



TRACSiS plc

Admission to AIM



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. Prospective investors should also carefully consider Part II of this document entitled "Risk Factors".

This document comprises an admission document prepared in accordance with the AIM Rules. Any offer of Ordinary Shares is being made only to investors for the purposes of and as defined in section 86 of FSMA and accordingly this document does not constitute, and the Company is not making, an offer to the public within the meaning of sections 85 and 102B of FSMA. This document is therefore not an approved prospectus for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules published by the Financial Services Authority and has not been approved by or filed with the Financial Services Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Directive. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Tracsis plc at Leeds Innovation Centre, 103 Clarendon Road, Leeds, West Yorkshire, LS2 9DF from the date of this document until one month from the date of Admission in accordance with rule 3 of the AIM Rules.

The Directors and Proposed Directors of Tracsis plc, whose names appear on page 4 under the heading "Directors, Company Secretary and Advisers", accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent that information in this document has been accurately sourced from a third party, this information has been accurately reproduced and as far as the Directors and the Company are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. No person has been authorised to give any information or make any representation other than as contained in this document. If given or made, such information or representations must not be relied on as having been authorised.

Application will be made for all the Ordinary Shares in issue immediately following the Placing to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on or around 27 November 2007. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List and no application is being made for the Ordinary Shares to be admitted to the Official List. Each AIM Company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

Tracsis plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05019106)

Admission to trading on AIM and

Placing of up to 5,000,000 ordinary shares of 0.4p each at 40p per share by

Zeus Capital Limited

Nominated Adviser and Broker

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING COMPLETION OF THE PLACING

<i>Authorised</i>		<i>ordinary shares of</i>	<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
35,000,000	£140,000	0.4p each	17,503,450	£70,014

The Placing is conditional on Admission taking place by 8.00 a.m. on 27 November 2007 (or such later date as Zeus Capital Limited agrees, being no later than 27 December 2007). The new Ordinary Shares will rank in full for all dividends or other distributions declared or made or paid on the ordinary share capital of Tracsis plc and will rank *pari passu* in all other respects with all the Ordinary Shares which will be in issue on Admission.

Zeus Capital Limited, which is regulated by the Financial Services Authority, is acting as Nominated Adviser and Broker to Tracsis plc in connection with the Admission and the Placing. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person in respect of his or its decision to acquire shares in the Company in reliance on any part of this document. Zeus Capital Limited is not acting for any other person and will not be responsible to any other person for providing the protections afforded to its customers or for providing advice in relation to the transactions and arrangements detailed in this document. Under no circumstances should the information set out in this document be relied upon as being accurate at any time after Admission. No representation or warranty, express, or implied is being made by Zeus Capital Limited as to any of the contents of this document in connection with the proposed Placing.

The Ordinary Shares have not been, nor will they be registered under the US Securities Act of 1933 or under any applicable laws of any Prohibited Territory. 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 in which such offer or invitation is unlawful and is not for distribution in or into Prohibited Territories. This document should not be copied or distributed by recipients and, in particular, should not be distributed by any means, including electronic transmission, to persons with addresses in any of the Prohibited Territories or to any citizens, residents or nationals thereof, or to any corporation, partnership or other entity created or organised under the laws thereof. Any such distribution could result in violation of the laws of such jurisdictions.

Attention is drawn to the risks associated with an investment in the Ordinary Shares, which are set out in Part II of this document.

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PLACING STATISTICS

Placing Price	40p
Number of Ordinary Shares in issue prior to the Placing	12,503,450
Number of Placing Shares being placed	5,000,000
Number of Ordinary Shares in issue following the Placing*	17,503,450
Placing Shares as a percentage of the Enlarged Share Capital	28.57%
Gross proceeds of the Placing	£2 million
Estimated Net proceeds of the Placing	£1,580,000
Market capitalisation at the Placing Price following the Placing	£7,001,380

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of publication of this document	22 November 2007
Admission effective and dealings expected to commence on AIM	27 November 2007
CREST accounts credited	27 November 2007
Despatch of definitive share certificates	5 December 2007

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	John Cameron McArthur (<i>Chief Executive Officer</i>) Raymond Kwan (<i>Chief Technical Officer</i>)
Proposed Directors	Jay Darren Bamforth (<i>Chief Financial Officer</i>) Charles Stephen Winward (<i>Non-Executive Director</i>) John Graeme Nelson (<i>Non-Executive Director</i>) Rodney Desmond Jones (<i>Non-Executive Chairman</i>)
Company Secretary	Jay Darren Bamforth
Tel No.	+44 (0) 845 125 9162
Website	www.tracsis.com
Registered Office	Leeds Innovation Centre 103 Clarendon Road Leeds West Yorkshire LS2 9DF
Nominated Adviser and Broker	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT
Solicitors to the Company	Rosenblatt Solicitors 9-13 St. Andrew Street London EC4A 3AF
Reporting Accountants	HW Corporate Finance Northern Assurance Buildings 1st Floor Albert Square 9-21 Princess Street Manchester M2 4DN
Auditors	HW Chartered Accountants Bridge House Ashley Road Hale Altrincham Cheshire WA14 2UT
Solicitors to the Nominated Adviser	Halliwells LLP St. James's Court Brown Street Manchester M2 2JF
Principal Bankers	HSBC Bank plc City Branch 33 Park Row Leeds LS1 1LD
Registrars	Neville Registrars 18 Laurel Lane Halesowen West Midlands B63 3DA

DEFINITIONS AND GLOSSARY

References in this document to statutes or government agencies are, unless specifically stated otherwise, to statutes or government agencies in the UK. The following definitions apply throughout this document unless the context requires otherwise:

“Acts”	the Companies Act 1985 and the Companies Act 2006 (as applicable);
“Admission”	admission of the Existing Ordinary Shares and the Placing Shares to AIM becoming effective in accordance with the AIM Rules;
“AIM”	a market operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange;
“Articles”	the articles of association of the Company, as amended from time to time;
“Assignment Agreement”	the agreement entered into between the University and the Company whereby the University assigns to the Company the intellectual Property in the Tracsis Software, further details of which are set out in paragraph 9.5 of Part IV;
“Board” or “Directors”	the board of directors of the Company and the proposed directors of the Company whose names are set out on page 4 of this document;
“BOOST”	vehicle optimisation software relating to the bus industry;
“certificated” or “in certificated form”	an Ordinary Share which is not in uncertificated form;
“City Code”	the City Code on Takeovers and Mergers;
“Companies Act 1985”	the Companies Act 1985 (as amended);
“Companies Act 2006”	the Companies Act 2006, to the extent in force at the date of this document;
“Company” or “Tracsis”	Tracsis plc, registered in England & Wales under number 05019106;
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
“EIS”	the Enterprise Investment Scheme pursuant to the provisions of Part 5 of ITA;
“EMI Options”	options to be granted pursuant to the provisions of Schedule 5 ITEPA;
“Employee Options”	options granted by the Company to employees, directors and officers of the Company pursuant to the Option Scheme;
“Enlarged Share Capital”	the issued ordinary share capital of the Company upon Admission;
“EPSRC”	Engineering and Physical Sciences Research Council;

“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST;
“Existing Ordinary Shares”	the 12,503,450 issued Ordinary Shares in issue at the date of this document;
“Existing Shareholders”	the holders of Existing Ordinary Shares;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“HMRC”	Her Majesty’s Revenue & Customs;
“IP”	intellectual property;
“ITA”	the Income Tax Act 2007;
“ITEPA”	the Income Tax (Earnings and Pensions) Act 2003;
“Lock-In Agreement”	the conditional agreement dated 21 November 2007 between (1) Zeus Capital, (2) the Company and (3) the Restricted Shareholders relating to the Ordinary Shares held by them following Admission, further details of which are set out in paragraph 9.7 of Part IV of this document;
“London Stock Exchange”	London Stock Exchange plc;
“Official List”	the Official List of the UKLA;
“Option Scheme”	a scheme adopted by the Board on 20 November 2007 which provides for the grant of Options (including EMI options), details of which are set out at paragraph 12 of Part IV of this document;
“Ordinary Shares” or “Shares”	ordinary shares of 0.4 pence each in the capital of the Company;
“Placing”	the conditional placing by Zeus Capital of the Placing Shares at the Placing Price in accordance with the Placing Agreement as described in this document;
“Placing Agreement”	the conditional agreement dated 21 November 2007 between (1) Zeus Capital (2) the Company and (3) the Directors relating to the Placing, further details of which are set out in paragraph 17 of Part IV of this document;
“Placing Price”	40 pence per new Ordinary Share;
“Placing Shares”	up to 5,000,000 new Ordinary Shares being placed by Zeus Capital on behalf of the Company at the Placing Price, all of which have been created in accordance with the Act and will have the rights and be subject to the restrictions contained in the Articles;
“Prohibited Territories”	USA, Australia, Canada, Japan, the Republic of South Africa and their respective territories and possessions, and any other territories where the publication of this document would be prohibited by law;
“Proposals”	the Placing and Admission;
“Restricted Shareholders”	the Directors and the Existing Shareholders;
“Shareholder”	a holder of Ordinary Shares from time to time;

“Techtran”	Techtran Group Limited (registered in England and Wales under registered number 04544276);
“Tracsis Software”	the resource optimisation suite of software owned by Tracsis, known as TrainTRACS and BusTRACS and other associated modules;
“UK”	United Kingdom of Great Britain and Northern Ireland;
“ULIP”	University of Leeds IP Limited, a vehicle incorporated by the University on 6 November 2002 to commercialise intellectual property developed at the University;
“ULIS”	University of Leeds Innovations Limited, a vehicle incorporated by the University on 9 February 1971 to commercialise intellectual property developed at the University;
“United Kingdom Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“University”	The University of Leeds;
“US”, “USA” or “United States”	the United States of America, each State thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction;
“VAT”	value added tax;
“Venture Capital Trust”	a trust which satisfies the provisions under Part 6 of ITA;
“Zeus Capital”	Zeus Capital Limited, the Company’s nominated adviser and broker (as defined in the AIM Rules), a member of the London Stock Exchange and regulated by the Financial Services Authority; and
“Zeus Capital Warrants”	the warrants to subscribe for 525,104 Ordinary Shares at the Placing Price representing 3 per cent. of the Enlarged Share Capital upon Admission granted to Zeus Capital, further details of which are set out in paragraph 9.3 of Part IV of this document.

PART I

INFORMATION ON THE COMPANY

1. INTRODUCTION

Tracsis owns resource optimisation software that assists with automating and optimising the process of labour scheduling for passenger rail and bus services in the transport industry.

Tracsis has contracts in place with major operators within the rail and bus industries. The Directors believe that funds raised pursuant to the Placing will allow the Company to expand its business and contract base and underpin their market position within the rail and bus sectors.

Tracsis is seeking Admission and raising up to £2,000,000 before expenses. Details of the use of funds are outlined in paragraph 11 of Part I of this document.

2. HISTORY & BACKGROUND

Tracsis was incorporated in January 2004 to commercialise resource optimisation software developed at the University of Leeds. Its shareholders include the University and Techtran, a company which specialises in developing the commercial potential of intellectual property developed at the University. Techtran is a wholly owned subsidiary of IP Group plc, a company listed on the main market of the London Stock Exchange.

Historically, labour scheduling for transport operators has been a complicated process which has required a high degree of manual input. This activity requires consideration of a number of variables such as:

- working time regulations;
- the timetabled movements of vehicles;
- existing resource levels;
- route knowledge – in the rail industry, it is standard practice that drivers can only drive on pre-agreed routes for which they have had training; and
- traction knowledge – in the rail industry, drivers can only drive locomotives for which they hold valid certification.

Many of these variables are subject to change through unforeseen factors such as engineering problems, breakdowns and adverse weather conditions, which further exacerbate the challenge faced by transport operators in trying to achieve an efficient allocation of labour.

The Tracsis Software is based on software developed at the University after extensive research into labour scheduling problems within the transport industry dating back to the 1970s. The Tracsis Software has the ability to reduce the number of labour resources required to service a given transport network, reduce the level of back office planning resources and shorten planning timescales. The software also enables users to model a variety of contingency scenarios which can assist, for example, with franchise bidding, strategic planning, and can be used as a negotiation tool between operating companies and labour unions.

Further information on the Tracsis Software can be found in paragraph 4 of Part I of this document.

3. DIRECTORS & PROPOSED DIRECTORS

Current Directors

John Cameron McArthur (aged 32) Chief Executive Officer

John has been the Chief Executive Officer of Tracsis since the formation of the Company in January 2004. Prior to this he worked as an investment manager with Techtran, which specialises in developing the commercial potential of intellectual property developed at the University. John also worked for several years with Axiomlab plc, a technology venture capital company, and started his career with Arthur Andersen & Co. He holds a first class degree in Management Science from the University of Strathclyde in Glasgow.

Dr. Raymond Kwan (aged 50) Chief Technical Officer

Raymond is the Chief Technical Officer of Tracsis. He has a PhD in computer science and has dedicated his career to researching complex scheduling problems within the transport industry. Prior to the incorporation of Tracsis, Raymond worked as a senior lecturer within the School of Computing at the University, where he continues his research on a part time basis. Raymond has written a number of research papers published in journals covering driver scheduling.

Proposed Directors

Upon Admission, the Board of Tracsis will comprise John McArthur, Dr. Raymond Kwan and the four proposed directors whose biographies are set out below.

