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If you have sold or otherwise transferred all of your registered holding of Existing Ordinary Shares, please send this document, together with the accompanying Form of Proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred part of your registered holding of Existing Ordinary Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer is/was effected.

This document comprises a circular prepared in accordance with the Listing Rules in connection with the Acquisition and an AIM admission document prepared in accordance with the AIM Rules in connection with the admission of the Enlarged Share Capital to trading on AIM. This document does not constitute a prospectus pursuant to the POS Regulations and, accordingly, has not been, and will not be, delivered to the Registrar of Companies in England and Wales for registration under Regulation 4(2) of the POS Regulations. This document does not constitute an offer to the public within the meaning of Schedule 11 to FSMA, the Act, the POS Regulations or otherwise. No New Ordinary Shares are being made available to the public.

The Existing Ordinary Shares are admitted to the Official List and traded on the London Stock Exchange's main market for listed securities. In connection with the Proposals, application has been made for the Existing Ordinary Shares to be delisted from the Official List and for the Enlarged Share Capital to be admitted to trading on AIM. Until such admission to AIM, the Existing Ordinary Shares will continue to be listed on the Official List and traded on the London Stock Exchange's main market for listed securities. 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. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser.

The London Stock Exchange has not itself examined or approved the contents of this document.

Durlacher Corporation Plc

(Incorporated in England and Wales with registered number 2700769)

Acquisition of Panmure Gordon & Co., Limited

Establishment of the New Employee Benefit Trust, subscription by the trustees of the New Employee Benefit Trust for 18,521,295 new Ordinary Shares at par, adoption of a related employee share option plan, adoption of the Performance Share Option Plan and the UKPG Option and amendments to the Existing Share Option Plans

Approval of waivers under Rule 9 of The City Code on Takeovers and Mergers

Admission to AIM and de-listing from the Official List

Notice of Extraordinary General Meeting

Change of name to Panmure Gordon & Co. plc

Sponsor and Nominated Adviser: Hawkpoint Partners Limited Broker: KBC Peel Hunt Limited

Expected ordinary share capital immediately following Admission

Authorised		Issued and fully paid		
Number	Amount	Number	Amount	
100,507,117	£4,020,284.68	ordinary shares of 4p each	56,436,616	£2,257,464.64

The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission save that the holders of those New Ordinary Shares which are Restricted Voting Ordinary Shares will not have the right to vote in a general meeting of the Company in respect of such shares pending satisfaction of one of a number of conditions described in paragraph 7 of Part I of this document.

Hawkpoint Partners Limited, which is Durlacher's nominated adviser for the purposes of the AIM Rules and sponsor for the purposes of the Listing Rules and is regulated in the United Kingdom by the Financial Services Authority, is acting for Durlacher and no-one else in connection with the Proposals and will not be responsible to anyone other than Durlacher for providing the protections afforded to customers of Hawkpoint Partners Limited, or for giving advice in relation to the Proposals or the contents of this document. The responsibilities of Hawkpoint Partners Limited as Durlacher's nominated adviser for the purposes of the AIM Rules are owed solely to the London Stock Exchange.

KBC Peel Hunt Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Durlacher and no-one else in connection with the Proposals and will not be responsible to anyone other than Durlacher for providing the protections afforded to customers of KBC Peel Hunt Limited, or for giving advice in relation to the Proposals or the contents of this document. No representation or warranty, express or implied, is made by KBC Peel Hunt Limited as to any of the contents of this document.

Notice of an Extraordinary General Meeting of the Company to be held at Moorgate Hall, 155 Moorgate, London EC2M 6XB at 10.00am on 22 April 2005 is set out at the end of this document. A Form of Proxy for use at the meeting is enclosed with this document which should be completed and returned to the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA as soon as possible and in any event so as to be received by no later than 10.00am on 20 April 2005. The completion and return of a Form of Proxy will not preclude Shareholders from attending the meeting and voting in person should they wish to do so.

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DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Acquisition”	the proposed acquisition by the Company of Panmure Gordon & Co. pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 24 March 2005 relating to the Acquisition, further details of which are set out in paragraph 3 of Part I and paragraph 8.1.1 of Part VIII of this document
“Adjusted Enlarged Share Capital”	the Enlarged Share Capital as increased by the Performance Option Shares
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing admission to, and the operation of, AIM
“Approved Share Option Plan”	the Durlacher Corporation Plc 2002 Approved Share Option Plan adopted by the Company on 25 October 2002, the rules of which are to be amended pursuant to the Proposals
“Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company at the date of this document
“City Code”	The City Code on Takeovers and Mergers
“Combined Code”	the Principles of Good Governance and Code of Best Practice appended to the Listing Rules
“Consideration Shares”	the Ordinary Consideration Shares and the Restricted Voting Ordinary Shares
“Co-operation Protocol”	the legally non-binding protocol to be entered into between the Company and Lazard immediately prior to Admission, further details of which are set out in paragraph 7 of Part I of this document
“Court”	the High Court of Justice in England and Wales
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Deferred Shares”	the deferred shares of 4p each in the capital of the Company
“Durlacher” or “the Company”	Durlacher Corporation Plc
“Durlacher Limited”	Durlacher Limited, a wholly-owned subsidiary of the Company regulated by the FSA and registered in England and Wales with number 1742592
“EBT Concert Party”	the New Employee Benefit Trust, members of the Recommendation Committee from time to time and the Existing Employee Benefit Trust

“EBT Concert Party Waiver”	the waiver by the Panel of the obligations which would otherwise arise under Rule 9 of the City Code for any member of the EBT Concert Party and parties acting in concert with them to make a general cash offer for the whole of the Company’s issued share capital
“Enlarged Group”	the Group as enlarged by the Acquisition
“Enlarged Share Capital”	the issued ordinary share capital of the Company on Admission as enlarged by the issue of the New Ordinary Shares (assuming no exercise of the Warrants, no exercise of options granted pursuant to the Existing Share Option Plans and no exercise of the Performance Options or the UKPG Option)
“Enlarged Voting Share Capital”	the Enlarged Share Capital excluding the Restricted Voting Ordinary Shares
“ESOP”	the Durlacher Corporation Plc 2005 Employee Share Option Plan
“ESOP Shares”	the 18,521,295 new Ordinary Shares to be subscribed for at par by the New Employee Benefit Trust pursuant to the Proposals
“Existing Employee Benefit Trust” or “EEBT”	the Durlacher Corporation Plc Employee Benefit Trust established on 5 June 2003
“Existing Optionholders”	holders of share options granted under the Existing Share Option Plans
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Existing Share Option Plans”	the Approved Share Option Plan and the Unapproved Share Option Plan
“Extraordinary General Meeting” or “EGM”	the Company’s extraordinary general meeting (or any adjournment thereof) convened for 10.00am on 22 April 2005, notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in connection with the EGM
“FSA”	the Financial Services Authority
“FSA Handbook”	the rules and guidance of the FSA published in accordance with its obligations under FSMA
“FSMA”	the Financial Services and Markets Act 2000
“Group”	Durlacher and each of its subsidiary undertakings (as defined in the Act) at the date of this document
“Hawkpoint”	Hawkpoint Partners Limited
“Independent Directors”	the Directors who are not members of the EBT Concert Party
“Independent Shareholders”	all of the Shareholders, other than those that are Directors and/or employees of the Group, directors and/or employees of Panmure Gordon & Co., directors and/or employees of the Wider Lazard Group and any person connected with any of them. As at the date of this document and to the best knowledge and belief of the Directors, the number of shares held by Independent Shareholders is 19,106,790
“KBC Peel Hunt”	KBC Peel Hunt Limited

“Lazard”	Lazard & Co., Limited
“Lazard Group”	Lazard and each of its parent undertakings and subsidiary undertakings and each subsidiary undertaking of each of its parent undertakings (as defined in the Act)
“LFCM Holdings”	LFCM Holdings LLC
“LFCM Group”	UKPG Holdings and each of its parent undertakings and subsidiary undertakings and each subsidiary undertaking of each of its parent undertaking (as defined in the Act)
“Listing Rules”	the listing rules of the UK Listing Authority made pursuant to Part V of FSMA
“London Stock Exchange”	London Stock Exchange Plc
“Model Code”	the Model Code on directors’ dealings in securities as set out in the appendix to Chapter 16 of the Listing Rules
“New Employee Benefit Trust”	the Durlacher Corporation Plc No. 2 Employee Benefit Trust to be established as part of the Proposals
“New Ordinary Shares”	the Consideration Shares and the ESOP Shares
“Official List”	the Official List of the UK Listing Authority
“Ordinary Consideration Shares”	the 9,260,647 new Ordinary Shares to be issued to UKPG Holdings as part consideration for the Acquisition
“Ordinary Shares”	ordinary shares of 4p each in the capital of the Company
“Panmure Gordon”	the Panmure Gordon Business or Panmure Gordon & Co., as appropriate
“Panmure Gordon & Co.”	Panmure Gordon & Co., Limited regulated by the FSA and registered in England and Wales with number 4915201
“Panmure Gordon Business”	the business that has been carried on by Panmure Gordon & Co. since 11 March 2005 and prior to that date by Lazard
“Panel”	the Panel on Takeovers and Mergers
“Performance Options”	the options to subscribe for 872,731 new Ordinary Shares, to be granted on Admission by the Company to each of Richard Wyatt and Tim Linacre under the Performance Share Option Plan, further details of which are set out in paragraph 3 of Part I and paragraph 7.2 of Part VIII of this document
“Performance Option Shares”	the 1,745,462 new Ordinary Shares to be issued pursuant to the terms of the Performance Options and/or the UKPG Option
“Performance Share Option Plan”	the Durlacher Corporation plc Performance Share Option Plan
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended from time to time)
“Proposals”	the proposals referred to in paragraph 1 of Part I of this document
“Proposed Directors”	the proposed directors of Durlacher, details of whom are set out in paragraph 9 of Part I and paragraph 2.4 of Part VIII of this document
“Recommendation Committee”	the committee to be established on Admission comprising Richard Wyatt, Howard Flight, Tony Caplin and Jon Hack

