Tax Considerations

The statements set out below are intended as a general guide to current UK tax law and practice. They are intended to apply only to holders of Ordinary Shares who are residents for tax purposes in the United Kingdom (except insofar as express reference is made to the treatment of non-United Kingdom residents). The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers concerning the consequences under UK law of the acquisition, ownership and disposition of Ordinary Shares. This summary is based upon UK law and UK Inland Revenue practice in effect as of the date of this document and which may be subject to change, perhaps with retroactive effect.

The statements are not applicable to all categories of holders of Ordinary Shares, and in particular are not addressed to (i) holders who do not hold their shares as capital assets, (ii) holders or future holders of Ordinary Shares who own, or are deemed to own, 10 per cent. or more of the voting power of Keyprestige, (iii) special classes of holders of Ordinary Shares such as dealers in securities, broker-dealers, insurance companies and investment companies, (iv) holders who hold Ordinary Shares as part of hedging of conversion transactions, and (v) holders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise).

#### 14.2 Taxation of dividends

No tax will be withheld by the Company when it pays dividends under current United Kingdom tax legislation.

##### (a) Individual and trustee shareholders

- (i) An individual shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company will be entitled to a tax credit equal to one ninth of the amount of the net dividend which is also equivalent to a tax credit of 10 per cent. of the sum of the net dividend and the tax credit (the “gross dividend”).
- (ii) Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual’s income. The tax credit referred to in (i) above will discharge the liability to income tax in respect of the dividend of an individual shareholder who is subject to United Kingdom tax at the starting rate or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability on tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate taxpayer will be liable to additional income tax equal to 25 per cent. of the net dividend.

Shareholders will no longer be entitled to reclaim the tax credit attaching to any dividends paid by the Company subject to limited exceptions for Individual Savings Accounts and Personal Equity Plans. From 6 April 2004, Individual Savings Accounts and Personal Equity Plans will no longer be entitled to reclaim the tax credit attaching to dividends paid by the Company.



- (iii) For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts one ninth of the amount or value of the dividend which is also equivalent to the gross dividend will be subject to United Kingdom income tax at a rate of 25 per cent. with a tax credit equal to 10 per cent. of the gross dividend. From 6 April 2004, the gross dividend will be subject to UK income tax at a rate of 32.5 per cent. with a tax credit equal to 10 per cent. of the gross dividend.
- (iv) The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, charity or venture capital trust, will not be repaid. Special transitional rates will apply to charities to compensate them, on a phased basis, for the loss of repayable tax credits.
- (b) Corporate shareholders  
A corporate shareholder (other than a share dealer) resident for tax purposes in the United Kingdom will not generally be liable to United Kingdom corporation tax on any dividend received.
- (c) Non-resident shareholders  
The amount of the tax credit will mean that, in many cases, non resident shareholders will not be able to obtain a refund of the tax credit under the relevant double taxation agreement.

#### 14.3 Taxation on capital gains for shareholders

If a shareholder disposes of all or any of his or its Ordinary Shares, he or it may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

#### 14.4 Inheritance tax

The Ordinary Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets by, or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to United Kingdom inheritance tax even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold shares bringing them within the charge to inheritance tax. Shareholders should consult an appropriate professional advisor if they make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements.

#### 14.5 Stamp duty and stamp duty reserve tax ("SDRT")

- (a) Except as mentioned in paragraph (d) below, no liability to stamp duty or SDRT will arise on the issue or allotment of the New Ordinary Shares by the Company pursuant to the Placing.
- (b) Except as mentioned in paragraph (d) below, the transfer of existing Ordinary Shares by the vendors will be liable to ad valorem stamp duty at the rate (in broad terms) of 0.5 per cent. of the amount or value of the consideration paid (rounded up to the nearest £5), or if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. Higher rates apply if there is a charge to stamp duty or SDRT under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (as referred to below). Each applicant will be required to give confirmation in his application that the increased rate of stamp duty and SDRT charges do not apply to them.
- (c) Except as mentioned in paragraph (d) below, the transfer on sale of the New Ordinary Shares, both before and after the issue of certificates, and the transfer on the sale of any existing Ordinary Shares will generally be liable to ad valorem stamp duty at the rate (in broad terms) of 0.5 per cent. of the amount or value of the consideration paid (rounded

up to the nearest £5), or if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount of value of the consideration paid. Liability to pay such stamp duty or SDRT is that of the transferee or purchaser. In the case of transfers in CREST, SDRT will be collected in CREST in accordance with the rules of the CREST system.