Rodney Desmond Jones (aged 55) Non-Executive Chairman

Rod has held a number of senior management roles in several different technology companies including: European Vice President at Cincom Systems Inc., International Director of Western Data Systems Inc. and President of NASDAQ listed Ross Systems Inc. He is currently Chief Executive Officer of Proactis plc, an AIM quoted provider of spend control software.

John Graeme Nelson (aged 60) Non-Executive Director

John is currently Chairman of First Class Partnerships; a strategic consultancy business which services the UK rail industry and is the 'Operator of Last Resort' for the Department for Transport. Prior to this, John was the Chief Executive of Network South East, centered on London, and also headed up the Eastern Region of British Rail. John has also served as Director of Laing Rail Limited who operate Chiltern Railways and has served on the Board of South Eastern Trains and Hull Trains.

Charles Stephen Winward (aged 38) Non-Executive Director

Charles is an Investment Manager at IP Group plc, a company which holds shares in the Company through Techtran. Charles joined IP Group in April 2007 to manage investments in Top Technology Ventures Limited, the IP Group plc's venture capital fund management subsidiary. Previously Charles was Vice President of Technology Infrastructure at JP Morgan Chase & Co, where he worked in a variety of roles in London, New York and Brussels, and an investment manager at Axiomlab, an AIM-listed early stage investment specialist. Charles has an MBA from the University of California at Berkeley and a Bachelors Degree in mechanical engineering from the University of Bristol.

Jay Darren Bamforth (aged 38) Finance Director

Darren graduated from the University of Bradford with a degree in Business Studies. He qualified as a Chartered Accountant with KPMG, becoming a Senior Manager in 1998. Whilst at KPMG, Darren was responsible for managing a portfolio of audit and accountancy clients. In 2002 he left KPMG to establish his own business advisory practice which specialises in supporting early stage and growing companies. Darren will work with the Company on a part-time basis, until such time that the size of Tracsis demands a full time Finance Director.

4. TRACSIS SOFTWARE

The Tracsis Software currently forms the basis of two distinct products; **TrainTRACS** and **BusTRACS**. Each product assists with the crew planning element of the transport scheduling process for passenger rail and bus operators respectively. A number of broad categories make up the transport scheduling process; timetable preparation; vehicle planning and allocation; crew planning; crew rostering; and management of real time operations and short term planning, taking account of accidents or other unforeseen events impacting on operations.

The Tracsis Software is designed to operate on a stand alone personal computer. The software generates an optimised crew schedule for all on-board staff which is based upon certain input data such as labour rules and regulations, timetable and vehicle requirements, and driver route and traction knowledge. Once the software has been configured, it generates a set of optimal or near optimal labour workforce schedules.

The software can be tailored for individual strategic requirements, such as maximising performance and minimising costs. The software may also derive cost savings via improved performance of scheduled services, which in turn may reduce the fiscal penalties imposed by regulators (such as the Department of Transport in the case of rail operators) for delayed services.

Revenue is generated by lease licensing the software to customers. In addition to the core software, Tracsis also provides maintenance, training and consultancy services to its customers.

5. EXISTING MARKETS & CUSTOMERS

Train Operating Companies

The Train Operating Companies (“TOCs”) in the UK are responsible for running regional and national rail networks since the privatisation of the rail industry as part of the Railways Act 1993. UK passenger franchises are awarded based on a tender process run by the Department of Transport.

Tracsis has historically generated the majority of its revenue from the passenger rail industry, and in particular, the TOCs.

Tracsis has identified 20 major passenger TOCs and several freight rail operators within the UK as potential customers. At present Tracsis have contractual relationships with six of these.

In addition to the UK passenger rail market, Tracsis have recently completed a pilot scheme with an overseas state run rail network. Pilot schemes are developed for potential customers on a short term, low-cost basis and have proven to be an effective method of engaging customers on a longer term contract once the benefits of the Tracsis Software have been demonstrated.

In addition to targeting new customers, the Directors believe there is scope to further enhance future revenue generated from the existing customer base through enhancing the current software offering.

Franchise Bid Support

The Tracsis Software is also used to support the bidding activities of transport operators when tendering for new rail franchises. Rail franchises are typically awarded on a 7-10 year basis, with break clauses for breach or poor performance. As each bid must be compiled and submitted within a 90 day period, the software can be used in a variety of ways to develop specific labour requirements which would be difficult to complete manually given this timescale. Given the renewal process, the Directors are of the opinion that revenue from bid support work will continue to be an important part of the Company’s business in the future.

Bus Companies

Tracsis works with a major UK bus company with over 9,000 buses operating across a number of locations that currently utilise the BusTRACS software supplied by the Company for crew scheduling. The Directors believe that there will be opportunities in the future to expand further into the bus market and secure a larger market share.

6. FURTHER MARKETS, PRODUCT DEVELOPMENT AND STRATEGY

New Markets

The Directors are of the opinion that the Tracsis Software is suited to other transport sectors such as passenger airlines and rail freight, both of which have similar problem dynamics. The Company is currently exploring a number of opportunities in both the rail freight and airline sectors and the Directors anticipate at least one pilot project to commence in 2007.

The Directors believe that there is also increased scope for the adoption of Tracsis’ products in markets outside the UK due to the international presence of some of its existing customers.

New Products

The Tracsis Software deals predominantly with solving the issue of efficient labour resource allocation. The Directors believe that there is a potential market for optimising the movements of vehicles in the transport industry and the Directors intend to invest in new products with a view to exploring these markets.

Vision

The Company’s vision is to become a leading provider of operational planning software to global transport markets.

7. COMPETITION

The Company is of the opinion that there is little direct competition to its product offering for the UK rail market. The Company also believes that unless a TOC is using the Tracsis Software for labour scheduling optimisation, they are generally undertaking this process manually. For other transport markets, the Directors believe that other competitive offerings exist.

8. INTELLECTUAL PROPERTY INFORMATION

The Company has focussed on crew optimisation and therefore relies on the Tracsis Software to generate revenue. The Tracsis Software can be used in the rail and bus industries but the Company has focussed predominantly on the rail sector to date.

The Company also has a right to use BOOST, vehicle optimisation software relating to the bus industry. Although the Company does not currently exploit this product commercially, it intends to launch new products in the future relating to vehicle optimisation and may therefore use this product in the future.

The Tracsis Software and BOOST were both developed at the University and the Company has a right to exploit these products commercially pursuant to the terms of a licence from University of Leeds IP Limited, ULIP, which in turn has a licence from the University. The University, however, has agreed to assign all its rights in such products to the Company conditionally upon Admission. The Assignment Agreement includes a warranty that save in relation to the allegations made by the Third Party Purchaser alleging that certain aspects of the Tracsis Software and BOOST incorporated elements of Busman (the details of which are set out below), the University has not received any claim or notification that the Tracsis Software or BOOST breaches the intellectual property rights of a third party. Further details of the Assignment Agreement are set out in paragraph 9.5 of Part IV of this document.

As with many software products, there have been previous challenges to the IP rights in the Tracsis Software and BOOST.

In 1998, an allegation was made by a third party that certain aspects of the Tracsis Software and BOOST breached the copyright of that third party in a software product known as Busman. Busman was developed with the help of the University of Leeds Innovations Limited, ULIS, and sold to the third party in 1994.

Following an exchange of correspondence and a meeting between ULIS and the third party, ULIS agreed to amend extracts from its marketing literature and web pages that incorrectly suggested a connection between the products. No further action was taken and the Company believes that Busman may have been sold to a further third party.

The Company is of the opinion that neither the Tracsis Software nor BOOST infringe any of the copyright in Busman and have obtained the opinion of Counsel confirming that on the balance of probabilities any claim could be successfully defended.

Further details of the intellectual property and the above claim are set in the paragraph headed "History of intellectual property and associated risk factors" in Part II of this document.

9. CURRENT TRADING & PROSPECTS

The financial information for the year ended 31 July 2007, further details of which can be found in Part III of this document, shows turnover of £742,000 and profit before tax of £422,000. Of that turnover, £308,000 consisted of software licences which are expected by the Directors to re-occur for the duration of each TOCs franchise. As at the date of this document current trading is behind forecast expectations for September and October, largely due to timing differences and management stretch during the admission process. The Directors believe that these timing differences will reverse and remain confident that full year income targets are achievable.

10. FINANCIAL INFORMATION ON THE COMPANY

Below is an extract from the Financial Information section of this document and should be read in conjunction with the Accountants Report on the Company set out in Part III of this document.

Consolidated Income Statement under IFRS

	Year ended 31 July		
	2005 (£'000)	2006 (£'000)	2007 (£'000)
Revenue	216	500	742
Administrative expenses	(82)	(246)	(335)
Operating Profit	134	254	407

Analysis of revenue

	Years ended 31 July		
	2005 (£'000)	2006 (£'000)	2007 (£'000)
Software licences	95	329	308
Support and maintenance	96	94	134
Consultancy, training and other	25	77	300
	216	500	742

11. DETAILS OF THE PLACING, ADMISSION AND USE OF FUNDS

The Company intends to raise £2,000,000 before expenses by way of a placing of the Placing Shares at the Placing Price. The Placing is conditional, *inter alia*, upon Admission. The Placing Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares.

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that trading in the Ordinary Shares will commence on 27 November 2007. The Placing Shares will represent approximately 28.57 per cent. of the Enlarged Share Capital following Admission.

Details of the Placing Agreement are set out in paragraph 17 of Part IV of this document.

The funds raised will be used to recruit a team to enable the Company to achieve its commercial objectives. In particular a commercial sales team, account managers, and an enlarged technical development team will be recruited. In addition, the funds raised will provide additional working capital for the Company to fund investment into new markets both within the UK and overseas. The Company may wish to acquire certain target companies in the future should an appropriate opportunity arise.

12. TAX RELIEF AVAILABLE TO INVESTORS

The Company has received confirmation from HMRC that the Placing Shares are capable of being a “qualifying holding” for the purpose of investment by Venture Capital Trusts (“VCT”). Tax reliefs for investments through VCTs should be available as long as the Placing Shares represent a “qualifying holding” for VCT purposes. The Company does not make any representations as to whether any such investment will be or will continue to be one in respect of which reliefs under the VCT legislation will be available.

Investors considering making an investment in eligible shares in a VCT should seek independent professional advice in order that they may fully understand whether VCT relief is available to them.

The Company has received confirmation from HMRC that its structure and activities will enable it to meet the requirements of a qualifying company for the purposes of the Enterprise Investment Scheme (“EIS”).

A subscription for the Placing Shares would have certain tax advantages for investors who are qualifying investors for EIS purposes such as:

- Income tax relief at 20 per cent. on the amount invested, based on a maximum investment of £400,000 (2007/08).

- Capital gains on future disposals (so long as the Shares are held for the relevant period) should be exempt from capital gains tax on the Shares.
- Capital gains tax deferral relief of gains from disposals of other assets which are reinvested in a qualifying EIS company.

The EIS conditions relating to the Company and its trade have to be complied with throughout the three year period and the Shares must be held for at least three years. The Company makes no representation that it will continue to satisfy the EIS criteria.

For UK resident Shareholders who are individuals, personal allowances and taper relief may apply to reduce a gain. As from 6 April 2008, taper relief will be withdrawn for disposals after that date. The Shares will represent an asset for capital gains tax purposes and on any disposal of the Shares capital gains tax may arise on any gains. For corporate Shareholders, indexation allowance will be available on a disposal in respect of the subscription cost of the Ordinary Shares. Further information concerning UK taxation in relation to the Placing and Admission is set out in paragraph 11 of Part IV of this document.

13. SETTLEMENT AND DEALINGS

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. Arrangements have been made for dealings in the Ordinary Shares to be settled through CREST. Accordingly, settlement of transactions in the Existing Shares and the Placing Shares following Admission may take place through CREST if the relevant shareholder so wishes. Settlement of transactions through CREST is voluntary and Shareholders who wish to receive and retain certificates will be able to do so.

Where Ordinary Shares are issued pursuant to the Placing in certificated form, temporary documents of title will not be issued pending the despatch by post of definitive share certificates, which is expected to take place during the week commencing 3 December 2007. Pending the despatch of such certificates, transfers will be certificated against the register of members.

It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 27 November 2007.

14. LOCK-IN ARRANGEMENTS

On Admission, assuming full take up under the Placing, the Existing Shareholders will own 13,753,450 Ordinary Shares, representing approximately 78.58 per cent. of the issued ordinary share capital following Admission, of which the Directors will own 3,582,100 Ordinary Shares, representing 20.47 per cent. of the issued ordinary share capital following Admission.

Save in relation to the 1,250,000 Placing Shares subscribed for by IP Venture Fund pursuant to the Placing, the Restricted Shareholders have, save as set out below, agreed that they will not (save in certain specific circumstances) dispose of any Ordinary Shares for a period of 12 months following Admission, and thereafter for a further 12 months have agreed only to dispose of shares through the Company's broker in an orderly manner. To the extent that any Placing Shares are being issued to persons other than Restricted Shareholders, such Placing Shares will not be subject to any lock-in arrangements. Further details of the lock in arrangements are set out in paragraph 9.7 of Part IV of this document.

15. DIVIDEND POLICY

In relation to the financial year ended 31 July 2007, the Company declared a dividend of £60,000 which was paid in October 2007 to John McArthur and Raymond Kwan following a waiver of dividend rights from the Existing Shareholders. It is the Directors' intention to consider the payment of a dividend, if appropriate and when commercially prudent. The Directors do consider that it may be more prudent to retain cash to fund the expansion of the Company and as a result consider it inappropriate to give an indication of the likely level and timing of any future dividends.