“Relationship Agreement”	the agreement to be entered into between the Company, UKPG Holdings and Lazard immediately prior to Admission, further details of which are set out in paragraph 7 of Part I and paragraph 8.1.3 of Part VIII of this document
“Resolutions”	the resolutions set out in the notice of Extraordinary General Meeting set out at the end of this document and reference to a numbered “Resolution” shall be to the corresponding resolution as set out in that notice
“Restricted Voting Ordinary Shares”	the 9,260,648 new Ordinary Shares to be issued to UKPG Holdings as part consideration for the Acquisition and in respect of which the right to vote has been suspended pending satisfaction of one of a number of conditions, further details of which are set out in paragraph 7 of Part I of this document
“Rule 9 Waivers”	the EBT Concert Party Waiver and the UKPG Holdings Waiver
“Shareholders”	holders of Ordinary Shares
“Third Party”	any person other than a member of the Group or the Wider Lazard Group
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part V of FSMA
“UKPG Holdings”	UKPG Holdings LLC, a wholly-owned subsidiary of LFCM Holdings
“UKPG Holdings Waiver”	the waiver by the Panel of the obligations which would otherwise arise under Rule 9 of the City Code for UKPG Holdings and parties acting in concert with it to make a general cash offer for the whole of the Company’s issued share capital
“UKPG Option”	the option, subject to the terms of the Performance Options, to subscribe for 1,745,462 new Ordinary Shares to be granted on Admission by the Company to UKPG Holdings, further details of which are set out in paragraph 3 of Part I and paragraph 7.2 of Part VIII of this document
“Unapproved Share Option Plan”	the Durlacher Corporation Plc 2002 Unapproved Share Option Plan adopted by the Company on 25 October 2002, the rules of which are to be amended pursuant to the Proposals
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States” or “USA”	the United States of America, its territories or possessions, any state of the United States of America and the District of Columbia or area subject to its jurisdictions or any political subdivisions thereof
“Warrants”	warrants over 100,000 Ordinary Shares granted by the Company to Zoe Appleyard in connection with its acquisition of Life Capital Limited, further details of which are set out in paragraph 8.1.8 of Part VIII of this document
“WestLB”	WestLB Bank AG or WestLB Panmure Limited, as appropriate
“Wider Lazard Group”	the Lazard Group and the LFCM Group

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors	Anthony L Caplin (<i>Non-Executive Chairman and proposed Non-Executive Director</i>) Jack Wigglesworth (<i>Non-Executive Deputy Chairman and resigning with effect from Admission</i>) Simon R Hirst (<i>Chief Executive Officer and proposed Executive Vice Chairman</i>) David L Liddell (<i>Finance Director</i>) Howard E Flight (<i>Non-Executive Director</i>)
Proposed Directors	Richard E J Wyatt (<i>Proposed Executive Chairman</i>) Timothy J T Linacre (<i>Proposed Chief Executive Officer</i>) Julian C Hirst (<i>Proposed Executive Director and Head of Corporate Finance</i>) Jonathan N B Hack (<i>Proposed Non-Executive Director to be appointed by UKPG Holdings</i>)
Secretary and Registered Office	Mark D Tubby Moorgate Hall 155 Moorgate London EC2M 6XB
Financial Adviser, Sponsor and Nominated Adviser	Hawkpoint Partners Limited 4 Great St Helen's London EC3A 6HA
Broker	KBC Peel Hunt Limited 111 Old Broad Street London EC2N 1PH
Solicitors to the Company	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
Auditors and Reporting Accountants to the Company	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
Registrars	Computershare Investor Services PLC PO Box 82 Bridgwater Road Bristol BS99 7NH

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	30 March 2005
Restoration of listing of the Existing Ordinary Shares on the Official List	31 March 2005
Latest time and date for the receipt of Forms of Proxy	10.00am on 20 April 2005
Extraordinary General Meeting	10.00am on 22 April 2005
Cancellation of listing of the Existing Ordinary Shares on the Official List	8.00am on 26 April 2005
Completion of the Proposals and dealings expected to commence in the Enlarged Share Capital on AIM	8.00am on 26 April 2005

KEY STATISTICS

	<i>Number of shares</i>	<i>Percentage of Enlarged Share Capital</i>	<i>Percentage of the Enlarged Voting Share Capital</i>
Number of Existing Ordinary Shares	19,394,026	34.4%	41.1%
Number of Ordinary Consideration Shares	9,260,647	16.4%	19.6%
Number of ESOP Shares	18,521,295	32.8%	39.3%
Number of New Ordinary Shares (excluding Restricted Voting Ordinary Shares)	27,781,942	49.2%	58.9%
Enlarged Voting Share Capital	47,175,968	83.6%	100.0%
Number of Restricted Voting Ordinary Shares	9,260,648	16.4%	n/a
Enlarged Share Capital	56,436,616	100.0%	n/a
New Ordinary Shares as a percentage of the Enlarged Share Capital	65.6%		
Adjusted Enlarged Share Capital	58,182,078		
New Ordinary Shares and Performance Option Shares as a percentage of the Adjusted Enlarged Share Capital	66.7%		

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY

Durlacher Corporation Plc

*(Incorporated in England and Wales under the Companies Act 1985
with registered number 2700769)*

Directors:

AL Caplin (*Non-Executive Chairman*)
J Wigglesworth (*Non-Executive Deputy Chairman*)
SR Hirst (*Chief Executive Officer*)
DL Liddell (*Finance Director*)
HE Flight (*Non-Executive Director*)

Registered Office:

Moorgate Hall
155 Moorgate
London EC2M 6XB

30 March 2005

To Shareholders and, for information only, to Existing Optionholders

Dear Shareholder,

1. Introduction

Following the suspension of the listing of the Company's shares from the Official List on 13 January 2005, your Board announced on 1 February 2005 that Durlacher was in exclusive negotiations and had signed a legally non-binding memorandum of understanding with Lazard to combine the Panmure Gordon Business with Durlacher by way of an acquisition of the entire issued share capital of Panmure Gordon & Co..

I am delighted to report that final agreement to acquire Panmure Gordon has now been reached. During the last few weeks, as the negotiations and process of due diligence have been carried out, our view that this acquisition offers significant potential to Durlacher has been reinforced. The purpose of this document is to provide you with further information on the Acquisition and to seek your approval for it and various other related issues.

I am also delighted to report that the Acquisition has met with strong support from a number of our largest Shareholders, and you will see below that Independent Shareholders representing approximately 23.5 per cent. of the Existing Ordinary Shares have given irrevocable commitments to vote in favour of the Resolutions. In addition, Independent Shareholders representing 11.3 per cent. have entered into non-binding letters of intent to vote in favour of the Resolutions.

The Proposals comprise:

- the acquisition of Panmure Gordon & Co. to be satisfied by the issue of the Consideration Shares;
- the establishment of the New Employee Benefit Trust, the proposed subscription by the trustees of the New Employee Benefit Trust for 18,521,295 new Ordinary Shares at par and the related adoption of the ESOP and the grant of options pursuant to the ESOP, broadly reflecting a prior understanding reached by Lazard with Tim Linacre and Richard Wyatt as described below;
- amendments to the Existing Share Option Plans and the grant of further options pursuant to the Unapproved Share Option Plan;
- the adoption of the Performance Share Option Plan and the grant of the Performance Options and the UKPG Option;

- the proposed Rule 9 Waivers, being the waivers by the Panel of the obligations of the members of the EBT Concert Party and UKPG Holdings or parties acting in concert with them to make mandatory offers for the Company under Rule 9 of the City Code;
- the entering into of the Relationship Agreement with UKPG Holdings and Lazard;
- the authority to cancel the entire share premium account of Durlacher existing on Admission, as well as to cancel and extinguish all of the Deferred Shares;
- changes to the roles of certain of the Directors and the appointment of the Proposed Directors; and
- the change of name of the Company to Panmure Gordon & Co. plc.