- (d) Where any charge to stamp duty or SDRT arises under sections 67, 70, 93 and 96 of the Finance Act 1986 (which broadly apply where ordinary shares are transferred or, in certain circumstances, are issued to persons who issue depositary receipts or provide clearance services, or their nominees or agents), stamp duty at the higher rate (in broad terms) of 1.5 per cent. or SDRT at the higher rate of 1.5 per cent. (as appropriate) will be payable on the amount or value of the consideration paid for the issue or transfer.

**The above comments are intended as a general guide to the current tax position in the United Kingdom based on current UK tax legislation and Inland Revenue practice. They apply principally only to shareholders resident in the United Kingdom for tax purposes and who hold their Ordinary Shares as an investment. If you are not resident in the United Kingdom or are in any doubt as to your tax position, you should consult your own professional adviser.**

## **15. Significant Changes**

- 15.1 Since 30 June 2003, being the date to which the ServicePower Group's latest interim results (shown in Part III of this document) have been published, save as disclosed in paragraph 15.2 below, there has been no significant change in the financial or trading position of ServicePower.
- 15.2 The net current asset position of the Company has declined by approximately £365,000 between 30 June 2003 and 31 December 2003 as a result of a number of contracts being delayed and falling into 2004, as described in the trading statement released by the Company on 9 December 2004 (enclosed in Part II of this document).

## **16. Litigation**

No member of the ServicePower Group is, or has been, involved in any legal or arbitration proceedings which may have, or have had during the last twelve months, a significant effect on the ServicePower Group's financial position nor, so far as the Directors are aware, are any such proceedings pending or threatened.

## **17. Overseas Shareholders**

Save as specified in this paragraph, the New Ordinary Shares have not been and will not be, directly, offered, sold, taken up, delivered, or transferred into the United States, Canada, Australia, Japan, the Republic of Ireland or any other jurisdiction where it would be unlawful to do so. The New Ordinary Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia, Japan, or the Republic of Ireland or the Republic of South Africa nor has any prospectus in relation to the New Ordinary Shares been lodged with or registered by the Australian Securities Commission. The Consideration Shares are being allotted to KPI, a US Corporation in satisfaction of ServicePower Inc.'s obligations under the Acquisition Agreement to procure the issue of such Shares.

## **18. Consent**

- 18.1 Evolution Beeson Gregory has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.

## **19. Miscellaneous**

- 19.1 It is expected that the New Ordinary Shares will be admitted to the Official List maintained by the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities on 16 March 2004 and that dealings in the shares will commence at 8.00 a.m. (London time) on 16 March 2004.

- 19.2 No person has been authorised to give any information or to make any representations other than those contained in this document or any supplementary particulars or announcements relating to the Acquisition or Placing which must be published or made by the Company and, if given or made other than aforesaid, such information or representations must not be relied upon as having been authorised by the Company, the Directors, Evolution Beeson Gregory or any of them. Neither the delivery of copies of this document nor any subscription or purchase made on the basis thereof shall, under any circumstances, constitute a representation or create any implication that the information contained therein is correct as at any time subsequent to the date of those documents. If circumstances change the Company will publish supplementary listing particulars in connection with the Acquisition and Placing if required.
- 19.3 The total costs and expenses of, or incidental to, the Placing and Acquisition are estimated to be approximately £0.6 million (including any commission payable under the Placing Agreement summarised in paragraph 10.2 of this Part V). The net proceeds of the Placing accruing to the Company are estimated to be approximately £5.9 million.
- 19.4 The auditors of the Company, BDO Stoy Hayward LLP (the predecessor firm to BDO Stoy Hayward), Chartered Accountants and Registered Auditors, whose address is Prospect Place, 85 Great North Road, Hatfield, Herts AL9 5BS, UK have audited the consolidated financial statements of the Company for the three years ended 31 December 2000, 31 December 2001 and 31 December 2002.
- 19.5 Based on the closing middle market price for an Ordinary Share as derived from the Daily Official List for the business day prior to the announcement of the Placing on 19 February 2004 of 48.25p, the price at which the Placing Shares are to be issued represents a premium of 34p to the nominal value of an Ordinary Share. This is to be paid in cash. The aggregate nominal value of the New Ordinary Shares is £1,628,079.30.
- 19.6 The New Ordinary Shares are not being marketed or made available to the public in whole or in part other than in connection with the Placing or the Acquisition.