16. EMPLOYEES

The Directors believe that one of the strengths of the Company is the quality and loyalty of its staff. The Company currently has five employees, two of whom are Directors. These employees and Directors have a range of experience and professional qualifications. Additional employees, however, will be recruited to create the infrastructure necessary for the Company to achieve its commercial objectives.

17. OPTION SCHEME

The Directors recognise the importance of ensuring that employees of the Company are well motivated and identify closely with the success of the Company. To achieve this goal, the Company has established the Option Scheme.

John Nelson has been granted options to acquire Ordinary Shares representing 1 per cent. of the Enlarged Share Capital conditional upon Admission, Rodney Jones has been granted options to acquire Ordinary Shares representing 1.5 per cent. of the Enlarged Share Capital conditional upon Admission and Charles Winward has been granted options to acquire Ordinary Shares representing 0.5 per cent. of the Enlarged Share Capital conditional upon Admission. Further details of these options are set out in paragraph 5.5 of Part IV of this document.

It is also intended that Employee Options will be granted in the future, following Admission, to qualifying employees and directors, including, where appropriate, EMI Options.

The number of Ordinary Shares pursuant to Employee Options granted under the Option Scheme and under any other scheme whereby the Company shall grant options over its Shares to employees and directors shall not exceed 10 per cent. of the issued share capital from time to time. Further details of the Option Scheme are set out in paragraph 12 of Part IV of this document.

18. RISK FACTORS

The Company's business is dependent on many factors and potential investors are advised to read this document in its entirety, and in particular Part II entitled "Risk Factors".

19. RELATED PARTY TRANSACTIONS

During the year the Company made purchases amounting to £20,555 (2005: £28,578; 2006: £39,865) from one of its shareholders, the University of Leeds. These related to staff secondment costs. In addition, £27,100 (2005: £nil; 2006: £14,331) was incurred in respect of office rent and running costs paid to a company in which the University of Leeds has an interest. At 31 July 2007, there were balances totalling £2,046 (2005: £8,623; 2006: £4,148) due to the University of Leeds and its associated companies in respect of these transactions. The Company occupies the property known as Suite 4, Leeds Innovation Centre, 103 Clarendon Way, Leeds, West Yorkshire LS2 9DF in accordance with a lease dated 22 February 2006 between the Company and Leeds Innovation Centre Limited. The term of the lease is two years from 22 February 2006. The current monthly rent is £1,731 plus VAT and there are no rent review provisions.

In addition, purchases amounting to £1,108 (2005: £25,050; 2006: £19,506) were made from another shareholder, Techtran Group Limited. These related to staff secondment costs and office running costs recharged. At 31 July 2007, there was an outstanding balance of £360 (2005: £360; 2006: £360), due to Techtran Group Limited.

Darren Bamforth is a director of Atraxa Consulting Limited which provides accountancy services to the Company on an arm's length basis in its normal course of business. The amount charged by Atraxa to the Company for accountancy services in the year ended 31 July 2007 was £8,741 including VAT. Following Admission, the provision of services will include the services, on a part time basis, of Darren Bamforth as Chief Finance Officer to the Company, for an annual salary of £12,000 and Atraxa will continue to provide ongoing accountancy services.

The above transactions were carried out at a market value on an arm's length basis.

20. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Parts II to IV of this document.

PART II

RISK FACTORS

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

In addition to the usual risks associated with an investment in a business, the Directors consider that the factors and risks described below are the most significant and should be carefully considered, together with all the information contained in this document, prior to investing in the Ordinary Shares. It should be noted that the risks described below are not the only risks faced by the Company, and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.

If any of the events described in the following risks actually occur, the Company's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Group's results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company, which are described below and elsewhere in the document. The information set out below is not set out in any order of priority. The Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.

History of intellectual property and associated risk factors

The Tracsis Software is based on software developed at the University after extensive research into labour scheduling problems within the transport industry dating back to the 1970s.

In 1971, the University incorporated University of Leeds Innovations Limited as a vehicle to commercially exploit intellectual property developed at the University.

From the early 1980's, ULIS worked with a joint venture partner to jointly develop techniques, calculations and operational methodology in relation to vehicle and crew scheduling software in the bus industry, whilst at the same time the University continued its own independent research into labour scheduling in the transport industry.

The joint work carried out by ULIS and the joint venture partner resulted in a jointly owned bus scheduling software product known as Busman.

In October 1994, ULIS assigned its rights in Busman to a third party (the "**Third Party Purchaser**") which had previously acquired the interests of the joint venture partner in Busman pursuant to an assignment in April 1992. ULIS also received a licence back from the Third Party Purchaser to use certain aspects of Busman for teaching and research purposes only.

Also in 1994, the University received two grants from EPSRC to develop a new system of train driver scheduling and a new object orientated approach to bus scheduling. This differed from Busman in that Busman focussed on the scheduling of vehicles and crew in the bus industry whereas the new work focussed on the scheduling of drivers in the rail industry and vehicles in the bus industry using code created from scratch.

The key research and development in respect of the two new projects was carried out by employees of the University during the course of their employment. As a result, all such research belongs to the University. Although the University agreed to pay royalties to certain employees in connection with the Tracsis Software arising out of the research, all such royalties have been assigned to the Company pursuant to assignment agreements, the details of which are set out in paragraphs 9.12, 9.13 and 9.14 of Part IV of this document. Although they were not directly involved in software development, students at the University were also involved to a lesser extent on some research aspects of the projects. Under the documentation signed by the students on enrolment, however, all rights (if any) in the research belong to the University.

As a result of the research carried out by the University, the University developed crew optimisation software for the rail and bus industry, now known as the Tracsis Software, and vehicle optimisation software known as BOOST to be used principally in the bus industry. In 1997, the University granted licences to ULIS to commercially exploit the Tracsis Software and BOOST.

In 1998, ULIS received a letter from the solicitors of the Third Party Purchaser alleging that certain aspects of the Tracsis Software and BOOST incorporated elements of Busman which it had purchased in 1994. The claim was based on extracts from ULIS's marketing literature and web pages which appeared to suggest that ULIS was continuing to use aspects of Busman. ULIS responded that this was not the case and agreed, following discussions, to amend the misleading extracts. The Third Party Purchaser confirmed their agreement to the amended extracts and no further action has been taken. The Company believes that the Third Party Purchaser may have since sold Busman to another party.

The Chief Technical Officer of the Company, Raymond Kwan, has also confirmed his opinion that the Tracsis Software and BOOST do not copy or adapt any of the jointly developed source codes or object codes in Busman. On this basis, the Company has also obtained an opinion from Counsel that neither the Tracsis Software nor BOOST is likely to breach any of the copyright in Busman and that any claim in this regard could be successfully defended by the Company.

The initial attempts to commercially exploit the Tracsis Software by ULIS were not successful. ULIP was therefore incorporated on 6 November 2002 and in March 2005 the University granted a licence to ULIP to commercially exploit the Tracsis Software and BOOST. The Company was granted a licence in June 2005 to exploit the Tracsis Software and BOOST commercially. The University has agreed conditionally upon Admission to assign all its rights in the Tracsis Software and BOOST to the Company. The Assignment Agreement includes a warranty that save in relation to the allegations made by the Third Party Purchaser alleging that certain aspects of the Tracsis Software and BOOST incorporated elements of Busman, the University has not received any claim or notification that the Tracsis Software or BOOST breaches the intellectual property rights of a third party. Further details of the Assignment Agreement are set out in paragraph 9.5 of Part IV of this document.

In common with other software products, the Tracsis Software and BOOST could be superseded by software developed by third parties and the possibility of disputes over intellectual property with third parties cannot be discounted.

A significant part of the Company's future also depends on its intellectual property. If intellectual property is inadequately protected or challenged, the Company's future success could be adversely affected.

General

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Company's sector and other events and factors outside of the Company's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares in the Company may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in the Company than in a company whose shares are quoted on the Official List. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets.

Requirement for further funds

It may be necessary for the Company to raise further funds in the future, which may be by the issue of further Ordinary Shares on a non pre-emptive basis which could result in a dilution of the interests of the Shareholders at the time of such issue. There can be no guarantee that such further fundraising will be successful.

Investment risk

Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, is likely to be difficult to realise and

carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend upon there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all his/her investment. The Ordinary Shares therefore may not be suitable as a short term investment.

Economic, political, judicial, administrative, taxation or other regulatory matters

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters.

Taxation

The attention of potential investors is drawn to paragraph 11 of Part IV headed "Taxation". The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company.

Any change in the Company's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Company or the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change.

Legislation and tax status

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation and in particular in tax status or tax residence of the Company or in tax legislation or practise may have an adverse effect on the returns available on an investment in the Company.

Attraction and retention of key employees

The Company depends on its Director's and other key employees and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The loss of the services of any of the Directors or other key employees could damage the Company's business. Equally the ability to attract new employees and in particular senior executives for the business with the appropriate expertise and skills cannot be guaranteed. The Company may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Company.

Trading history

The Company's future success will depend on the Directors' ability to implement their objectives and strategy. Whilst the Directors are optimistic about the Company's prospects, there is no certainty that anticipated revenues or growth can be achieved.

Forward looking statements

Certain statements within this document, including without limitation those in Part I of this document, constitute forward-looking statements. Such forward-looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Company to be materially different from any future results, achievements or performance expressed or implied by such forward-looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, competition, changes in development plans and the other risks described in this document. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this document will, in fact, occur. These forward-looking statements are correct only as at the date of this document. Neither the Company nor the Directors have undertaken any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this document except as required by law or by regulatory authority.

Product Development

Although the information in Part I of this document suggests that further product development is being undertaken, the Company cannot guarantee that further products will be successfully launched, and accepted by the market.

Market Acceptances

Whilst the Company currently has contracts in place with a number of TOCs it cannot guarantee that these contracts will continue indefinitely or that new contracts will be won by the Company.

Limited Operating History

The Company began trading in January 2004 and has a limited trading history. Potential investors should be aware of the risks associated with an investment in companies with limited trading histories.

Pilot Deployment

Although the Directors have stated that they anticipate pilot programmes to be converted into full licences upon completion of the programme, there can be no guarantee that all or any of these pilot programmes will successfully convert.

Reliance on Single Product as Majority Source of Income

Revenues derived from the lease licensing of and support and maintenance associated with the Tracsis Software product has historically comprised a significant proportion of total revenue. Investors should be aware of the risks associated with the reliance upon a single product as the majority source of income.

Competition

Although the Directors have stated above that they believe there to be very little direct competition within the market, there may be products and competitors that they are currently unaware of which could have a detrimental effect on the Company's trading performance, and if such competitors supplied products superior to the Tracsis Software this would have a material adverse effect on the Company's financial performance.

Length of Sales and Implementation Cycle

Due to the limited financial trading of the Company the sales and implementation cycle currently varies and is a risk.

Industry Ownership

The Industry is currently separated into private and national ownership. The industry could be renationalised which would have an adverse effect on the Company.

PART III

ACCOUNTANTS' REPORT ON THE COMPANY

The Directors
Tracsis plc
Leeds Innovation Centre
103 Clarendon Road
Leeds
West Yorkshire
LS2 9DF

The Directors
Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester
M3 5FT

22 November 2007

Dear Sirs,

Tracsis plc (“the Company”)

We report on the financial information set out in Part III of this AIM Admission Document of Tracsis plc dated 21 November 2007 (“the Admission Document”). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 2 of the financial information on pages 24 to 26. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies (the “AIM Rules”) and is given for the purposes of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information set out in Part III gives for the purposes of the Admission Document dated 21 November 2007, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 of the financial information and in accordance with International Financial Reporting Standards as adopted for use in the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

HWCA Limited

Financial Information on Tracsis

Income statement

	Notes	Year ended 31 July 2005 £'000	Year ended 31 July 2006 £'000	Year ended 31 July 2007 £'000
Revenue	3	216	500	742
Administrative expenses		(82)	(246)	(335)
Operating profit	5	134	254	407
Finance income	7	3	7	15
Profit before tax		137	261	422
Taxation	8	(26)	(46)	(92)
Profit for the year		111	215	330
Attributable to:				
Equity holders of the company		111	215	330
Earnings per share	10			
Basic (pence per share)		9,620.97	10,734.90	15,870.61
Diluted (pence per share)		9,620.97	10,282.47	15,136.33

All amounts relate to continuing operations.

The Company has recognised no gains or losses other than the profit for the year.