The purpose of this document is to explain the background to and reasons for the Proposals and to seek Shareholders' approval for them at an EGM of the Company to be held at Moorgate Hall, 155 Moorgate, London EC2M 6XB at 10.00am on 22 April 2005, notice of which is set out at the end of this document.

Copies of Durlacher's report and accounts for the 18 months ended 31 December 2004 were posted to Shareholders on 22 March 2005. A general meeting has been convened for 8 June 2005 to approve the accounts and the Directors' remuneration report, as well as to reappoint our auditors.

2. Background to and reasons for the Proposals

Background

Prior to becoming an investment bank, Durlacher had established a reputation for advising, raising capital for, and investing in early stage technology companies. From 2000 until mid 2003, equity market conditions deteriorated dramatically, having a serious effect on the Group's ability to generate acceptable levels of revenue and profitability from this business model.

Since early 2002, the Company has repositioned its business as that of an investment bank offering corporate finance, institutional sales, equity research and market making services aimed at corporate clients and institutional investors in the UK small-cap market. The Directors consider that Durlacher's repositioning of its business has been successful as evidenced by the growth in the Company's corporate client base from 3 clients in March 2002 to 46 clients as at 11 March 2005. The Company has benefited from the general revival in market activity during 2004 and early 2005 and, in particular, the increased number of IPOs and secondary fundraisings in the UK small-cap market.

Reasons for the Proposals

The Directors believe that the opportunities available to companies specialising in corporate finance and equity capital markets in the UK small-cap market are significant, but that such specialisation can entail a higher degree of volatility of revenues than would ordinarily be the case for a more broadly based stockbroker. In addition, the minimum fixed cost of providing an efficient infrastructure for equities trading means that meaningful secondary market activity is required in order to generate satisfactory returns. The Directors also recognise that as the Company's corporate clients grow in size they may require exposure to a broader range of institutional investors. Further, Durlacher's existing business is heavily dependent on fees and commissions generated from successful IPOs and secondary fundraisings.

The Directors believe that while Durlacher has demonstrated the validity of its business model as an independent stockbroker in the UK small-cap market, the combination of Durlacher and Panmure Gordon provides an opportunity to transform the business and has the potential to create significant value for Shareholders.

The Directors and the Proposed Directors believe that the Enlarged Group will be well positioned to attract new brokerships, win new equity capital markets mandates and have

improved placing power with institutional investors. The Directors and the Proposed Directors also believe that the Enlarged Group will have an attractive balance of corporate and institutional equity activity, well established relationships with the UK investment community and the ability to provide its customers with a broad and deep range of products under the recognised “Panmure Gordon” brand name. The principal expected benefits of the combination of the existing businesses of Durlacher and Panmure Gordon are described below.

Shareholders should be aware that, in addition to the expected benefits described below, as with any stockbroking business, the Enlarged Group will be vulnerable to possible losses of key clients and key staff and to a large degree will be dependent on favourable market and economic conditions.

Increased scale and improved competitive position

The combination of Panmure Gordon’s business with Durlacher will increase the breadth and depth of research coverage, improve equity distribution capability and strengthen Durlacher’s existing corporate finance team. The Directors and the Proposed Directors believe that this combination will create one of the leading independent small-cap and mid-cap stockbrokers focused on the United Kingdom.

As a consequence, the Directors and the Proposed Directors believe that the Enlarged Group will be in a strong position to compete for larger fundraising mandates, particularly larger flotations on the Official List. Panmure Gordon has a stronger recent track record of lead managing larger corporate fundraisings than Durlacher. Whilst Durlacher raised approximately £124 million of funds for its clients in 2004, Panmure Gordon raised approximately £307 million on a lead-managed basis.¹

In addition, the Directors and the Proposed Directors believe that the scale of the combined business, together with the staff incentivisation plans to be put in place as part of the Proposals, will assist the Company in attracting and retaining the high quality staff required to further develop the business.

Ability to grow corporate client list

Durlacher serves primarily the fast-growing AIM market where it has been successful in winning new corporate clients over the past two years. However, as its clients grow in size and market capitalisation, Durlacher is vulnerable to such clients being attracted away to other broking houses that can offer a broader and deeper range of products and services.

By contrast, the majority of Panmure Gordon clients are listed on the Official List and the average market capitalisation of Panmure Gordon’s clients is approximately eight times that of Durlacher’s. Larger clients typically have more liquid stocks and attract more trading volume, generating greater secondary trading commission for their stockbrokers. Furthermore, the secondary fundraisings and mergers and acquisitions transactions of these clients tend to be more substantial and generate higher fees.

The business of the Enlarged Group is expected to have approximately 100 corporate clients ranging from small capitalisation AIM quoted companies to larger capitalisation companies listed on the Official List.

As a result of the strengthening of the Company’s existing business in areas such as research coverage, institutional sales and its ability to participate in corporate fundraisings, the Directors and the Proposed Directors believe that the Enlarged Group will be well placed to provide the appropriate support to existing clients as they grow in size and market capitalisation and to provide the breadth and depth of services that are required to attract and retain new corporate clients going forward.

¹ Source: Autex 1 January 2004 — 31 December 2004.

Complementary sources of revenue

Panmure Gordon, because of its broader institutional sales coverage and the more comprehensive scope of its research product, typically has a significant market share in the trading of its corporate clients' shares. Not only does this trading generate a substantial part of Panmure Gordon's revenue, but it also enables Panmure Gordon to provide its corporate clients with more complete information on institutional views on their shares and to assist them with their institutional relationships. The Directors and Proposed Directors believe that the combination of the businesses will enable the Enlarged Group to grow its market share in the trading of existing Durlacher corporate clients' shares, both adding to revenue and providing a more complete service to those clients.

In addition, the combination of Panmure Gordon and Durlacher is expected to result in a more balanced enlarged business with income from both corporate finance fees and equity sales and trading. Durlacher's existing business is heavily weighted towards fee income from corporate finance advice and therefore can be unpredictable, being dependent on both transactions completing and the timing of their completion. By contrast, Panmure Gordon earns more than half of its revenue from sales commission and trading income in UK equities, which provides a more stable and recurrent revenue stream.

Lower combined cost base

The Directors and Proposed Directors are targeting an annualised cost base for the administrative expenses of the Enlarged Group of approximately £21 million per annum, before bonuses and exceptional items, to be achieved before the end of 2005.

The targeted cost base has been calculated on the basis of the existing cost and operating structures of Durlacher and Panmure Gordon, as adjusted for the relocation of Panmure Gordon to existing Durlacher premises and for certain Lazard cost allocations (that will no longer be relevant) and by reference to current prices and the current regulatory environment. This targeted cost base for the Enlarged Group and any one-off costs for achieving it relates to future actions and circumstances which, by their nature, involve risks, uncertainties and other factors. Because of this, the targeted cost base referred to may not be achieved, or could be materially different from this estimate. This statement should not be interpreted to mean that the earnings per share of Durlacher (on an enlarged basis) in 2006, or in any subsequent period, would necessarily match or be greater than those for the relevant preceding financial period.

Improved competitive position in a consolidating market

While most larger investment banks have withdrawn from servicing small companies over the last few years, a number of new competitors have emerged in the small-cap and mid-cap market. The Directors and the Proposed Directors believe that a degree of industry consolidation amongst these new competitors and others is inevitable.

In order to retain and win clients and to compete effectively with new market entrants, Durlacher must provide a more complete service to clients including both a corporate finance and a sales and trading capability. The Directors and the Proposed Directors believe that Durlacher will gain the ability to offer this more complete service to its clients through its combination with Panmure Gordon and that consequently the Enlarged Group will be better placed in this period of consolidation than those of its competitors that rely predominantly on equity capital markets and mergers and acquisitions success fees to cover operational costs.

Continuing relationship with Lazard

The Enlarged Group intends to continue to maintain a close relationship with Lazard, with the intention to co-operate as independent advisers and, on appropriate occasions, to work together to provide complementary services to their respective clients.

3. Description of the Proposals

The Acquisition

On 11 March 2005, the Panmure Gordon Business was transferred by Lazard and Lazard & Co., Services Limited to Panmure Gordon & Co., a subsidiary of UKPG Holdings, pursuant to the terms of a sale of business agreement, further details of which are set out in paragraph 8.2.1 of Part VIII of this document.

On 24 March 2005, Durlacher entered into the Acquisition Agreement pursuant to which it agreed to acquire Panmure Gordon & Co. from UKPG Holdings for a consideration to be satisfied by the issue of the Consideration Shares.