## **20. Documents Available for Inspection**

Copies of the following documents will be available for inspections during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Reed Smith LLP, Minerva House, 5 Montague Close, London SE1 9BB from the date of this document up to and until the conclusion of the Extraordinary General Meeting:

- (i) the memorandum and articles of association of the Company;
- (ii) the audited consolidated financial statements of the Group for the two financial years ended 31 December 2001 and 31 December 2002 respectively;
- (iii) the unaudited interim results of the Group for the six months ended 30 June 2003 as set out in Part III of this document;
- (iv) the Directors' service agreements and letters of appointment referred to in paragraph 7 of this Part V;
- (v) the material contracts referred to in paragraph 11 of this Part V;
- (vi) the letter of consent referred to in paragraph 18 of this Part V;
- (vii) the rules of the ServicePower Share Option Schemes;
- (viii) this document.

## **21. Availability of this document**

Copies of this document are available for inspection from the UK Listing Authority's Document Viewing Facility which is situated at the Financial Service Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS and until 5 March 2004, are also available for collection free of charge from Evolution Beeson Gregory and at the registered office of the Company.

Dated: 20 February 2004

# ServicePower Technologies PLC

(the “Company”)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Reed Smith LLP, Minerva House, 5 Montague Close, London SE1 9BB at 11.30 a.m. on 15 March 2004 for the following purposes:

To consider and, if thought fit, pass the following resolutions of which numbers 1 and 2 will be proposed as ordinary resolutions and number 3 will be proposed as a special resolution:

1. THAT the authorised share capital of the Company be increased from £7,500,000 to £12,500,000 by the creation of 50,000,000 ordinary shares of 10p each in the capital of the Company ranking *pari passu* for all purposes with the existing ordinary shares of 10p each in the capital of the Company.
2. THAT:
  - (a) Pursuant to section 80 of the Companies Act 1985 (the “Act”), the directors are generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the following restrictions and provisions, namely:
    - (i) this authority shall expire (unless previously renewed or revoked by the Company in general meeting) on the date which is 15 months after the date of the passing of this resolution, or at the conclusion of the next annual general meeting of the Company following the passing of this resolution if that shall occur sooner; and
    - (ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £4,172,999.30; and
  - (b) for the purpose of sub-paragraph 2(a) above:
    - (i) the said power shall allow and enable the directors to make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and
    - (ii) words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meaning herein.
3. THAT:
  - (a) conditional upon the passing of resolution numbered 2 above and pursuant to section 95 of the Act, the directors are empowered to allot equity securities pursuant to the authority conferred by resolution 2 above as if section 89(1) of the Act did not apply to any such allotment provided that:
    - (i) the power hereby granted shall be limited to:
      - (A) the allotment of 16,280,793 ordinary shares of 10p each in the capital of the Company in connection with the Placing and the allotment of the Consideration Shares (in each case, as defined in the listing particulars of the Company dated 20 February 2004);
      - (B) the allotment of equity securities in connection with an offer of such securities open for acceptance for a period fixed by the directors of the Company to holders of ordinary shares on the register on a record date fixed by the directors in proportion (as nearly as may be) to their holdings of ordinary shares but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any legal or

practical problems under the laws or regulations of any overseas territory or the requirements of any regulatory body or stock exchange in any territory or in relation to fractional entitlements or by virtue of shares being represented by depository receipts or otherwise however;

- (C) the allotment of up to 814,039 ordinary shares of 10p each in the capital of the Company in connection with the modification of the GEC&I Warrant (as defined in the listing particulars of the Company dated 20 February 2004) pursuant to the Services Contract (as defined in the listing particulars of the Company dated 20 February 2004); and
  - (D) the allotment (otherwise than pursuant to sub-paragraph (A), (B) or (C) above) of equity securities up to an aggregate nominal value of £369,527.40.
- (ii) the power hereby granted shall expire (unless previously renewed or revoked by the Company in general meeting) on the date which is 15 months after the date of the passing of this resolution, or at the conclusion of the next annual general meeting of the Company following the date of the passing of this resolution if that shall occur sooner;
- (b) for the purpose of sub-paragraph 3(a) above:
    - (i) the said power shall allow and enable the directors to make an offer or agreement before the expiry of the said power which would or might require equity securities to be allotted pursuant to such offer or agreement as if the power conferred herein had not expired; and
    - (ii) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings herein.

*Registered Office:*  
Petersgate House  
St Petersgate  
Stockport  
Cheshire  
SK1 1HE

*By Order of the Board*  
Sally Ann Gillings  
*Secretary*

20 February 2004

Notes:

1. A member entitled to attend and vote may appoint a proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company. To be valid a form of proxy and any power of attorney under which it is signed (or a notarially certified copy of such power of attorney), must be lodged with Capita Registrars, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR no later than 48 hours before the time of the meeting. A form of proxy accompanies this document.
2. Completion and return of a form of proxy will not preclude a shareholder from attending and voting at the meeting in person.
3. Under Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders whose names are on the register of members of the Company at 11.30 a.m. on 13 March 2004 are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend or vote at the meeting.