Balance Sheet

	Notes	At 31 July 2005 (£'000)	At 31 July 2006 (£'000)	At 31 July 2007 (£'000)
Non current assets				
Plant and equipment	11	–	7	8
Current assets				
Trade and other receivables	12	19	293	164
Cash and cash equivalents	13	245	259	715
		264	552	879
Total assets		264	559	887
Equity and liabilities				
Capital and reserves				
Ordinary shares	17	–	–	–
Share premium		–	–	17
Share options reserve		–	–	5
Retained earnings		138	353	624
Total equity attributable to equity holders		138	353	646
Non current liabilities				
Deferred tax	15	–	–	2
Current liabilities				
Trade and other payables	14	100	160	149
Current tax liabilities		26	46	90
Total current liabilities		126	206	239
Total liabilities		126	206	241
Total equity and liabilities		264	559	887

STATEMENT OF CHANGES IN EQUITY

	Equity share capital (£'000)	Share Premium Account (£'000)	Reserve for share based payments (£'000)	Retained earnings (£'000)	Total Equity £('000)
At 1 August 2004	–	–	–	27	27
Retained profit for the year	–	–	–	111	111
At 31 July 2005	–	–	–	138	138
Retained profit for the year	–	–	–	215	215
At 31 July 2006	–	–	–	353	353
Issues of ordinary shares in period	–	17	–	–	17
Recognition of equity settled share based payments in the year	–	–	6	–	6
Equity dividends paid	–	–	–	(60)	(60)
Exercise of options in the year	–	–	(1)	1	–
Retained profit for the year	–	–	–	330	330
At 31 July 2007	–	17	5	624	646

Cash flow statement

	Notes	Year ended 31 July 2005 £'000	Year ended 31 July 2006 £'000	Year ended 31 July 2007 £'000
Cash flows from operating activities				
Profit/(loss) before tax and interest		134	254	407
Adjustments for:				
Depreciation		–	1	3
Share-based payments		–	–	6
		<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital		134	255	416
(Increase)/decrease in receivables		19	(274)	143
Increase/(decrease) in payables		29	60	(11)
		<hr/>	<hr/>	<hr/>
Cash generated by operations		182	41	548
Tax paid		(10)	(26)	(46)
		<hr/>	<hr/>	<hr/>
Net cash generated from operating activities		172	15	502
		<hr/>	<hr/>	<hr/>
Cash flows from investing activities				
Purchases of plant and equipment		–	(8)	(4)
Interest received	7	3	7	15
		<hr/>	<hr/>	<hr/>
Net cash raised by/(used in) investing activities		3	(1)	11
		<hr/>	<hr/>	<hr/>
Cash flows from financing activities				
Proceeds from issue of equity shares		–	–	3
Dividends paid to equity shareholders		(16)	–	(60)
		<hr/>	<hr/>	<hr/>
Net cash raised by/(used in) financing activities		(16)	–	(57)
		<hr/>	<hr/>	<hr/>
Increase in cash and cash equivalents in the year		159	14	456
Cash and cash equivalents at beginning of the year		86	245	259
		<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the year	13	<u>245</u>	<u>259</u>	<u>715</u>

1. GENERAL INFORMATION

Tracsis plc is a limited company incorporated and registered in England. The registered address of the Company is Leeds Innovation Centre, 103 Clarendon Road, Leeds, West Yorkshire LS2 9DF.

The principal activity of the Company is that of the commercialisation of the world class research expertise that has been developed in the area of transport scheduling at the School of Computing within the University of Leeds.

The Company has the exclusive rights over the intellectual property surrounding the TrainTRACS and BusTRACS software packages that were designed specifically to optimise the complex crew scheduling requirements of bus and train markets.

The financial information on the Company has been extracted from the published audited accounts of the Company for the years ended 31 July 2005, 2006 and 2007. The financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the "Act"). HW, Chartered Accountants and Registered Auditors, audited the financial statements of Tracsis plc for the years ended 31 July 2005, 2006 and 2007. Each audit report was unqualified and did not contain a statement under Section 237(2) or (3) of the Act.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ('Adopted IFRS's). UK GAAP differs in certain respects from IFRS, hence when preparing the financial information management has amended certain accounting and valuation methods to comply with IFRS. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information and in preparing an opening balance sheet at 1 August 2004 for the purpose of transition to Adopted IFRSs. The disclosures required by IFRS 1 'First time adoption of International Financial Reporting Standards' concerning the transition from UK GAAP to IFRS, are given in note 22.

(a) Basis of accounting

The financial information has been prepared on the historical cost basis except as otherwise described in the accounting policies below. The principal accounting policies adopted are set out below.

In general, a company is required to define its IFRS policies and then apply them retrospectively. IFRS 1 does however allow a company to take advantage of a number of exemptions from restating historical data in certain instances. The Company has not elected to take advantage of any of these exemptions.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable (excluding value added tax) derived from the provision of goods and services to customers during the period. The company derives revenue from software licences, post contract customer support and consultancy services.

The Company recognises the revenue from the sale of software licences and specified upgrades upon shipment of the software product or upgrade, when there are no significant vendor obligations remaining, when the fee is fixed and determinable and when collectibility is considered probable. Where appropriate the Company provides a reserve for estimated returns under the standard acceptance terms at the time the revenue is recognised. Payment terms are agreed separately with each customer.

Revenue from post contract customer support and consultancy services is recognised on a straight-line basis over the term of the contract. Revenue received and not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet.

Other products and services – Revenue allocable to other products and services is recognised as the products are shipped, or services are provided.

(c) Research and development

Research and development expenditure is written off in the year in which it is incurred.

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and equipment – 33 per cent. on cost.

(e) Impairment of non current assets

Where an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount (higher of fair value less costs to sell and value in use of an asset) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet are included at cost and comprise cash at bank, cash in hand and short term deposits with an original maturity of three months or less.

(g) Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(h) Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

(i) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(j) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation on plant and equipment, tax losses carried forward and share options granted by the Company to employees and Directors.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(k) Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders, or in the case of interim dividends, when paid.

(l) Hire purchase and leasing commitments

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

(m) Employee benefits

Wages, salaries, social security contributions, paid annual leave, bonuses and non monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. Where the Company provides long-term employee benefits, the cost is accrued to match the rendering of the services by the employees concerned.

Share-based compensation

The company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

Fair value is measured using the Black Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it was granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

(n) Standards, Interpretations and Amendments to Published Standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards applicable to the Company have been published that are mandatory for the Company's accounting periods beginning on or after 1 August 2007 or later periods but which the Company has not adopted early, as follows:

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments.

IFRS 8 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segment Reporting.

The application of IFRS 7 and IFRS 8 in the current and previous periods would not have affected the balance sheet or income statement as the standard is concerned only with disclosures. The Company will be required to adopt these standards in its financial statements for the year commencing 1 August 2007.

IFRIC 10, Interim Financial Reporting and Impairment (effective 1 November 2006)

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective 1 March 2007)

IFRIC 12, Service Concession Agreement (effective 1 January 2008)

IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008)

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective 1 January 2008).

The Directors anticipate that the adoption of these interpretations in future periods will have no material financial impact on the financial information of the Company.

3. REVENUE

The entire revenue of £741,533 (2006: £500,188; 2005: £215,658) is attributable to the principal activity of the sale of crew scheduling software and associated maintenance and consultancy services.

4. SEGMENTAL REPORTING

Primary format – Business segment

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

In the opinion of the Directors, the business operates as one business segment, being the sale of resource optimisation software that assists with automating and optimising the process of labour scheduling within the transport industry.

Secondary format – Geographical segments

The Company operates in the United Kingdom only and thus has only one geographic segment.

5. OPERATING PROFIT

Operating profit is stated after charging:

	Years ended 31 July		
	2005	2006	2007
	(£'000)	(£'000)	(£'000)
Depreciation of plant and equipment (note 11)	–	1	3
Operating lease costs	–	8	21
Research and development expenditure	–	37	48
	<u>–</u>	<u>46</u>	<u>72</u>

Remuneration of the auditors is analysed below:

	Years ended 31 July		
	2005	2006	2007
	(£'000)	(£'000)	(£'000)
Fees payable to the company auditor for audit services	3	3	4
	<u>3</u>	<u>3</u>	<u>4</u>

There have been no fees paid in respect of non-audit services.

The financial statements for the years ended 31 July 2005 and 2006 have been audited along with the current year financial statements. The audit fees analysed above have all been charged to the current period income statement.

6. STAFF COSTS

	Years ended 31 July		
	2005 (£'000)	2006 (£'000)	2007 (£'000)
(a) Staff costs (including directors)			
Wages and salaries	55	130	199
Social security costs	–	10	22
Share based payments	–	–	6
	<u>55</u>	<u>140</u>	<u>227</u>
(b) The average number of persons, including directors, employed by the company during the year was:	Number	Number	Number
Research and operations	–	1	3
Management and administration	2	2	2
	<u>2</u>	<u>3</u>	<u>5</u>

7. FINANCE INCOME

	Years ended 31 July		
	2005 (£'000)	2006 (£'000)	2007 (£'000)
Bank interest	<u>3</u>	<u>7</u>	<u>15</u>

8. TAXATION

	Years ended 31 July		
	2005 (£'000)	2006 (£'000)	2007 (£'000)
(a) Analysis of charge for the year			
Current tax			
Current tax on income for the year at 30 per cent. (2005 and 2006 19 per cent.)	26	46	90
Deferred tax	–	–	2
	<u>26</u>	<u>46</u>	<u>92</u>
(b) Factors affecting the charge for the year			
Profit on ordinary activities before taxation	<u>137</u>	<u>261</u>	<u>422</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent. (2005 and 2006: 19 per cent.)	26	49	126
Effects of:			
Expenses not deductible for tax purposes	–	–	1
Research and development enhanced expenditure	–	(3)	(7)
Marginal relief	–	–	(30)
Current tax charge for year (see (a) above)	<u>26</u>	<u>46</u>	<u>90</u>

9. DIVIDENDS

	Years ended 31 July		
	2005 (£'000)	2006 (£'000)	2007 (£'000)
Amounts recognised as distributions to equity holders in the period:			
Dividend for the year ended 31 July 2006 of 60,000 pence per share (note a)	–	–	30
Dividend for the year ended 31 July 2006 of 4,000 pence per share (note b)	–	–	30
	<u>–</u>	<u>–</u>	<u>60</u>
Proposed final dividend for the year ended 31 July 2006 of 60,000 pence per share	–	30	–
Proposed final dividend for the year ended 31 July 2006 of 4,000 pence per share	–	30	–
	<u>–</u>	<u>60</u>	<u>–</u>

The proposed dividends were subject to approval by shareholders at the Annual General Meeting and were not included as a liability in the financial statements for the year ended 31 July 2006.

Note (a) Under an arrangement dated 23 September 2006 all other shareholders, except J McArthur, who held ordinary shares representing 97.5 per cent. of the Company's called up share capital, agreed to waive their rights to the dividend.

Note (b) Under an arrangement dated 23 September 2006 all other shareholders, except R Kwan, who held ordinary shares representing 62.5 per cent. of the Company's called up share capital, agreed to waive their rights to the dividend.

Subsequent to the 2007 financial year end the Directors proposed a dividend of £60,000 to certain shareholders for the year ended 31 July 2007. The dividend was approved at a board meeting held on 14 August 2007, and was paid in October 2007.

Note (a) Under an arrangement dated 14 August 2006 all other shareholders, except J McArthur, who held ordinary shares representing 94.68 per cent. of the Company's called up share capital, agreed to waive their rights to the dividend.

Note (b) Under an arrangement dated 14 August 2006 all other shareholders, except R Kwan, who held ordinary shares representing 64.71 per cent. of the Company's called up share capital, agreed to waive their rights to the dividend.

10. EARNINGS PER SHARE

	Years ended 31 July		
	2005	2006	2007
Basic (pence per share)	9,620.97	10,734.90	15,870.61
Diluted (pence per share)	9,620.97	10,282.47	15,136.33

Basic earnings per share

The earnings and weighted average number of shares used in the calculation of basic earnings per share are as follows:

	Years ended 31 July		
	2005	2006	2007
Profit attributable to shareholders (£)	111,026	214,698	330,426
Weighted average number of ordinary shares in issue	1,154	2,000	2,082

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share measures are the same as those for the equivalent basic earnings per share measures, as outlined above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Years ended 31 July		
	2005 Number	2006 Number	2007 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,154	2,000	2,082
Shares deemed to be issued for no consideration in respect of:			
Employee share options	–	88	101
	<hr/>	<hr/>	<hr/>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>1,154</u>	<u>2,088</u>	<u>2,183</u>

11. PLANT AND EQUIPMENT

	Plant and equipment (£'000)	Total (£'000)
Cost		
At 1 August 2004 and 31 July 2005	–	–
Additions	8	8
	<hr/>	<hr/>
At 31 July 2006	8	8
Additions	4	4
	<hr/>	<hr/>
At 31 July 2007	<u>12</u>	<u>12</u>
Accumulated Depreciation		
At 1 August 2004 and 31 July 2005	–	–
Provided during the year	1	1
	<hr/>	<hr/>
At 31 July 2006	1	1
Provided during the year	3	3
	<hr/>	<hr/>
At 31 July 2007	<u>4</u>	<u>4</u>
Net book value		
At 31 July 2005	–	–
	<hr/>	<hr/>
At 31 July 2006	<u>7</u>	<u>7</u>
	<hr/>	<hr/>
At 31 July 2007	<u>8</u>	<u>8</u>

12. TRADE AND OTHER RECEIVABLES

	At 31 July		
	2005 (£'000)	2006 (£'000)	2007 (£'000)
Trade receivables	19	289	146
Other receivables	–	4	18
	<hr/>	<hr/>	<hr/>
	<u>19</u>	<u>293</u>	<u>164</u>

The Directors consider the carrying amount of trade and other receivables approximates their fair value.

There is no concentration of credit risk with respect to trade receivables as the Company has a number of customers. The directors do not consider any of the amounts from the sale of goods to be irrecoverable; hence no provision has been made for bad or doubtful debts.

13. CASH AND CASH EQUIVALENTS

	2005 (£'000)	At 31 July 2006 (£'000)	2007 (£'000)
Cash at bank and in hand	245	259	715

14. TRADE AND OTHER PAYABLES

	2005 (£'000)	At 31 July 2006 (£'000)	2007 (£'000)
Trade payables	11	7	4
Other tax and social security	16	42	29
Deferred income	58	82	76
Other	15	29	40
	100	160	149

The Directors consider that the carrying amount of trade payables approximates their fair value.