The Consideration Shares comprise 9,260,647 new Ordinary Shares, which will rank in all respects *pari passu* with the Existing Ordinary Shares, and 9,260,648 Restricted Voting Ordinary Shares, which will rank in all respects *pari passu* with the Existing Ordinary Shares save that such shares will not have the right to vote in general meetings of the Company. As a result, on Admission, UKPG Holdings will own approximately 32.8 per cent. of the Enlarged Share Capital. UKPG Holdings will have the right to vote 16.4 per cent. of the Enlarged Share Capital in general meetings of the Company (representing approximately 19.6 per cent. of the voting rights exercisable in general meetings of the Company on Admission). The right to vote the remaining 16.4 per cent. of the Enlarged Share Capital held by UKPG Holdings will be restored upon satisfaction of one of a number of specified conditions, further details of which are set out in paragraph 7 below.

The Acquisition Agreement contains an obligation on UKPG Holdings to deliver Panmure Gordon & Co. to Durlacher with at least £8.0 million of net assets at the close of business on the second business day prior to Admission and if this is not the case then Durlacher has the right to terminate the Acquisition Agreement.

Completion of the Acquisition is conditional on a number of matters, including the approval of Shareholders and admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules.

Further details of the Acquisition Agreement are set out in paragraph 8.1.1 of Part VIII of this document.

Any sale by UKPG Holdings of all or substantially all of its 32.8 per cent. shareholding in the Enlarged Group to a third party or persons acting in concert with such third party would be likely to result in a change of control (as defined by the City Code) of the Enlarged Group. Accordingly, as UKPG Holdings will have the ability to deliver control (as defined by the City Code) of the Enlarged Group to a third party with effect from Admission (and as any acceptances of an offer given in respect of any Restricted Voting Ordinary Shares would count towards an acceptance condition for the purposes of Rule 10 of the City Code), Independent Shareholders' approval is being sought for a waiver of the provisions of Rule 9 of the City Code, which would otherwise oblige UKPG Holdings or any party acting in concert with it to make a cash offer for the entire issued share capital of the Company. In connection with the UKPG Holdings Waiver, certain information on UKPG Holdings and on Lazard has been included in Part IV of this document. Further information regarding the UKPG Holdings Waiver is set out in paragraph 10 below.

The New Employee Benefit Trust and the ESOP

In the summer of 2004, Lazard reached an understanding with Richard Wyatt and Tim Linacre to create a scheme whereby one half of the equity of Panmure Gordon would be transferred to existing and future employees. In the opinion of Richard Wyatt and Tim Linacre, this understanding was fundamental to their ability to attract, recruit and retain staff who have helped bring about an improvement in the performance of the business.

The creation of the New Employee Benefit Trust for the benefit of employees, Directors and the Proposed Directors of the Enlarged Group broadly reflects both this understanding and the

informal equity commitments given to certain employees of the Panmure Gordon Business, which were expressed to be conditional on a sale or flotation of the Panmure Gordon Business.

The trustees of the New Employee Benefit Trust will therefore subscribe, conditional on Admission, for 18,521,295 new Ordinary Shares at par value. On and following Admission, it is intended that options over such shares will be granted by the trustees of the New Employee Benefit Trust to various employees of the Enlarged Group pursuant to the terms of the ESOP, described in paragraph 7.1 of Part VIII of this document. The details of the proposed grants to the Executive Directors and Proposed Executive Directors are set out in paragraph 7.1.5 of Part VIII of this document.

The New Employee Benefit Trust will be a member of the EBT Concert Party as described in paragraph 10 below. On Admission, the EBT Concert Party will own approximately 33.1 per cent. of the Enlarged Share Capital (representing 39.6 per cent. of the voting rights exercisable in general meetings of the Company on Admission). As a result, Independent Shareholders' approval is being sought for a waiver from the Panel of the provisions of Rule 9 of the City Code, which would otherwise oblige the EBT Concert Party or parties acting in concert with it to make a cash offer for the entire issued share capital of the Company.

The Panel has confirmed that the members from time to time of the Recommendation Committee established in connection with the New Employee Benefit Trust, being Richard Wyatt, Howard Flight, Tony Caplin and Jon Hack on Admission, are acting in concert with the New Employee Benefit Trust, as the Recommendation Committee has influence, in certain circumstances, over the voting of Ordinary Shares held within the New Employee Benefit Trust. The trustee of the New Employee Benefit Trust will consult the Recommendation Committee before exercising its discretion as to the votes cast at general meetings of the Company in respect of the Ordinary Shares held in the trust until the first anniversary following Admission. Thereafter, the trustee will seek directions from the optionholders as to how to vote in respect of any Ordinary Shares under vested options and will continue to consult the Recommendation Committee with respect to unvested Ordinary Shares. Where options are vested but no directions are received in respect of the Ordinary Shares thereunder, or Ordinary Shares held by the New Employee Benefit Trust are unallocated, the trustee will vote those Ordinary Shares in proportion to the directions it has received on Ordinary Shares under vested options. In default of any such direction being received, the trustee will exercise the voting rights attaching to Ordinary Shares at its discretion having consulted with the Recommendation Committee.

The Recommendation Committee will cease to be a member of the EBT Concert Party when the Recommendation Committee ceases to have any influence over the voting of the Ordinary Shares held by the New Employee Benefit Trust, which will be the case when all of the Ordinary Shares held in the trust have vested or no Ordinary Shares are held within the New Employee Benefit Trust. Further information regarding the EBT Concert Party and the EBT Concert Party Waiver is set out in paragraph 10 below.

Performance Options and UKPG Option

Options (the Performance Options and the UKPG Option) to subscribe for, in aggregate, 1,745,462 new Ordinary Shares are proposed to be granted by the Company to Richard Wyatt and Tim Linacre and also to UKPG Holdings as part of the Proposals, in addition to the options referred to above to be granted to Richard Wyatt and Tim Linacre pursuant to the terms of the ESOP.

Under the Performance Options, up to 436,365 new Ordinary Shares may be subscribed for by each of Richard Wyatt and Tim Linacre if the Company achieves a market capitalisation of at least £60 million over five consecutive AIM trading days. A further 436,366 new Ordinary Shares may be subscribed for by each of them if the Company achieves a market capitalisation of at least £90 million over five consecutive AIM trading days. These options will lapse if these targets are not met within a period of five years from Admission or if either Richard Wyatt or

Tim Linacre leave the Company's employment (other than in certain cases as set out in paragraphs 7.1.6 and 7.2.3 of Part VIII).

Under the UKPG Option, UKPG Holdings is able to subscribe for any of the new Ordinary Shares over which Richard Wyatt and/or Tim Linacre are unable to exercise their Performance Options because either the relevant performance targets have not been met or because their Performance Options have lapsed. In the event that upon exercise of the UKPG Option, UKPG Holdings were to hold 20.0 per cent. or more of the voting rights exercisable in general meetings of the Company at that time, UKPG Holdings would immediately sell such number of Ordinary Shares as would take it below such threshold.

The effect of the exercise of the Performance Options and/or the UKPG Option would be to dilute the percentage of the Enlarged Share Capital to be held by Shareholders on Admission from 34.4 per cent. (representing approximately 41.1 per cent. of the voting rights exercisable in general meetings of the Company on Admission), to approximately 33.3 per cent. (representing approximately 39.6 per cent. of the voting rights exercisable in general meetings of the Company on Admission, assuming no exercise of the Warrants and no exercise of any other options).

Further details of the Performance Options and the UKPG Option are set out in paragraph 7.2 of Part VIII of this document.

Other employee incentivisation arrangements

Durlacher currently operates two share option plans, namely the Approved Share Option Plan and the Unapproved Share Option Plan. On 7 December 2004, Durlacher granted options to subscribe for 1,150,000 Ordinary Shares at a price of 64p per share pursuant to the terms of the Unapproved Share Option Plan to the trustees of the Existing Employee Benefit Trust. With effect from Admission, some of these options will be allocated for the potential benefit of certain existing Group employees, including some of the Directors. Further details of these arrangements are set out in paragraph 3.6 of Part VIII of this document.

In addition, with effect from Admission the Company will grant options pursuant to the Unapproved Share Option Plan to each of Simon Hirst, David Liddell and Julian Hirst to subscribe for 500,000 Ordinary Shares at an exercise price of 120p per share. Shareholder approval for the grant of these options is being sought at the EGM.

Pursuant to the Proposals, the rules of the Existing Share Option Plans will be amended so as to decrease the overall limit of issued share capital available for the purposes of the Existing Share Option Plans from 20 per cent. to 12.5 per cent. in order to reflect the Enlarged Share Capital. In addition, the terms of the Existing Share Option Plans relating to the entitlements of leavers to retain options will be amended (where appropriate) to conform with the corresponding provisions of the ESOP. Shareholder approval for these amendments will also be sought at the EGM.

The Existing Employee Benefit Trust will also be a member of the EBT Concert Party. Further information regarding the EBT Concert Party and the EBT Concert Party Waiver is set out in paragraph 10 below.

Other Proposals

In addition, following completion of the Acquisition, the Proposed Directors, comprising Richard Wyatt (currently Chairman of Panmure Gordon), Tim Linacre (currently Chief Executive of Panmure Gordon), Julian Hirst (currently Head of Corporate Finance of Durlacher) and Jon Hack (to be appointed by UKPG Holdings under the terms of the Relationship Agreement, described in paragraph 7 below) will join the Board as Executive Chairman, Chief Executive Officer, Executive Director and a Non-Executive Director respectively. I will step down as Non-Executive Chairman but will remain a Non-Executive Director. Jack Wigglesworth (currently a Non-Executive Director) has indicated that he will step down from the Board following completion of the Acquisition.

It is proposed to change the name of the Company to Panmure Gordon & Co. plc. However, the Company will, where appropriate, service its AIM quoted corporate broking clients under the name of Panmure Gordon Durlacher.

Finally, it is proposed to give the Company the ability (subject to Court approval) to cancel its entire share premium account existing on Admission, as well as to cancel and extinguish all of the Deferred Shares, to assist in the process of addressing the current deficit in its profit and loss account in order to put it in a position (subject to its future profitability) to pay dividends on the basis of the dividend policy described in paragraph 14 below.

4. Information on Durlacher

Durlacher's business is that of investment banking focused on serving corporate and institutional investors in the small-cap and mid-cap stock market. The three key operational areas of the Group are summarised as follows:

- corporate finance and corporate broking – as at 11 March 2005, Durlacher was the retained corporate finance adviser and/or corporate broker to 46 companies. In addition to its role as nominated adviser, sponsor or broker, Durlacher advises on initial public offerings and secondary equity offerings and provides advice on mergers, acquisitions and disposals to both retained clients and other parties;
- institutional sales and research – Durlacher provides comprehensive sales coverage to a broad range of institutions and as at 11 March 2005 published research on 64 companies, including Durlacher's corporate clients and other companies selected for their position within Durlacher's chosen sectors; and
- market making – as at 11 March 2005, Durlacher was a registered market maker in 97 UK securities.

On 17 March 2005 Durlacher announced its preliminary results for the 18 month period ended 31 December 2004 and reported turnover of £15.6 million (compared with £6.6 million for the year ended 30 June 2003) and a loss on ordinary activities before taxation of £5.4 million (compared with £1.5 million for the year ended 30 June 2003). The figures for the 18 months ended 31 December 2004 include the results of the discontinued private client stockbroking business (approximately 3 months), which was sold to Charles Stanley in September 2003. The loss on ordinary activities before taxation for the 18 months ended 31 December 2004 is stated after charging significant exceptional and restructuring costs.

This financial information on Durlacher has been extracted without material adjustment from the financial information on Durlacher set out in Part V of this document. The audited report and accounts of the Company for the 18 months ended 31 December 2004 were posted to Shareholders on 22 March 2005. Shareholders are recommended to read this document and the audited report and accounts of the Company in full rather than relying on this summary information provided.

5. Information on Panmure Gordon

Panmure Gordon is a corporate and institutional stockbroker which provides corporate finance advice, distributes securities and produces research on behalf of a wide range of clients. The two key operational areas of Panmure Gordon's business are:

- Corporate Finance:
 - Panmure Gordon provides advice to companies on their financing requirements through equity capital markets, including flotations, private placements, secondary issues and follow-on offerings and provision of corporate finance services; and
 - as at 11 March 2005, Panmure Gordon acted as corporate broker to 57 companies and investment trusts; and
- Institutional Equities:

- Panmure Gordon provides research and sales and trading services to institutional investors;
- as at 11 March 2005, Panmure Gordon provided research on over 200 companies and 300 investment trusts listed in London on the Official List of the UK Listing Authority or quoted on AIM; and
- as at 11 March 2005, Panmure Gordon acted as market maker in over 650 stocks and investment trusts.

The Panmure Gordon Business commenced trading as a division of Lazard with effect from 12 January 2004. On 11 March 2005, the Panmure Gordon Business was transferred within the Wider Lazard Group to Panmure Gordon & Co., a wholly owned subsidiary of UKPG Holdings.

For the period 12 January 2004 to 31 December 2004, the Panmure Gordon Business reported a loss on ordinary activities after taxation of £10.0 million on turnover of £23.1 million. This loss on ordinary activities after taxation was after costs of £1.5 million for premises, £24.8 million by way of a recharge from Lazard & Co. Services Limited of employment and certain other operational costs incurred by the Lazard Group in relation to the Panmure Gordon Business and £7.3 million of other administrative expenses. In the opinion of the Directors and the Proposed Directors, these costs are not representative of the on-going cost base of the Panmure Gordon Business as part of the Enlarged Group as they include a number of special and non-recurring items, including a portion of the legal costs for the purchase of Panmure Gordon by Lazard and costs of restructuring the business and hiring new staff. It also includes bonuses accrued in 2004. As set out in paragraph 2 above, the Directors and Proposed Directors are targeting an annualised cost base for the administrative expenses of the Enlarged Group of approximately £21 million per annum before bonuses and exceptional items, to be achieved before the end of 2005.

From 1996 until its sale to Lazard in January 2004, the business of Panmure Gordon was carried on as a division of WestLB Panmure Limited and has therefore historically existed as a division of its parent company, both within WestLB Panmure Limited and subsequently Lazard. Accordingly, other than for the purposes of this document and so far as the Directors and the Proposed Directors are aware, having made due and careful enquiry of Lazard Group, no statutory or management accounts have been prepared for the Panmure Gordon Business on a standalone basis since 1996. The accounts for the Panmure Gordon Business for the period 12 January 2004 to 31 December 2004, as set out in Part VI of this document, have been specifically prepared for the purposes of this document. No accounts are available for the Panmure Gordon Business for the period during which it formed part of WestLB Panmure Limited as, so far as the Directors and the Proposed Directors are aware, having made due and careful enquiry of Lazard Group, separate financial information for the Panmure Gordon business, which formed part of a larger division within WestLB Panmure Limited, was not produced in respect of the period and cannot now be reconstructed due to the unavailability of this information. The Directors and the Proposed Directors confirm that they are unable to access any relevant financial information from Lazard or otherwise on the Panmure Gordon Business which would enable the preparation of relevant financial information in respect of the period from 1996 to 12 January 2004. Such information cannot therefore be presented in this document.

Consequently, the financial information relating to Panmure Gordon presented in this document comprises an accountants' report on Panmure Gordon & Co. (the subject of the Acquisition) from the date of its incorporation on 29 September 2003 to 31 December 2004 (during which period Panmure Gordon & Co. did not own the Panmure Gordon Business, which it acquired on 11 March 2005) and an accountants' report on the Panmure Gordon Business for the period from 12 January 2004 to 31 December 2004 (during which period the Panmure Gordon Business was a division of Lazard). These reports are set out in Part A and Part B respectively of Part VI of this document.

In circumstances such as the Acquisition, the Listing Rules require financial information in respect of the undertaking being acquired for a period of at least three years up to the end of the latest audited financial period for which accounts have been audited. For the reasons stated above, this is not possible in relation to Panmure Gordon. The Directors of Durlacher believe that financial information relating to the Panmure Gordon business for the period before 12 January 2004, if it were available, in any event would be of limited relevance to Shareholders in the context of deciding whether to vote in favour of the resolution necessary to effect the Acquisition. In arriving at their recommendation to Shareholders to vote in favour of the Resolutions, the Directors have relied on their assessment of the historical financial information relating to Panmure Gordon included in this document and their assessment, in conjunction with that of the Proposed Directors, of Panmure Gordon & Co.'s current trading (as described in paragraph 6 below) and expected future financial performance and no other financial information. Accordingly, the Directors do not consider the lack of financial information relating to the Panmure Gordon Business in respect of the period prior to 12 January 2004 in this document to be a matter of significance as far as Shareholders are concerned.

This financial information on Panmure Gordon has been extracted without material adjustment from the financial information on Panmure Gordon set out in Part VI of this document and Shareholders are recommended to read this document in full rather than rely on this summary information provided.

6. Current trading and prospects for the Enlarged Group for the current financial year

Durlacher current trading

On 17 March 2005, Durlacher published its preliminary results for the 18 months ended 31 December 2004. In these results, I made the following statement regarding the period to 31 December 2004 and the Group's current trading performance:

“In recent months, particularly January and February 2005, significant revenue has been generated by Durlacher's market making and our secondary equity commission business has performed well. Since the beginning of the year, the corporate finance team has closed two transactions of significance. It acted as financial adviser to Personal Group plc on its £12.3m recommended offer for Berkeley Morgan Group plc and also acted as Nominated Adviser and broker to Straight plc on its simultaneous £5m placing and £6m acquisition. We expect that future corporate finance activity will be biased towards the second half of the year.”

As reflected in the audited report and accounts of the Company for the 18 months ended 31 December 2004, there has been no material change in Durlacher's current trading since the date of this statement.