Deferred income relates to sales invoiced in advance of the completion of post contract customer support. This will be recognised in the profit and loss account over the remaining period of the contract.

15. DEFERRED TAX LIABILITIES

Non current	Accelerated Capital Allowances (£'000)	Share Options (£'000)	Total (£'000)
At 31 July 2005 and 2006	–	–	–
Charge to income statement	1	1	2
At 31 July 2007	1	1	2

16. SHARE BASED PAYMENTS

Equity-settled share based payments

The Company has a share option scheme for all employees (including directors). Options are exercisable at a price agreed at the date of grant. The vesting period is usually 10 years. The exercise of options is also dependant on eligible executives meeting performance criteria. The options may not be exercised before the occurrence of a takeover, sale or admission. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2005		2006		2007	
	No.	WAEP £	No.	WAEP £	No.	WAEP £
Outstanding at the beginning of the year	–	–	–	–	115	54
Granted during the year	–	–	115	54	36	317
Exercised during the year	–	–	–	–	(63)	54
Outstanding at the end of the year	–	–	115	54	88	162

The weighted average share price at the date of exercise for share options exercised during 2007 was £117.

The share options outstanding at the end of the year have a weighted average remaining contractual life of 10 years (2006: 10 years) and have the following exercise prices:

Expiry date	Exercise price (£)	2006 No.	2007 No.
27 October 2015	54	115	52
8 September 2016	317	–	36
		115	88

In the year ended 31 July 2007, options were granted on 8 September 2006. The estimated fair value of the options granted was £4,120. In the year ended 31 July 2006, options were granted on 27 October 2005. The estimated fair value of the options granted was £2,314.

The fair values were calculated using the Black Scholes option pricing model. The inputs into the model were as follows:

	2007
Expected volatility – per cent.	60.00
Expected life – years	10.00
Risk free rate – per cent.	4.75
Expected dividends	Nil
Share price at grant date	£54 and £317
Exercise price	£54 and £317

The expected volatility is based upon comparable volatility for businesses operating within similar industries.

The Company recognised total expenses of £6,434 (2006 and 2005: nil) relating to equity settled share based payment transactions during the year.

17. ISSUED SHARE CAPITAL

	At 31 July		
Authorised Share Capital	2005	2006	2007
	(£)	(£)	(£)
10,000 Ordinary shares of £0.01 each	100	100	100
	<u> </u>	<u> </u>	<u> </u>
	At 31 July		
Issued Share Capital	2005	2006	2007
	(£)	(£)	(£)
2,103 Allotted Ordinary Shares of £0.01 each (2005 and 2006 :2000)	20	20	21
	<u> </u>	<u> </u>	<u> </u>

1,201 Ordinary Shares of £0.01 were issued on 3 November 2004 for cash consideration of £12.01.

40 Ordinary Shares of £0.01 were issued on 8 September 2006 for cash consideration of £13,360.

63 Ordinary Shares of £0.01 were issued on 9 November 2006 for cash consideration of £3,402.

18. CAPITAL COMMITMENTS

The Company had £nil capital commitments at 31 July 2007 (2005: £nil; 2006: £nil).

19. OPERATING LEASE ARRANGEMENTS

The minimum lease payments to which the Company is committed under non cancellable operating leases for the coming year are as follows:

	Land and buildings		
	At 31 July		
	2005	2006	2007
	(£)	(£)	(£)
On leases expiring:			
Between two and five years	–	20,685	20,772
	<u> </u>	<u> </u>	<u> </u>

20. FINANCIAL INSTRUMENTS

The company holds or issues financial instruments in order to achieve three main objectives, being:

- (a) to finance its operations;
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
- (c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below.

Fair value or cashflow interest rate risk

Currently the Company has surplus cash balances so does not have a borrowing requirement. Surplus cash is put on short-term deposit, where appropriate at floating rates. The Board constantly monitors the financial markets and the Company's future borrowing requirements to ensure that this policy is exercised in the Company's best interests.

Credit risk

The company monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Liquidity risk

Liquidity risk is managed on a day to day basis. Facilities are agreed at appropriate levels having regard to the Company's forecast operating cash flows and future capital expenditures.

21. RELATED PARTY TRANSACTIONS

During the year the Company made purchases amounting to £20,555 (2005: £28,578; 2006: £39,865) from one of its shareholders, the University of Leeds. These related to staff secondment costs. In addition, £27,100 (2005: £nil; 2006: £14,331) was incurred in respect of office rent and running costs paid to a company in which the University of Leeds has an interest. At 31 July 2007, there were balances totalling £2,046 (2005: £8,623; 2006: £4,148) due to the University of Leeds and its associated companies in respect of these transactions.

In addition, purchases amounting to £1,108 (2005: £25,050; 2006: £19,506) were made from another shareholder, Techtran Group Limited. These related to staff secondment costs and office running costs recharged. At 31 July 2007, there was an outstanding balance of £360 (2005: £360; 2006: £360), due to Techtran Group Limited.

The above transactions were carried out at a market value on an arm's length basis.

The remuneration of the Directors, who are the key management personnel of the Company, is set out below in aggregate:

Key management compensation	2005 (£'000)	2006 (£'000)	2007 (£'000)
Salaries and other short term employee benefits	11	67	93
Share based payments	–	–	2
	<u>11</u>	<u>67</u>	<u>95</u>

One director exercised options in the year ended 31 July 2007. No options were exercised by directors in the two years ended 31 July 2006.

22. RECONCILIATION OF HISTORICAL FINANCIAL INFORMATION BETWEEN IFRS AND UK GAAP

This is the first year the Company has presented financial information under IFRS. The last financial statements under UK GAAP were for the year ended 31 July 2007. The date of transition to IFRS for the purpose of the Accountants' Report is 1 August 2004.

Significant changes to the Income Statement and Balance Sheet for 2005, 2006 and 2007

There are no adjustments arising from the transition to IFRS and therefore there is no impact on the reported Income Statement or Balance Sheet.

The Company has chosen to retain the value of plant and equipment as reported under prior GAAP and not to include them at fair value as permitted by IFRS1.

Significant changes to the cash flow statement for 2005, 2006 and 2007

The Company was exempt from the requirement to prepare a cash flow statement under UK GAAP on the basis that it was a small company. There is no such exemption under IFRS and hence a cash flow has been prepared for each of the three years ended 31 July 2005, 2006 and 2007.

IAS 7 'Cash flow statements' extends the definition of cash to 'cash and cash equivalents' which includes movements on short term deposits. The Company has not held any short term deposits.

PART IV

ADDITIONAL INFORMATION

1 Responsibility

- 1.1 The Directors and Proposed Directors, whose names appear on page 4, and the Company, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 HW Corporate Finance accepts responsibility for their report contained in Part III of this document.

2 The Company

- 2.1 The Company was incorporated and registered in England and Wales on 19 January 2004 under the Companies Act 1985 as a private company limited by shares with the name Tracsis Limited. On 22 November 2007, the Company re-registered as a public limited company under the name Tracsis plc.
- 2.2 The principal legislation under which the Company operates are the Acts and the regulations made under each of them.
- 2.3 The Company's registered office, head office and principal place of business is at Leeds Innovation Centre, 103 Clarendon Road, Leeds, West Yorkshire LS2 9DF. The telephone number at its place of business is +44 (0) 845 125 9162.
- 2.4 The ISIN number of the Ordinary Shares is GB00B28HSF71.
- 2.5 The Company has no subsidiaries.

3 Share capital

- 3.1 On incorporation, the authorised share capital of the Company was £100 divided into 100 ordinary shares of £1 each, one of which was issued credited as fully paid to the subscriber to the Company's memorandum of association.
- 3.2 On 2 August 2004, by or pursuant to resolutions of the Company passed on that date, each of the issued and unissued ordinary shares of £1 each in the capital of the Company were sub-divided into 100 ordinary shares of 1p each.
- 3.3 As at 31 July 2007 the authorised share capital of the Company was £100 comprising 10,000 ordinary shares of 1p each and the issued share capital of the Company was £21.25 comprising 2,125 ordinary shares of 1p each.
- 3.4 On 20 November 2007, the Company issued 52 ordinary shares of 1p each to John McArthur at a price of £54 per share, 18 ordinary shares of 1p each to Andrew Schwarz at a price of £317 per share and 18 ordinary shares of 1p each to Yiyu Chen at a price of £317 per share following the exercise of subsisting options granted to them by the Company. The purchases of shares, by Andrew Schwarz and Yiyu Chen were financed by loans from the Company, details of which are set out in paragraph 9.8 of this Part IV.
- 3.5 On 21 November 2007, by or pursuant to a resolution passed on that date:
 - 3.5.1 the authorised share capital of the Company was increased from £100 to £140,000 by the creation of an additional 13,990,000 ordinary shares of 1p each;
 - 3.5.2 the sum of £199.17 being part of the money standing to the credit of the profit and loss account of the Company and available for distribution, was applied in paying up in full 19,917 ordinary shares of 1p each to be allotted and issued credited as fully paid up at par to and amongst the existing holders of the ordinary shares of 1p each in the capital of the Company in proportion so far as practicable to the number of ordinary shares held by them;

- 3.5.3 in substitution for any existing authorities the directors were generally and are unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the “Act”) to allot an additional 19,917 ordinary shares of 1p each to the existing shareholders of the Company at a price of 1p per ordinary share, provided such authority and power shall, unless renewed, varied or revoked expire on 12 December 2007, save that the Company may at any time prior to the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors of the Company may allot relevant securities in pursuance of such an offer, agreement or arrangement as if such authority had not expired;
- 3.5.4 subject to and conditional upon the issue of 19,917 ordinary shares of 1p to the existing shareholders in accordance with resolution 3.5.3 above, every ten issued and unissued ordinary shares of 1p each in the capital of the Company was consolidated and redesignated as one ordinary share of 10p in the capital of the Company;
- 3.5.5 the sum of £49,792.50 being part of the money standing to the credit of the profit and loss account of the Company and available for distribution, was applied in paying up in full 497,925 ordinary shares of 10p each to be allotted and issued credited as fully paid up at par to and amongst the existing holders of the ordinary shares of 10p each in the capital of the Company in proportion so far as practicable to the number of ordinary shares held by them;
- 3.5.6 in substitution for any existing authorities the Directors were generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the “Act”) to allot an additional 497,925 ordinary shares of 10p each to the existing shareholders of the Company at a price of 10p per ordinary share, provided such authority and power shall, unless renewed, varied or revoked expire on 12 December 2007, save that the Company may at any time prior to the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may allot relevant securities in pursuance of such an offer, agreement or arrangement as if such authority had not expired; and
- 3.5.7 the Directors were generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash, pursuant to the authority conferred by resolutions 3.5.2, 3.5.3, 3.5.5 and 3.5.6 as if section 89(1) of the Act did not apply to such allotment provided such authority and power shall, unless renewed, varied or revoked expire on 12 December 2007, save that the Company may at any time prior to the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may allot relevant securities in pursuance of such an offer, agreement or arrangement as if such authority had not expired.
- 3.6 On 21 November 2007, the Company issued 19,917 ordinary shares of 1p to the existing shareholders in proportion to their current shareholdings at a price of 1p per share and 497,925 ordinary shares of 10p each to the existing shareholders in proportion to their current shareholdings at a price of 10p per share.
- 3.7 On 21 November 2007, by or pursuant to resolutions of the Company passed on that date:
- 3.7.1 each of the existing issued and unissued ordinary shares of 10p in the capital of the Company was sub-divided into and re-designated as 25 ordinary shares of 0.4p each (“Ordinary Shares”);
- 3.7.2 in substitution of all existing authorities the Directors be and are hereby generally and unconditionally are authorised pursuant to section 80 of the Companies Act 1985 (the “Act”) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) provided that the power hereby granted shall be limited to:
- 3.7.2.1 the allotment and issue of up to a maximum number of 5,000,000 Ordinary Shares in the capital of the Company pursuant to the proposed placing by Zeus Capital Limited of such shares;
- 3.7.2.2 the allotment and issue of up to a maximum number of 525,104 Ordinary Shares in the capital of the Company representing 3 per cent. of the Enlarged Share Capital pursuant to the terms of the Warrant Instrument entered into between the Company and Zeus Capital Limited;

- 3.7.2.3 the allotment and issue of Ordinary Shares pursuant to any share option scheme adopted by the Company; and
- 3.7.2.4 the allotment and issue otherwise than pursuant to sub-paragraphs 3.7.2.1 to 3.7.2.3 above of relevant securities up to an aggregate nominal value representing 10 per cent of all of the allotted and issued share capital of the Company immediately following Admission for a period expiring (unless previously renewed, varied or revoked by the Company in a general meeting) on the date which is 15 months after the date of passing of this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allocated after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired;
- 3.7.3 the Directors were empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the Act) wholly for cash pursuant to the authority conferred by 3.7 above as if section 89(1) of the Act did not apply to such allotment provided that this power should be limited for a period expiring (unless previously renewed, varied or revoked by the Company in a general meeting) on the date which is 15 months after the date of passing of this resolution or at the conclusion of the next annual general meeting of the Company whichever first occurs, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allocated after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expire.
- 3.8 Following the passing of the resolutions referred to above, the authorised share capital of the Company was £140,000 comprising 35,000,000 ordinary shares of 0.4p each and the issued share capital of the Company was £50,014 comprising 12,503,450 ordinary shares of 0.4p each.
- 3.9 The Directors intend to exercise the authorities described in paragraphs 3.7.2.4. and 3.7.3 to issue the Placing Shares (representing approximately 28.57 per cent. of the Enlarged Share Capital).
- 3.10 Assuming full subscription, the Placing will result in the issue of 5,000,000 Placing Shares. The Company's authorised and issued share capital, at the date of this document is and it is expected to be immediately following Admission:

	<i>Amount</i>	<i>At the date of this document Number of Ordinary Shares</i>	<i>Amount</i>	<i>Following Admission Number of Ordinary Shares</i>
Authorised	£140,000	35,000,000	£140,000	35,000,000
Issued and fully paid	£50,014	12,503,450	£70,014	17,503,450

3.11 Share Capital Reconciliation

	<i>At 31 July 2007</i>	<i>At Admission</i>
Issued Ordinary Shares	2,125	17,503,450

In addition, warrants over 525,104 Ordinary Shares representing 3 per cent. of the Enlarged Share Capital will be held by Zeus Capital following Admission and options over 3 per cent. of the Enlarged Share Capital have been granted to certain Directors as outlined in paragraph 5.5 of this Part IV.