Panmure Gordon current trading

Institutional equities has had a strong start to 2005 with revenues above those for the same period in the previous year. This improvement continued a trend seen in the second half of 2004 compared with the first half of 2004 and coincided with the recruitment of a number of new members of staff in equity sales and equity research.

While the corporate finance pipeline is biased towards the second half of the year, the current workload is encouraging, and a number of mandates on IPOs, secondary fundraisings and private placements have been won. In the year to date Panmure Gordon has acted as book runner to an £8.0 million placing for CES Software plc (now renamed FUN Technologies plc), book runner and global co-ordinator to a £29.0 million placing for Countrywide plc and joint book runner to a £22.5 million placing for RPC Group plc.

On 11 March 2005, the Panmure Gordon Business was transferred within the Wider Lazard Group to Panmure Gordon & Co. Details of this transfer are set out in paragraph 8.2.1 of Part VIII of this document.

Prospects for the Enlarged Group for the current financial year

The Directors and the Proposed Directors are of the opinion that market and economic sentiment in the small and mid-cap markets is currently favourable towards the generation of transaction related fees and commissions and, if these conditions continue to hold or improve, they believe that the Enlarged Group should be able to continue to grow its business in the year to 31 December 2005. However, there can be no guarantee that these favourable market conditions will continue to prevail or that the growth of the Enlarged Group will not be interrupted or reversed.

The Enlarged Group's secondary commission revenues will be sensitive to market and economic sentiment, although not to the same extent as the primary fundraising business, where fees are more 'event-driven'. Profits on market making activities will depend on market conditions, although management will act to minimise any principal risk arising from market making activities through active risk management and by seeking to maintain a relatively 'flat' book position over time (i.e. seeking to limit the 'net long' or 'net short' market position at any one time).

Revenue from the Enlarged Group's primary fundraising business will depend on the generation of transaction related fees and commissions. Such fees, particularly in the small-cap and mid-cap markets, are by their nature uncertain and dependent upon the Enlarged Group's ability to win new mandates, general market conditions in the equity capital markets and activity levels in mergers and acquisitions for small and medium sized companies.

7. Arrangements with Lazard and UKPG Holdings

Shareholding

On Admission, UKPG Holdings will hold 18,521,295 Ordinary Shares which will represent approximately 32.8 per cent. of the Enlarged Share Capital. 9,260,648 of the Ordinary Shares held by UKPG Holdings will comprise Restricted Voting Ordinary Shares and will be allotted subject to certain restrictions on their ability to vote in general meetings of the Company, details of which are set out below. As a result, on Admission, UKPG Holdings will be able to vote approximately 16.4 per cent. of the Enlarged Share Capital (representing 19.6 per cent. of the voting rights exercisable in general meetings of the Company on Admission). Pending satisfaction of one of the conditions below, UKPG Holdings will not be able to vote the other approximately 16.4 per cent. of the Enlarged Share Capital held by it.

The voting rights attaching to any Restricted Voting Ordinary Share will be suspended pending:

- (i) the transfer of such share to a third party who is not a Restricted Holder (as defined in Resolution 5); or
- (ii) a holder of such Restricted Voting Ordinary Share ceasing to be a Restricted Holder; or
- (iii) service of a notice by a Restricted Holder certifying that the aggregate number of Ordinary Shares (excluding the Restricted Voting Ordinary Shares) held by all of the Restricted Holders represents not more than 19.9 per cent. of the total Enlarged Voting Share Capital then in issue.

Once transferred to a third party, the Restricted Voting Ordinary Shares will have the ability to vote in general meetings of the Company and will rank *pari passu* in all respects with the other Ordinary Shares in issue. Accordingly, notwithstanding the suspension of voting rights attaching to such shares, in the event that a takeover offer is made for the Company, any acceptance of an offer given in respect of any Restricted Voting Ordinary Shares in issue will count towards the acceptance condition for the purposes of Rule 10 of the City Code.

The Restricted Voting Ordinary Shares will be issued in certificated form. The Restricted Voting Ordinary Shares will not be admitted to CREST.

In addition, on Admission the Company will grant the UKPG Option to UKPG Holdings pursuant to which, and subject to certain conditions, UKPG Holdings may in certain

circumstances, dependent on the Performance Options, subscribe for up to a further 1,745,462 new Ordinary Shares at par. In the event that upon exercise of the UKPG Option, UKPG Holdings were to hold 20.0 per cent. or more of the voting rights exercisable in general meetings of the Company at that time, UKPG Holdings would immediately sell such number of Ordinary Shares as would take it below such threshold.

From Admission, neither Lazard nor any other member of the Wider Lazard Group intend to have any responsibility for the compliance function of the Enlarged Group. In addition, the FSA has confirmed that neither Lazard nor any other member of the Wider Lazard Group will be subject to consolidated supervision with, or be responsible for the financial resources of, the Enlarged Group.

Relationship Agreement

Each of Lazard, UKPG Holdings and the Company recognises the importance of the others' ability to manage and operate their own businesses on an independent basis, free from conflicts and in compliance with applicable regulation following Admission. Accordingly, as well as entering into a number of agreements in relation to the Acquisition, in the interests of good corporate governance and to ensure the independence of the Enlarged Group, Lazard, UKPG Holdings and the Company propose to enter into the Relationship Agreement immediately prior to Admission.

Pursuant to the terms of the Relationship Agreement (which will take effect on Admission), each of UKPG Holdings and the Company have agreed, so far as they are able, that all transactions and relationships between any member of the Group and any member of the Wider Lazard Group are conducted on arm's length terms and normal commercial bases such that the Company is capable of carrying on its business independently of the Wider Lazard Group.

In addition, UKPG Holdings has agreed with the Company, subject to certain customary exceptions, not to dispose of any Ordinary Shares for a period of 365 days from Admission and, in recognition of UKPG Holdings' continuing investment in the Enlarged Group, for so long as the Wider Lazard Group owns 10 per cent. or more of the Enlarged Share Capital, it shall be entitled to appoint a non-executive to the Board, receive copies of monthly management accounts, and together with Lazard, have access to regulatory information relating to the Group in order to enable the Wider Lazard Group to comply with its reporting obligations.

A summary of the principal terms of the Relationship Agreement are set out in paragraph 8.1.3 of Part VIII of this document.

Co-operation Protocol

In addition, Lazard and the Company have agreed the terms of a legally non-binding Co-operation Protocol setting out both parties' intention to co-operate as independent advisers and, on appropriate occasions, to work together to provide complementary services to their respective clients.

8. Financial Effects of the Acquisition

An unaudited pro forma statement of the consolidated net assets of the Enlarged Group, showing the impact of the Acquisition is set out in Part VII of this document. On this basis, the Enlarged Group would have had pro forma net assets of approximately £30.6 million and cash balances of approximately £19.0 million as at 31 December 2004 had Panmure Gordon & Co. acquired the Panmure Gordon Business and the Company subsequently acquired Panmure Gordon & Co. at that date.

9. Board composition

On Admission, Richard Wyatt (currently Chairman of Panmure Gordon) and Tim Linacre (currently Chief Executive of Panmure Gordon) will join the Board as Executive Chairman and

Chief Executive Officer respectively. Simon Hirst (currently Chief Executive of Durlacher) will become Executive Vice Chairman and Julian Hirst (currently Head of Corporate Finance) will become an Executive Director.

I will step down as Non-Executive Chairman but will remain a Non-Executive Director. Howard Flight (currently a Non-Executive Director) will remain a Non-Executive Director. Jon Hack will join the Board as a Non-Executive Director, appointed by UKPG Holdings under the terms of the Relationship Agreement.

Jack Wigglesworth (currently a Non-Executive Director) has indicated that he intends to step down from the Board following completion of the Acquisition.

David Liddell's position on the Board as Finance Director will remain unchanged.

Brief biographical summaries of the Directors who will be remaining on the Board and the Proposed Directors are set out below, together with their proposed new roles:

Richard Edward John Wyatt (Executive Chairman), aged 45

Richard began his career as a stockbroker at James Capel & Co in 1980. He was one of the founders of Schroder Securities' UK equity business in 1996, becoming Head of Schroder Securities in 1999. Subsequently he was Head of European Equities and then Chairman of Equity Capital Markets at Schroder Salomon Smith Barney following the takeover of Schrodgers by Citigroup in 2000; he left Citigroup in 2003. Between 2001 and 2003 he was a member of the Regulatory Decisions committee of the Financial Services Authority. He became a Managing Director of Lazard, Chairman of Lazard Capital Markets and Chairman of Panmure Gordon in early 2004.