- 3.12 On Admission Existing Shareholders who do not participate in the Placing will suffer an immediate dilution of 28.57 per cent. of their interests in the Company, on the basis that the maximum number of Placing Shares are subscribed for pursuant to the Placing.
- 3.13 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Companies Act 1985) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.7 above.
- 3.14 Save as disclosed in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding debentures or convertible securities issued or proposed to be issued by the Company.

Pro forma Earnings Per Share Calculation

- 3.15 The following calculation illustrates earnings per share (“EPS”) post Admission, taking account of the revised issued share capital immediately upon Admission. It has also been assumed that the share capital has remained constant at 17,503,450 shares throughout the calculation period.

	2005 (£)	2006 (£)	2007 (£)
Profit for the period	111,026	214,698	330,426
Basic and diluted weighted average number of shares	17,503,450	17,503,450	17,503,450
EPS (pence per share)	<u>0.63</u>	<u>1.23</u>	<u>1.89</u>

4 Memorandum and articles of association and mandatory bids

Memorandum of association

- 4.1 The objects of the Company are set out in full in clause 4 of its memorandum of association and include the carrying on of business as a general commercial company and the carrying on of any other trade or business which may seem to the Company and the Directors to be advantageous and to directly or indirectly enhance all or any of the business of the Company.

Articles of association

- 4.2 The Articles which were adopted pursuant to a written resolution of the Company passed on 21 November 2007 contain provisions, *inter alia*, in respect of the Ordinary Shares, general meetings of the Company and the Directors to the following effect:

4.2.1 *Voting rights*

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 793 of the Companies Act 2006, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

4.2.2 *Major shareholders*

Nothing in the Articles confers on major shareholders in the Company any voting rights which are different to those conferred on the holders of Ordinary Shares as described in paragraph 4.2.1 above.

Holders of 3 per cent. or more of the nominal value of the Company’s share capital are required to notify their interest in writing to the Company. To the extent that persons who already hold at least 3 per cent. or more of the nominal value of the Company’s share capital increase or decrease their holding; section 792 of the Companies Act 2006 requires that this is also notified to the Company by the Shareholder.

Pursuant to section 793 of the Companies Act 2006, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company’s issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case and where that person holds, or has during that time held an interest in shares to comprised, to give such further information as may be required in accordance with section 793 (3),(4) and (6) of the Companies Act 2006.

4.2.3 *General meetings*

An annual general meeting shall be held once a year, within 15 months of the previous annual general meeting.

Subject to a member’s right to requisition a general meeting pursuant to section 303 of the Companies Act 2006, general meetings of the Company are convened at the discretion of the

Board, and with the exception of the annual general meeting, all such general meetings of the Company shall be general meetings.

If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum for a meeting of the Directors, any Director or any two members of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the Directors and the Company at such a meeting shall have the power to elect Directors.

An annual general meeting, shall be called by at least 21 clear days' notice in writing. Any other extraordinary general meeting shall be called by at least 14 clear days' notice to the Company. Notice may be via a website where the member agrees and is informed that the notice has been published on the web site, the address of which is known to him. Notice shall be given to all members and the Directors and the auditors.

Every notice calling a general meeting shall specify the place, day and hour of the meeting. Every notice must include a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

A general meeting may be called by shorter notice if it is agreed: (i) in the case of an annual general meeting, by all the members entitled to attend and vote; and (ii) in the case of an extraordinary general meeting, by a majority in the number of the members having a right to attend and vote, being a majority together holding at least 95 per cent. in nominal value of the shares giving that right.

4.2.4 *Alteration of capital*

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may by ordinary resolution cancel any shares which have not been taken (or are subject to agreement to take) and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

The Company may, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including redeemable shares).

4.2.5 *Variation of rights*

Subject to the Act, and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting two persons present in person or by proxy who are holders of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

4.2.6 *Redemption*

The Company may, by special resolution and subject to the Statutes, create shares which are liable to be redeemed.

4.2.7 *Conversion*

The Company may, by ordinary resolution and subject to the Statutes, convert all or any of its fully paid up shares into stock of the same class and denomination and reconvert such stock into fully paid up shares of the same class and denomination.

4.2.8 *Distribution of assets on a winding up*

In the event of liquidation of the Company the holders of shares are entitled *pari passu* to any surplus dividends. A liquidator may, with the sanction of an extraordinary resolution and after deduction of any provision made under section 187 of the Insolvency Act 1986 and section 719 of the Companies Act 2006, divide the assets among the members in specie.

4.2.9 *Transfer of shares*

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the Directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Company's register of members.

The Directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 793 of the Companies Act 2006, then the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the Directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

4.2.10 *Dividends and other distributions*

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the Directors. The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie.

The Directors may, with the sanction of an ordinary resolution, offer the Shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution. The directors may also, with the sanction of an ordinary resolution, offer to pay any dividend in part or whole by the distribution of specific assets (including, without limitation, paid up shares or debentures of any other company).

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 793 of the 2006 Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

No dividend or other moneys payable by the Company in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

4.2.11 *Borrowing powers*

Subject to the provisions of the Act and as provided in the Articles, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any subsidiary undertaking of the Company or any third party. The Directors shall restrict the borrowings of the Company and the borrowings of any other companies within the group so as to secure that the aggregate amount for the time being outstanding (after adjustments provided for in the Articles) at any one time owing by the group in respect of monies borrowed, determined in accordance with the Articles, shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to £50,000,000.

4.2.12 *Constitution of board of directors*

The minimum number of directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall be six. No Shareholder qualification is required of any director.

4.2.13 *Retirement of directors by rotation*

At every annual general meeting of the Company one third of the Directors or the number nearest to but not exceeding one third shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will (unless they otherwise agree) be determined by lot.

4.2.14 *Remuneration of directors*

The fees to be paid to the Directors shall be determined by the remuneration committee of the Company from time to time.

Each Director may also be paid all reasonable travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the Directors of the Company or otherwise in the discharge of his duties as a director provided that the cost of any aeroplane travel shall not exceed the cost of "Business Class" tickets. Any Director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the directors determine.

4.2.15 *Permitted interests of directors*

Subject to the provisions of the Statutes, a Director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided and any Director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the director holding that office or of the fiduciary relationship thereby established.

A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act in a professional capacity for the Company (other than as auditor) on such terms as remuneration or otherwise as the Directors may determine. Any such remuneration shall be in addition to any remuneration provided for by any other provision of the Articles.

4.2.16 *Restrictions on voting by directors*

Save as provided below, a Director shall not vote on or in respect of any 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 or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning a placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (d) any proposal concerning any other company in which is interested, directly or indirectly provided that he (together with any persons connected (within the meaning of section 252 of the Companies Act 2006) with him) is not the holder of or interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or voting rights;
- (e) any arrangement for the benefit of employees of the Company and its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (f) any contract for the purchase or maintenance of insurance against any liability of any Directors.

4.3 *Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares*

4.3.1 *Mandatory bid*

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

4.3.2 *Squeeze-out*

Under the Companies Act 2006, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

4.3.3 *Sell-out*

The Companies Act 2006 would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5 Directors' Interests

5.1 The following persons are directors of the Company:

John McArthur (*Chief Executive Officer*)
Dr Raymond Kwan (*Chief Technical Officer*)

5.2 The following persons have been appointed as directors conditional on the completion of the Proposals:

Darren Bamforth (*Financial Director*)
Charles Winward (*Non-Executive Director*)
John Nelson (*Non-Executive Director*)
Rodney Jones (*Non-Executive Chairman*)

5.3 The business address of all of the Directors will be Leeds Innovation Centre, 103 Clarendon Road, Leeds, West Yorkshire LS2 9DF.

5.4 The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at 20 November 2007 (being the latest practicable business day prior to the date of this document) or which are interests of persons connected with the Director within the meaning of section 252 of the Companies Act 2006, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director are:

<i>Shareholder</i>	<i>Current number of Ordinary Shares</i>	<i>Current % of Existing Share Capital</i>	<i>Following Admission Number of Ordinary Shares</i>	<i>Following Admission % of Enlarged Share Capital</i>
John McArthur	932,250	7.46	932,250	5.33
Dr Raymond Kwan	2,875,850*	23.00*	2,875,850*	16.43*
Darren Bamforth	124,300**	0.99**	124,300**	0.71**
Charles Winward	56,500***	0.45***	56,500***	0.32***
John Nelson	Nil	Nil	Nil	Nil
Rodney Jones	Nil	Nil	Nil	Nil

* This number represents the aggregate of 2,649,850 Ordinary Shares registered in the name of Dr Raymond Kwan and 226,000 Ordinary Shares registered in the name of his wife Dr Ann Kwan.

** This number represents the aggregate of 124,300 Ordinary Shares registered in the name of Atraxa Investments Limited, a company in which Mr. Bamforth is interested.

*** This number represents the aggregate of 56,500 Ordinary Shares, registered in the name of IP21PO Nominees Limited for which Mr Winward has a beneficial interest. Mr. Winward is also a limited partner in IP Venture Fund.

5.5 The Company granted options in respect of new Ordinary Shares to John Nelson, Rodney Jones and Charles Winward upon Admission. The exercise price of the Ordinary Shares will be the same as the Placing Price. The options will be granted on terms that the optionholder agrees to be responsible for all tax arising in respect of the exercise of the options, including employers' National Insurance Contributions. There are no conditions attaching to the exercise of the options. The options granted are as follows:

<i>Name</i>	<i>No of Ordinary Shares</i>	<i>Exercise Period</i>
John Nelson	1% of Enlarged Share Capital on Admission	From 1st anniversary of Admission to 10th anniversary of Admission.
Rodney Jones	1.5% of Enlarged Share Capital on Admission	From 1st anniversary of Admission to 10th anniversary of Admission
Charles Winward	0.5% of Enlarged Share Capital on Admission	From 1st anniversary of Admission to 10th anniversary of Admission

Copies of the option agreements are available for inspection at the offices of the Company at Leeds Innovation Centre, 103 Clarendon Road, Leeds, West Yorkshire LS2 LDF.

- 5.6 In respect of each Director, there are no conflicts of interest between any duties they have to the Company and the private interests and/or other duties they may also have.
- 5.7 There are no outstanding loans granted by the Company to the Directors or any guarantees provided by the Company for the benefit of the Directors.
- 5.8 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

6 Significant shareholders

- 6.1 Insofar as is known to the Company and in addition to the interests of the Directors disclosed in paragraph 5.4 and 5.5 above, the following persons are, at the date of this document and, are expected, following Admission, to be interested directly or indirectly in 3 per cent. or more of the Enlarged Share Capital:

<i>Shareholder</i>	<i>Current number of Ordinary Shares</i>	<i>Current % of Existing Share Capital</i>	<i>Following Admission Number of Ordinary Shares</i>	<i>Following Admission % of Enlarged Share Capital</i>
Techtran Group Limited*	3,655,550	29.24	3,655,550	20.88
IP2IPO Nominees*	926,600	7.41	926,600	5.29
IP Venture Fund*	395,500	3.16	1,645,500	9.40
The University of Leeds Partnership Investment Equity Fund Limited	3,390,000	27.11	3,390,000	19.37
Unicorn Asset Management Limited	Nil	Nil	1,875,000	10.71
	Nil	Nil	1,500,000	8.57

* Techtran Group Limited and IP2IPO Nominees Limited are wholly owned subsidiaries of IP Group plc. IP Group plc is a limited partner in IP Venture Fund, which is managed by an IP Group plc company.

- 6.2 None of the Company's major holders of Ordinary Shares listed above has voting rights different from the other holders of Ordinary Shares.
- 6.3 Save as disclosed in paragraph 5 above and this paragraph 6, and, insofar as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, is or will be interested (within the meaning of the Companies Act 2006) directly or indirectly in 3 per cent. or more of the issued Ordinary Share capital of the Company.
- 6.4 Save as disclosed in paragraph 5 above and in this paragraph 6 and, insofar as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, will (directly or indirectly) exercise or could exercise control over the Company.