Simon Richard Hirst (Executive Vice Chairman), aged 46

Simon joined Durlacher as Head of Corporate Finance in November 2002 and was appointed to the Board on 28 November 2002. Simon was subsequently appointed as Chief Executive Officer of Durlacher on 4 October 2004. Following two years as a graduate trainee at Hambros Bank, Simon went on to achieve an MBA at The Wharton School, University of Pennsylvania where he was a Thouron Fellow. Simon's career in corporate finance spans 22 years. From 1984 to 1996 Simon worked at Lehman Brothers, where he was an Executive Director, and from 1996 to 1999 he worked at Salomon Smith Barney, where he was European Head of the Transportation Group. From 1999 to 2000, Simon was a Managing Director and Head of UK Corporate Finance Origination at ABN AMRO. In 2000, Simon became Joint Global Head of Mergers and Acquisitions at Commerzbank Securities and in 2001 was appointed a member of the Equity Capital Markets and Advisory Committee.

Timothy James Thornton Linacre (Chief Executive Officer), aged 46

A Chartered Accountant, Tim joined Panmure Gordon in 1992 following five years with Hoare Govett. He undertook a number of roles including Joint Head of Corporate Broking in 2000, Head of Technology Investment Banking for WestLB Panmure in 2001 and Joint Head of Investment Banking for WestLB Panmure in 2002. In March 2003, Tim was appointed Chief Executive of WestLB Panmure to plan and execute the restructuring of the business. In September of that year, with the restructuring of WestLB Panmure completed he became Chief Executive of Panmure Gordon, a position he held at the time of the acquisition by Lazard in January 2004. Following the acquisition of Panmure Gordon by Lazard, Tim was appointed a Managing Director of Lazard with responsibility for Lazard Capital Markets which he helped to restructure and integrate within Panmure Gordon.

David Lyon Liddell (Finance Director), aged 45

David was appointed to the Board as Finance Director in April 2004. Having read history at Cambridge, David qualified as a Chartered Accountant with Deloitte Haskins & Sells in 1986. In 1988 he joined Hoare Govett Securities Limited as a financial accountant and subsequently

moved to Guinness Flight Global Asset Management Limited as finance director in 1991. Overseeing a business that grew rapidly, including the acquisition of Hambros Fund Management from Hambros plc, David played a leading role in the sale of Guinness Flight Hambro to Investec Group in 1998. Continuing as finance director of the enlarged fund management business, Investec Asset Management, until 2000, he then became head of Investec's investment trust business.

Julian Clement Hirst (Executive Director and Head of Corporate Finance), aged 46

Julian joined Durlacher as Managing Director of Corporate Finance in May 2003 and was subsequently appointed Head of Corporate Finance in October 2004 and to the board of Durlacher Limited in November 2004. Following two years as a graduate trainee at Samuel Montagu, Julian went on to achieve an MBA at The Wharton School, University of Pennsylvania where he was a Thouron Fellow. Julian's career in corporate finance spans 22 years. From 1984 to 1995 Julian worked at Lehman Brothers, where he was an Executive Director, and from 1995 to 1999 he worked at Morgan Stanley where he was an Executive Director and European Head of Media Investment Banking. From 1999 to 2003, Julian worked at UBS Warburg where he became European Head of Technology Investment Banking and subsequently a Managing Director in UK Corporate Finance.

Howard Emerson Flight MP (Non-Executive Director), aged 56

Howard was educated at Brentwood School in Essex. He achieved an MA in History and Economics from Magdalene College, Cambridge and an MBA from the University of Michigan Business School. Howard's career in the financial services and banking sectors spans 32 years. He started in 1970 with NM Rothschild & Sons as an investment adviser. Since then he has worked at Cayzer Ltd and Wardley Ltd (Hong Kong Bank). He later joined Guinness Mahon & Co as an investment director and became joint managing director of newly formed Guinness Flight Global Asset Management in 1987. Since Investec Asset Management's acquisition of Guinness Flight in 1998, Howard has been a director of Investec Asset Management and was joint chairman of Investec Asset Management until 2003. He was elected a Member of Parliament for Arundel & South Downs, in 1997 and subsequently re-elected in 2001.

Anthony Lindsay Caplin (Non-Executive Director), aged 53

Tony was appointed as a senior independent Non-executive Director of Durlacher on 17 January 2002 and was appointed as Non-Executive Chairman on 1 July 2002. Tony specialises in assisting with turning loss-making businesses into profitable businesses and has also held many senior management positions including, Managing Director of Manchester News Ltd, President of Pacific Telesis, European division and Chief Executive of First City GB and Hunterprint Plc. He is also currently the non-executive Chairman of Norprint Labelling Systems Ltd, Edengene Ltd and Ant plc. He is Non-Executive Deputy Chairman of Northamber Plc and Non-Executive Director of Easynet Group Plc, Alternative Networks Ltd and Hand Picked Hotels Ltd.

Jonathan Nicholas Bewick Hack (Non-Executive Director appointed by UKPG Holdings), aged 37

Jon is a Managing Director of Lazard, where he has worked since 1994. Prior to joining Lazard, Jon qualified as a Chartered Accountant with Price Waterhouse in London.

Further information on the Directors and Proposed Directors and their other interests is set out in paragraphs 5 and 6 of Part VIII of this document.

10. Rule 9 of the City Code and the Rule 9 Waivers

Rule 9 of the City Code

Rule 9 of the City Code is designed to prevent the acquisition of control of a company to which the City Code applies without a general cash offer being made to all shareholders of that company. Rule 9 of the City Code states that any person, or group of persons acting in concert, that acquires shares in a company resulting in him or them holding 30 per cent. or more of the voting rights in a company to which the City Code applies is normally required to make a general offer in cash to all shareholders at the earliest possible date for the balance of the issued share capital at the highest price paid by them or any person or group of persons acting in concert with them within the preceding 12 months.

In certain circumstances, the Panel is prepared, subject to the approval of Independent Shareholders on a poll and other conditions, to waive such a requirement under Rule 9 of the City Code where it would otherwise apply. In this instance the Panel has agreed, subject to the approval of the Independent Shareholders on a poll, to waive this requirement in respect of, separately, the EBT Concert Party and parties acting in concert with it and UKPG Holdings and parties acting in concert with it.

The EBT Concert Party Waiver

The Panel has confirmed that the members from time to time of the Recommendation Committee established in connection with the New Employee Benefit Trust, being Richard Wyatt, Howard Flight, Tony Caplin and Jon Hack on Admission, are acting in concert with the New Employee Benefit Trust, as the Recommendation Committee has influence, in certain circumstances, over the voting of Ordinary Shares held within the New Employee Benefit Trust. The trustee of the New Employee Benefit Trust will consult the Recommendation Committee before exercising its discretion as to the votes cast at general meetings of the Company in respect of the Ordinary Shares held in the trust until the first anniversary following Admission. Thereafter, the trustee will seek directions from the optionholders as to how to vote in respect of any Ordinary Shares under vested options and will continue to consult the Recommendation Committee with respect to unvested Ordinary Shares. Where options have vested but no directions are received in respect of the Ordinary Shares thereunder, or Ordinary Shares held by the New Employee Benefit Trust are unallocated, the trustee will vote these Ordinary Shares in proportion to the directions it has received on Ordinary Shares under vested options. In default of any such direction being received, the trustee will exercise the voting rights attaching to Ordinary Shares at its discretion having consulted with the Recommendation Committee.

The Recommendation Committee will cease to be a member of the EBT Concert Party when it ceases to have any influence over the voting of the Ordinary Shares held by the New Employee Benefit Trust, which will be the case when all of the Ordinary Shares held in the trust have vested or no Ordinary Shares are held within the New Employee Benefit Trust.

The Panel has also confirmed that the Existing Employee Benefit Trust is acting in concert with the New Employee Benefit Trust and the members of its Recommendation Committee on the basis that Messrs Flight and Caplin will also be members of the Remuneration Committee of the Board following Admission which would have influence over the voting of any Ordinary Shares held within the Existing Employee Benefit Trust as a result of the exercise of options held by the Existing Employee Benefit Trust granted pursuant to the terms of the Unapproved Share Option Plan. There are currently no Ordinary Shares held within the Existing Employee Benefit Trust. The Existing Employee Benefit Trust will cease to be a member of the EBT Concert Party when there ceases to be any overlap between members of the Remuneration Committee of the Board and the Recommendation Committee.

The EBT Concert Party therefore currently comprises the New Employee Benefit Trust, Richard Wyatt, Howard Flight, Tony Caplin and Jon Hack (being the members of the Recommendation Committee on Admission) and the Existing Employee Benefit Trust.

On Admission, the shareholding of the EBT Concert Party will amount to 18,668,437 Ordinary Shares, representing approximately 33.1 per cent. of the Enlarged Share Capital (representing 39.6 per cent. of the voting rights exercisable in general meetings of the Company).