7 Additional information on the Directors

- 7.1 The Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Past</i>
John McArthur	None	None
Dr Raymond Kwan	None	None
Darren Bamforth	Atraxa Consulting Limited Atraxa Investments Limited Syntopix Limited Syntopix Group plc Turner Bamforth LLP	Bombsite Productions Limited Flexisols Limited Turner Brothers (Huddersfield) Limited
Charles Winward	7 Lupus Street Management Limited IP Venture Fund (GP) Limited	None

<i>Director</i>	<i>Current</i>	<i>Past</i>
John Nelson	First Class Partnerships Limited Hull Trains Company Limited Renaissance Trains Limited Wrexham Shropshire & Marylebone Railway Company Limited WSMR (Holdings) Limited Yourrail Limited	First Class Insight Limited Laing Rail Limited M40 Trains Limited South Eastern Trains (Holdings) Limited
Rodney Jones	Acsian Limited Alito Limited Alito (UK) Limited Get Real Systems Limited Proactis Group Limited Proactis Limited Proactis Overseas Limited Proactis Holdings plc Requisoft plc	Nirvana Limited PPS Technology Limited Purtech Limited

7.2 None of the Directors has:

- 7.2.1 any unspent convictions in relation to indictable offences;
- 7.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 7.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
- 7.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 7.2.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 7.2.6 been officially publicly criticised incriminated or sanctioned by any statutory or regulatory authorities (including designated professional bodies); or
- 7.2.7 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of a company in the five years preceding the date of this document.

7.3 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

8 Directors' Remuneration and Service Agreements

8.1 The aggregate remuneration and benefits in kind of the Directors of the Company in respect of the financial year ended 31 July 2007 was £95,000 comprising emoluments of £95,000. There were no surplus profit bonuses paid to the Directors in the year ended 31 July 2007.

8.2 John McArthur entered into a service agreement with the Company dated 21 November 2007. This agreement confirms his appointment as Chief Executive Officer. The agreement can be terminated on six months' notice in writing by either party. He is entitled to a salary of £90,000 per annum (to include any remuneration payable to him as a director of the Company). The agreement includes usual covenants prohibiting John McArthur from soliciting business, employees or customers of the Company for a period of 12 months following termination.

- 8.3 Raymond Kwan entered into a service agreement with the Company dated 21 November 2007. This agreement confirms his appointment as Chief Technical Officer. The agreement can be terminated on three months' notice in writing by either party. He works on a part time basis and is required to spend at least five days per month working for the Company. He is entitled to a salary of £30,000 per annum. The agreement includes usual covenants prohibiting Raymond Kwan from soliciting business, employees or customers of the Company for a period of 12 months following termination.
- 8.4 Darren Bamforth entered into a letter of appointment with the Company dated 21 November 2007. This agreement confirms his appointment as Financial Director. The agreement can be terminated on three months' notice in writing by either party. He is entitled to a fee of £12,000 per annum.
- 8.5 Charles Winward signed a letter of appointment from the Company dated 21 November 2007. This agreement confirms his appointment as Non-Executive Director for an initial period of 12 months and such appointment can be terminated thereafter on three months' notice in writing by either party. He is entitled to a fee of £12,000 per annum.
- 8.5 John Nelson signed a letter of appointment from the Company dated 21 November 2007. This agreement confirms his appointment as Non-Executive Director for an initial period of 12 months and such appointment can be terminated thereafter on three months' notice in writing by either party. He is entitled to a fee of £12,000 per annum.
- 8.6 Rodney Jones signed a letter of appointment from the Company dated 21 November. This agreement confirms his appointment as Non-Executive Chairman of the Company for an initial period of 12 months and such appointment can be terminated thereafter on three months' notice in writing by either party. He is entitled to a fee of £15,000 per annum.
- 8.7 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.
- 8.8 The amounts payable to Directors of the Company under the arrangements in force at the date of this document in respect of year ending 31 July 2008 are estimated to be £171,000.
- 8.9 Save as disclosed in this paragraph 8 there are no existing or proposed service or consultancy agreements between any director and the Company.
- 8.10 The Directors receive no Ordinary Shares or Options over Ordinary Shares in lieu of remuneration or as any form of compensation. The share option grants disclosed in paragraph 12 of this Part IV are made in addition to the remuneration packages disclosed above.
- 8.11 Other than disclosed in this paragraph 8, the Company is not party to any service contract with any of the Company's senior management which provides for benefits on the termination of any such arrangement.
- 8.12 No Director has any accrued pension benefits owing to him by the Company.
- 8.13 Following Admission bonuses may be paid to the Directors and employees of the Company at the discretion of the remuneration committee, constituted by the Company from time to time. There are no contractual rights to such bonuses.

9 Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two years immediately preceding the date of this document and are, or may be, material or are, or may, contain provisions under which any member of the Company has an obligation or entitlement which is material to the Company:

- 9.1 The Placing Agreement, further details of which are contained in paragraph 17 of this Part IV.
- 9.2 An agreement dated 18 July 2007 made between (1) the Company and (2) HW Corporate Finance, whereby HW Corporate Finance have agreed to act as reporting accountants in connection with the proposed application for Admission.
- 9.3 A warrant deed dated 21 November 2007 made by the Company pursuant to which the Company has agreed, conditional upon Admission, to grant the Zeus Capital Warrants to Zeus Capital. The warrant deed permits subscription for 525,104 Ordinary Shares, representing 3 per cent of the Enlarged Share Capital on Admission, at the Placing Price, in whole or in part, at any time from Admission to the 10th anniversary of Admission.

- 9.4 A shareholders admission deed dated 21 November 2007, made between the Company and the Existing Shareholders which relates to a Shareholders Agreement dated 15 April 2005 referred to in paragraph 9.11 below and terminates any rights or obligations relating to it.
- 9.5 A deed of assignment dated 21 November 2007 made between (1) the University and (2) the Company, whereby the University assigns to the Company all its copyright and related rights (including all know how and background IPR) in and to the Tracsis Software and BOOST (the “Rights”). The assignment of the Rights under the agreement is conditional upon Admission. Under the terms of the assignment, the University also assigns and licences to the Company all its rights in the ZIP Code which is used in the Tracsis Software but which pre-existed the development of the Tracsis Software but only assigns such rights so far as it is able and in default sub-licences the same to the Company. The assignment also includes the granting by the Company of a non-exclusive licence back to the University to use the know how and background IPR for (i) teaching, research and academic purposes. The assignment includes a warranty that save in relation to the allegations made by the Third Party Purchaser alleging that certain aspects of the Tracsis Software and BOOST incorporated elements of Busman, the University has not received any claim or notification that the Tracsis Software or BOOST breaches the intellectual property rights of a third party.
- 9.6 A licence termination agreement dated 21 November 2007 made between (1) the University, (2) ULIP, (3) ULIS and (4) the Company. The agreement terminates and revokes the following exclusive intellectual property licences: (i) between the University and ULIS, dated 22 May 1997 pursuant to which ULIS was granted a licence to commercially exploit the Tracsis Software and BOOST; (ii) between the University and ULIP, dated 1 March 2004 pursuant to which ULIP was granted a licence to commercially exploit the Tracsis Software and BOOST; and (iii) between ULIP and the Company, dated 28 June 2005 pursuant to which ULIP granted the Company a licence to commercially exploit the Tracsis Software and BOOST. The agreement provides that upon termination of all of the foregoing licence agreements, the Company shall assume responsibility for performing any and all continuing obligations that exist or arise thereafter. Under the terms of the licence termination agreement, ULIS also assigns and licences to the Company all its rights in the ZIP Code which is used in the Tracsis Software but which pre-existed the development of the Tracsis Software but only assigns such rights so far as it is able and in default sub-licences the same to the Company.
- 9.7 A lock in and orderly market agreement whereby the Restricted Shareholders have agreed to lock-in arrangements under which the Restricted Shareholders agree, save as set out below, not to dispose of any interest in Ordinary Shares held by them for a period of 12 months from Admission, except in limited circumstances. The agreement also provides that the Ordinary Shares held by the Restricted Shareholders will be effected through the Company’s broker on a best price and execution basis for a further 12 months.

The circumstances in which the lock-in arrangements will not apply are as follows:

- (i) in acceptance of a general offer made to the Company’s Shareholders to acquire all of the Ordinary Shares;
 - (ii) for a disposal by the personal representatives of the Restricted Shareholders if any of them shall die during the period of such restrictions;
 - (iii) in the event of an intervening Court Order; and
 - (iv) in the case of a disposal pursuant to any compromise or arrangement under Section 425 of the Act.
- 9.8 Loan Agreements entered into by the Company with Andrew Schwarz and Yiyu Chen dated 21 November 2007. Under the terms of the loan agreements the Company loaned the sum of £5,000 respectively to Andrew Schwarz and Yiyu Chen to enable them to exercise their options prior to Admission as described in paragraph 3.4 of this Part IV. In each case the loans are repayable on any sale of such shares, if the borrower ceases to work for the Company and otherwise on demand.
- 9.9 A deed of waiver dated 20 August 2007 between (1) Anthony Wren and (2) the Company pursuant to which Anthony Wren waived any entitlement relating to future revenues pursuant to the assignment referred to in paragraph 9.12 below in consideration for the sum of £12,500.
- 9.10 An agreement dated 8 June 2007 made between (1) the Company and (2) Zeus Capital, whereby Zeus Capital has agreed to be act as nominated adviser and broker to the Company on an exclusive basis. Zeus Capital is to receive by way of commission, a success fee of 5 per cent. of the total monies raised under the Placing except for any monies committed to the Placing by IP Venture Fund, upon which, Zeus Capital is to receive by way of commission, a success fee of 2 per cent. of these monies raised under the Placing and a transaction fee payable on Admission of £120,000. In addition, Zeus Capital shall also be

entitled to receive a warrant to subscribe for Ordinary Shares representing 3 per cent of the Enlarged Share Capital on Admission, exercisable at the Placing Price at any time up to 10 years from the date of Admission. The agreement continues for an initial period of 12 months but can thereafter be terminated on 3 months' notice by either party.

- 9.11 A shareholder agreement relating to the Company date 15 April 2005 made between (1) the Company and (2) certain of the Existing Shareholders. This agreement has been terminated on Admission pursuant to the agreement referred to in paragraph 9.4 above;
- 9.12 An assignment agreement dated 25 May 2004 made between (1) Anthony Wren and (2) the Company pursuant to which Anthony Wren assigned all royalty rights relating to the Tracsis Software to the Company in exchange for a cash sum based on profits and a consultancy fee of £2,500 per annum for life. Anthony Wren has since waived any entitlement under the assignment pursuant to the deed of waiver referred to in a paragraph 9.9 above;
- 9.13 An assignment agreement dated 25 May 2004 made between (1) the Company and (2) Les Proll pursuant to which Les Proll assigned all royalty rights relating to the Tracsis Software to the Company in exchange for shares in the Company. Les Proll has since sold his shares in the Company; and
- 9.14 An assignment agreement dated 25 May 2004 made between (1) the Company and (2) Raymond Kwan pursuant to which Raymond Kwan assigned all royalty rights relating to the Tracsis Software to the Company in exchange for shares in the Company executed by RK;

10 Corporate Governance

- 10.1 The Directors support high standards of corporate governance and confirm that, following Admission, they will comply, so far as is practicable and taking into account the Company's size and nature, with the provisions of the Quoted Companies Alliance for AIM Companies published in 2005. Audit, remuneration and nomination committees have been established to operate with effect from Admission.

10.2 Audit committee

The audit committee's primary responsibilities are to monitor the financial affairs of the Company, to ensure that the financial performance of the Company and any subsidiary of the Company is properly measured and reported on, and to review reports from the Company's auditors relating to the accounting and internal controls. The audit committee will comprise, on Admission, Rodney Jones, who will act as chairman of the committee, and the Non-Executive Directors.

10.3 Remuneration Committee

The remuneration committee's primary responsibilities are to review the performance of the Executive Directors and to determine the terms and conditions of service of senior management and any Executive Director appointed to the Board (including the remuneration of and grant of options to such person under any share scheme adopted by the Company). The remuneration committee will comprise, on Admission, Rodney Jones, who will act as chairman of the committee, and the Non-Executive Directors.

10.4 Nomination Committee

The nomination committee's primary responsibilities are to make recommendations to the Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters. The nomination committee will comprise, on Admission, Rodney Jones, who will act as chairman of the committee, and the Non-Executive Directors.

- 10.5 Tracsis will ensure, in accordance with Rule 21 of the AIM Rules, that the Directors and applicable employees do not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by the Directors and applicable employees.

11 United Kingdom taxation

11.1 General

The statements set out below are intended only as a general guide to current UK tax law and practice and apply only to certain categories of persons resident in the UK for tax purposes (UK Residents). This summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares and does not address the position of persons who are not UK Residents unless

specifically referred to. This summary is based upon UK law and HMRC published practice in effect as of the date of this document which may be subject to change, perhaps with retrospective effect. The statements do not cover all aspects of UK taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Ordinary Shares by particular investors. The statements are not applicable to all categories of Shareholders, and in particular are not addressed to: (i) Shareholders who do not hold their Ordinary Shares as capital assets; (ii) Shareholders who are not the beneficial owners of the Ordinary Shares; (iii) special classes of Shareholders such as dealers in securities or currencies, broker-dealers, investment companies, or collective investment schemes or tax-exempt organisations; (iv) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a permanent establishment branch or agency or otherwise); or (v) Shareholders who hold shares as employees.

The statements set out below are based on the current tax legislation at 20 November 2007.

Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers concerning the consequences under UK tax laws of the acquisition, ownership and disposition of Ordinary Shares. No representation with respect to the tax consequences to any particular Shareholder is made below.

11.2 *Taxation of dividends*

No tax will be withheld by the Company when it pays a dividend.

A UK resident individual shareholder who receives a qualifying distribution from a company will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The lower rate of income tax on dividend income is currently 10 per cent.

An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 22 per cent.) will have no income tax to pay in respect of the dividend.

The higher rate of income tax on dividends is currently 32.5 per cent. This means that a Shareholder who is a higher rate taxpayer (currently 40 per cent.) will have further income tax to pay at a rate of 22.5 per cent. of the cash dividend paid plus the related tax credit (or 25 per cent. of the net dividend). For example, a dividend of £90 will carry a tax credit of £10. The income tax payable by a higher rate taxpayer would be 32.5 per cent. of £100, namely £32.50 less the tax credit of £10 leaving a net tax liability of £22.50.

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals, are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HMRC.

A UK resident corporate Shareholder will not generally be liable to corporation tax on any dividend received from the Company and the dividend received and related tax credit will constitute franked investment income.

Where a Shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company a claim for payment of any part of the tax credit may depend, in general, on the provisions of any double taxation convention which exists between the Shareholder's country of residence and the UK. A non-UK resident Shareholder may also be subject to taxation in its country of residence on dividend income.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

11.3 *Taxation of capital gains*

For the purpose of UK tax on chargeable gains ("CGT") the acquisition of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding. If a Shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on the circumstances.

Companies are not entitled to taper relief but are due an indexation allowance which may also reduce the amount chargeable gain for corporation tax purposes.

Broadly, Shareholders who are not UK Resident should not be subject to UK CGT on the disposal of their Ordinary Shares unless they carry on a trade, profession or vocation in the UK through a branch or agency and have used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency. Shareholders who are not UK Residents may be subject to foreign taxation on any gain under local law. Special rules apply to disposals by individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom.

11.4 *UK stamp duty and stamp duty reserve tax (“SDRT”)*

Subject to what follows in relation to depositaries and clearance services, no liability to stamp duty or SDRT will arise on the issue of, or on the issue of definitive share certificates in respect of the Placing Shares being issued by the Company under the Placing.

The conveyance or transfer on sale of the Ordinary Shares outside the CREST system will be subject to *ad valorem* stamp duty on the instrument of transfer ordinarily at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the nearest £5). Stamp duty is normally the liability of the purchaser or transferee of the shares transferred. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of such an agreement, an instrument of transfer is executed and duly stamped for stamp duty, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser or transferee of the shares transferred.

Where Ordinary Shares are issued or transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue to such persons, the issue price of the Ordinary Shares. Under certain circumstances, it is possible for persons providing clearance services to opt for the normal rates of stamp duty and SDRT to apply to an issue or transfer of shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of the shares into the clearance system and the exemption applying for dealings in the shares whilst in the system.

Under the CREST system, deposits of Ordinary Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount of value of the consideration. Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount of value of the consideration. CREST is obliged to collect SDRT from the purchaser of the Ordinary Shares on relevant transactions settled within the system.

The sale of the Existing Ordinary Shares by the Existing Shareholders will give rise to a liability to stamp duty and/or SDRT as explained above. Pursuant to the terms of the Underwriting Agreement certain Existing Shareholders have agreed to meet the liability to stamp duty of purchasers of Existing Ordinary Shares which will arise on such initial sale, at no more than the rate of 0.5 per cent of the Placing Price. These arrangements to meet liabilities will not apply to any charge to stamp duty or SDRT under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where the transferee is, or is a nominee for, either a person whose business is or includes the issuing of depositary receipts or a person whose business is or includes the provision of clearance services for the purchase and sale of chargeable securities).

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

THE STATEMENTS IN THESE PARAGRAPHS SUMMARISE THE CURRENT POSITION AND ARE INTENDED AS A GENERAL GUIDE ONLY. SPECIAL RULES APPLY TO CERTAIN CATEGORIES OF PERSON INCLUDING INTERMEDIARIES AND PERSONS CONNECTED WITH DEPOSITORY ARRANGEMENTS AND CLEARANCE SERVICES. IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION YOU SHOULD CONSULT AN ADVISOR IMMEDIATELY.

12 Employee Options

The Directors recognise the importance of ensuring that employees of the Company are well motivated and identify closely with the success of the Company. To achieve this goal, the Company has established the Option Scheme. John Nelson will be granted an Option to acquire Shares representing 1 per cent. of the Enlarged Share Capital on Admission. Rodney Jones will be granted an Option to acquire Shares representing 1.5 per cent. of the Enlarged Share Capital on Admission and Charles Winward will be granted an Option to acquire Shares representing 0.5 per cent. of the Enlarged Share Capital on Admission (“Directors Options”). Terms of the Directors Options are as follows:

1. exercise shall be subject to the usual “good leaver/bad leaver” provisions with the Board using its discretion to allow exercise in the event of death or permanent disability;
2. exercise shall be permissible from the first anniversary of the date of grant and at any time thereafter prior to the tenth anniversary so long as the option holder is an officer or employee of the Company;
3. exercise is not subject to any performance conditions;
4. early exercise prior to the first anniversary of the date of grant may be permissible in the event of a change of control of the Company subject to any conditions the Board may impose;
5. on exercise of the Option the option holders will be responsible for income tax and NIC arising on the exercise (including both employee’s and employer’s NIC) and in respect of which the option holders will be required to indemnify the Company;
6. “orderly market” provisions will apply in respect of any sale of Shares following exercise of the Option, including such sale prior to the second anniversary of the date of grant to be effected through the Company’s broker at that time.

It is intended that Employee Options will be granted in the future following Admission to qualifying employees and directors, including where appropriate EMI Options. The number of Shares pursuant to Employee Options granted under the Option Scheme and under any other scheme whereby the Company shall grant options over its Shares to employees or directors shall not exceed 10% of the issued Shares from time to time following Admission. Further details of the Option Scheme are set out below.

Option Scheme

A summary of the terms of Employee Options intended to be granted in future is set out as follows:

The conditions of Schedule 5 ITEPA (“Schedule 5”) are intended to be met under the terms of the Options granted including in relation to:

- a. the working time requirements;
- b. the option holder not having a material interest in the Company;
- c. the requirement to file the relevant notice to HMRC within 92 days of the date of grant;
- d. the market value of the shares under EMI Option not exceeding £100,000;

In the event the Schedule 5 criteria is not or cannot be met, the Employee’s Option shall be an unapproved option for tax purposes.

The Company shall not be liable for any income tax and national insurance contribution (“NIC”) arising on the exercise of any Employee Option or any subsequent disposal of the Ordinary Shares (and in respect of which the option holder shall have indemnified the Company) and the option holder shall bear the cost of the employer’s NIC on any gain realised on the exercise, assignment or release of the Employee Option.

The grants of the Employee Option shall not form part of an option holder's entitlement to remuneration or benefits under his contract of employment and the option holder shall not be entitled to compensation for any loss which he may suffer by being unable to exercise the EMI Option due to termination of his employment.

The Directors shall have complete discretion to set the terms of exercise of any Employee Option, including performance conditions and vesting terms. They shall also have discretion to set the exercise price but which shall normally be set at market value save in exceptional circumstances.

The lapsing provisions include the following events;

- a. the day prior to the tenth anniversary of the date of grant or the end of the exercise period whichever is earlier;
- b. the termination of the employment of the option holder with the Company, save under good leaver provisions;
- c. following a change of control of the Company subject to certain provisions;
- d. the Company goes into liquidation;
- e. if the Employee Option is transferred or assigned, mortgaged, charged or otherwise disposed of by the option holder;
- f. the option holder being adjudged bankrupt or an interim order is made because he intends to propose a voluntary arrangement to his creditors under the Insolvency act 1986.

If the ordinary share capital of the Company is varied by way of capitalisation, rights issue, sub-division, consolidation or reduction, or there is a declared a special dividend or there occurs a demerger or any other event which might affect the value of the Employee Option the Directors shall adjust the terms of the Employee Option in respect of the number of Ordinary Shares and the exercise price to ensure that the value of the Employee Option is not increased or decreased.

The Option agreement relating to the Option may be altered by the option holder and the Company in writing under deed in any respect.

13 Working capital

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing and the existing facilities available to the Company, the Company has sufficient working capital for its present requirements, that is at least 12 months from Admission.

14 Environmental issues

The Company is not aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Company.

15 Litigation

Details of allegations made by a third party in relation to the Tracsis Software and BOOST are set out in the paragraph headed "Intellectual Property Information" in Part I of this document and the paragraph headed "History of intellectual property and associated risk factors" in Part II of this document.

Save as disclosed, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) in which the Company is involved by or against the Company which may have or have had in the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability.

16 Significant change

Save as disclosed in the paragraph headed "Current Trading and Prospects" in Part I of this document and in relation to the capitalisation of the sum of £49,991.67 standing to the credit of the profit and loss account of the Company to pay up 19,917 ordinary shares at 1p and 497,925 ordinary shares at 10p as described in paragraph 3.5 and 3.6 of this Part IV, there has been no significant change in the financial or trading position of the Company since 31 July 2007, being the date on which the Company's latest audited accounts were prepared.

17 Arrangements relating to the Placing

Pursuant to the Placing Agreement, Zeus Capital has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Under the Placing Agreement:

- 17.1 the Company has agreed to pay commission equal to 5 per cent. of the proceeds of the Placing (plus any applicable VAT) except any monies committed to the Placing by IP Venture Fund, upon which the Company has agreed to pay commission of 2 per cent. to Zeus Capital together with a corporate advisory fee of £120,000;
- 17.2 the Company has agreed to pay all other costs and expenses of the Placing and related arrangements together with VAT on all such costs and expenses;
- 17.3 the Company and the Directors have given certain customary warranties and indemnities as to the accuracy of the information in this document and as to other matters in relation to the Company and its business including warranties as to the Company's IP.

18 Related party transactions

Save as set out below and in paragraph 21 of the Financial Information section in Part III of this document, the Company is not a party to any related party transaction. None of the related party transactions referred to in this paragraph are considered material in the context of the Proposals or in the context of the turnover of the Company in the relevant periods.

Darren Bamforth is a director of Atraxa Consulting Limited which provides accountancy services to the Company on an arms length basis in its normal course of business. The amount charged by Atraxa to the Company for accountancy services in the year ended 31 July 2007 was £8,741 including VAT. Following Admission, the provision of services will include the services, on a part time basis, of Darren Bamforth as Chief Finance Officer to the Company, for an annual salary of £12,000 and Atraxa will continue to provide ongoing accountancy services.

The Company occupies the property known as Suite 4, Leeds Innovation Centre, 103 Clarendon Way, Leeds, West Yorkshire LS2 9DF in accordance with a lease dated 22 February 2006 between the Company and Leeds Innovation Centre Limited. The term of the lease is two years from 22 February 2006. The current monthly rent is £1,731 plus VAT and there are no rent review provisions.

19 General

- 19.1 It is estimated that the total expenses payable by the Company in connection with the Proposals will amount to approximately £371,000 (excluding VAT).
- 19.2 Zeus Capital has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 19.3 HW Corporate Finance has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in respect of Part III in the form and context in which they appear.
- 19.4 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business. Further Intellectual Property details can be found in Part I of this document.
- 19.5 There have been no interruptions in the business of the Company, nor are there any significant recent trends, which may have or have had in the 12 months preceding the publication of this document a significant effect on the financial position of the Company or which are likely to have a material effect on the prospects of the Company for the next 12 months.
- 19.6 The Placing Price represents a premium of 39.6 pence over the nominal value of 0.4 pence per Ordinary Share. The premium arising on the Placing amounts to approximately £1,980,000 in aggregate.
- 19.7 The Ordinary Shares are in registered form. No temporary documents of title will be issued.
- 19.8 Save as disclosed in this document there have been no payments by the Company to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.

- 19.9 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 19.9.1 received, directly or indirectly from the Company within the 12 months preceding the date of this document; or
- 19.9.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company, on or after Admission, any of the following:
- fees totalling £10,000 or more;
 - securities of the Company where these have a value of £10,000 or more calculated by reference;
 - any other benefit with the value of £10,000 or more at the date of this document.
- 19.10 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 19.11 Save as disclosed in this document, there are no investments in progress which are significant to the Company.
- 19.12 The financial information contained in Part III of this document does not constitute statutory accounts within the meaning of section 240 of the Act. Copies of the audited accounts of the Company for the three years ended 31 July 2005, 2006 and 2007 has been delivered to the Registrar of Companies in England and Wales. The auditors report on those accounts was unqualified and did not contain any statement under section 237 of the Act. The Company's current auditors HW Chartered Accountants, Chartered Accountants and Registered Auditors, audited the Company's financial statements for each of the three years ended 31 July 2007 upon which unqualified audit opinions have been given.
- 19.13 This document does not constitute an offer to sell, or the solicitation of an offer to acquire, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful. The Ordinary Shares have not been, and will not be, registered under the US Securities Act or under the applicable securities laws of any state of the United States, any province or territory of Canada, Japan, South Africa, Australia or the Republic of Ireland and may not be sold, directly or indirectly, within the United States, Australia, Canada, Japan, the Republic of Ireland or their respective territories or to any citizen, national or resident of those places.
- 19.14 This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including such terms as "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "may", "will", "would" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not matters of fact. They appear in a number of places throughout this document and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation: conditions in the markets, the market position of the Company, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the AIM Rules or other legal or regulatory requirements, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward looking statements, which speak only as of the date of this document.

20 Documents available for inspection

Copies of the following documents may be inspected at the Registered Office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until one month following Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of the Company for the three financial years ended 31 July 2005, 2006 and 2007;
- (c) the consent letters referred to in paragraph 19 above;
- (d) the accountant's report from HW Corporate Finance set out in Part III of this document; and
- (e) this document.

Dated 22 November 2007