The table below sets out the number of Ordinary Shares and options over Ordinary Shares owned by members of the EBT Concert Party as at the date of this document and on Admission. It also shows the potential maximum aggregate shareholding of the members of the EBT Concert Party (being approximately 37.3 per cent., representing at most approximately 44.0 per cent. of the voting rights exercisable in general meetings of the Company) on the assumption that the members of the EBT Concert Party exercise their options in full, but that no other options over Ordinary Shares (or the Warrants) are exercised:

	<i>As at the date of this document</i>		<i>On Admission</i>						
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>	<i>Number of options over Ordinary Shares</i>	<i>Reduction in number of Ordinary Shares as a result of exercise of options by Richard Wyatt³</i>	<i>Number of Ordinary Shares (assuming exercise of options)</i>	<i>Maximum percentage of partially diluted enlarged share capital (assuming exercise of options¹)</i>	
New Employee Benefit Trust	0	0.00	18,521,295	32.82	0	(2,472,738)	16,048,557	26.65	
Richard EJ Wyatt ²	0	0.00	0	0.00	3,345,469	0	3,345,469	5.56	
Howard E Flight	20,000	0.10	20,000	0.04	0	0	20,000	0.03	
Anthony L Caplin ⁴	127,142	0.66	127,142	0.23	25,000	0	152,142	0.25	
Jonathan N B Hack	0	0.00	0	0.00	0	0	0	0.00	
Existing Employee Benefit Trust ⁵	0	0.00	0	0.00	2,877,975	0	2,877,975	4.78	
Total	147,142	0.76	18,668,437	33.08	6,248,444	(2,472,738)	22,444,143	37.27	

1. Partially diluted enlarged share capital for the purposes of the EBT Concert Party (60,212,322 Ordinary Shares) represents the Enlarged Share Capital adjusted to reflect the exercise of all the options held by members of the EBT Concert Party (being options granted pursuant to the Existing Share Option Plans held by members of the EBT Concert Party, the Performance Options granted to Richard Wyatt and options granted to members of the EBT Concert Party under the ESOP) but no other options (or the Warrants).
2. The number of options over Ordinary Shares held by Richard Wyatt on Admission will comprise 2,472,738 options over Ordinary Shares granted to him under the terms of the ESOP (further details of which are set out in paragraph 7.1.5 of Part VIII of this document) and 872,731 options over Ordinary Shares granted to him under the terms of the Performance Options (further details of which are set out in paragraph 7.2.1 of Part VIII of this document).
3. The reduction of 2,472,738 Ordinary Shares held by the New Employee Trust reflects the exercise by Richard Wyatt of the corresponding number of options over Ordinary Shares granted to him under the terms of the ESOP. For further details, please see note 2 above.
4. The number of options over Ordinary Shares held by Anthony Caplin does not include the options over 203,000 Ordinary Shares which have been allocated for the potential benefit of Anthony Caplin or his beneficiaries under the Unapproved Share Option Plan. For further details, please see further note 5 below.
5. The number of options over Ordinary Shares held by the Existing Employee Benefit Trust includes the options over 203,000 Ordinary Shares which have been allocated for the potential benefit of Anthony Caplin or his beneficiaries under the Unapproved Share Option Plan. For further details, please see paragraphs 3.5.5 and 3.5.6 of Part VIII of this document.

Details of the New Employee Benefit Trust are set out in paragraph 3 above and paragraph 7 of Part VIII of this document. Details of the Existing Employee Benefit Trust are set out in paragraph 3 above and paragraph 7 of Part VIII of this document. Details of Richard Wyatt, Howard Flight, Tony Caplin and Jon Hack are set out in paragraph 9 above.

As set out above, on Admission the EBT Concert Party will own approximately 33.1 per cent. of the Enlarged Share Capital (representing approximately 39.6 per cent. of the voting rights exercisable in general meetings of the Company) and, as shown by the table above, will have a potential maximum aggregate holding of approximately 37.3 per cent. (representing at most approximately 44.0 per cent. of the voting rights exercisable in general meetings of the Company). Consequently, under Rule 9 of the City Code, unless a specific waiver is obtained from the Panel and approved by Independent Shareholders on a poll, the EBT Concert Party would be obliged to make a mandatory cash offer for the entire issued ordinary share capital of Durlacher as a result of the issue to any member of the EBT Concert Party or parties acting

in concert with it of any New Ordinary Shares (whether resulting from the grant and exercise of options or otherwise) pursuant to the terms of the Proposals. Your Board believes that this consequence is not in the best interests of Durlacher or its Shareholders. Your Board has consulted the Panel which has agreed, in this instance, subject to the approval of Independent Shareholders on a poll, to waive the obligations that would otherwise arise under Rule 9 for the EBT Concert Party or any member thereof or any parties acting in concert with them to make a general cash offer for the whole of the Company's issued share capital as a result of the issue to them of New Ordinary Shares pursuant to the terms of the Proposals.

Independent Shareholders' approval for the EBT Concert Party Waiver is being sought at the EGM pursuant to Resolution 3 which will be taken by a vote on a poll. This will include approval of the issue by the Company to the New Employee Benefit Trust of 18,521,295 New Ordinary Shares, the grant to Richard Wyatt of an option over 2,472,738 Ordinary Shares under the terms of the ESOP and the subsequent exercise of such option, the grant to Richard Wyatt of an option over 872,731 Ordinary Shares under the terms of the Performance Options and the subsequent exercise of such option, the issue of new Ordinary Shares to satisfy the exercise by Tony Caplin of any of his existing options over 25,000 Ordinary Shares, the issue of new Ordinary Shares to satisfy the exercise of any options over Ordinary Shares held by the Existing Employee Benefit Trust (including the exercise by Tony Caplin or his beneficiaries of the existing options over 203,000 Ordinary Shares which have been allocated by the Existing Employee Benefit Trust for the potential benefit of Tony Caplin or his beneficiaries).

The EBT Concert Party Waiver will be invalidated if any purchases of Ordinary Shares are made by any member of the EBT Concert Party or parties acting in concert with it in the period between the date of this document and the EGM.

The UKPG Holdings Waiver

On Admission, UKPG Holdings will own approximately 32.8 per cent. of the Enlarged Share Capital of which it will be able to vote approximately 16.4 per cent. of the Enlarged Share Capital (representing approximately 19.6 per cent of voting rights exercisable in general meetings of the Company on Admission). The right to vote in general meetings in respect of the remaining approximately 16.4 per cent. of the Enlarged Share Capital held by it will be restored upon the satisfaction of one of a number of specified conditions, further details of which are set out in paragraph 7 above.

Any sale by UKPG Holdings of all or substantially all of its 32.8 per cent. shareholding (and 34.8 per cent. assuming that the UKPG Option is exercised in full, but that no other options over Ordinary Shares (or the Warrants) are exercised) in the Enlarged Group to a third party or persons acting in concert with such third party would be likely to result in a change of control (as defined in the City Code) of the Enlarged Group. Accordingly, as UKPG Holdings will have the ability to deliver control of the Enlarged Group to a third party with effect from Admission and as any acceptances of an offer given in respect of any Restricted Voting Ordinary Shares would count towards an acceptance condition for the purposes of Rule 10 of the City Code, Independent Shareholders' approval is being sought for a waiver of the provisions of Rule 9 of the City Code, which would otherwise oblige UKPG Holdings or any party acting in concert with it to make a cash offer for the entire issued share capital of the Company. In connection with the UKPG Holdings Waiver, certain information on UKPG Holdings and on Lazard has been included in Part IV of this document.

The table below sets out the number of Ordinary Shares and options over Ordinary Shares owned by UKPG Holdings as at the date of this document and on Admission. It also shows the potential maximum shareholding (being approximately 34.8 per cent.) of UKPG Holdings on the assumption that the UKPG Option is exercised in full, but that no other options over Ordinary Shares (or the Warrants) are exercised:

Name	As at the date of this document		On Admission				Maximum percentage of partially diluted enlarged share capital (assuming exercise of options ¹)
	Number of Existing Ordinary Shares	Percentage of of existing issued share capital	Number of Ordinary Shares	Percentage of of Enlarged Share Capital	Number of options over Ordinary Shares	Ordinary Shares (assuming exercise of options)	
UKPG Holdings	0	0.00	18,521,295	32.82	1,745,462	20,266,757	34.83

1. Partially diluted enlarged share capital for the purposes of the UKPG Holdings Waiver (58,182,078 Ordinary Shares) represents the Enlarged Share Capital adjusted to reflect the exercise to its full extent of the UKPG Option (1,745,462 new Ordinary Shares) but no other options (or the Warrants).

Further information on UKPG Holdings and Lazard is set out in Part IV of this document.

As with the EBT Concert Party Waiver, unless a specific waiver is obtained from the Panel and approved by the Independent Shareholders on a poll, UKPG Holdings or any parties acting in concert with it would be obliged to make a mandatory cash offer for the entire issued Ordinary Share capital of Durlacher as a result of the issue to UKPG Holdings of the Consideration Shares or the grant of the UKPG Option pursuant to the Proposals. Your Board believes that this consequence is also not in the best interests of Durlacher or its Shareholders. Your Board has consulted the Panel which has also agreed, in this instance, subject to the approval of Independent Shareholders on a poll, to waive the obligations that would otherwise arise under Rule 9 of the City Code for UKPG Holdings or any parties acting in concert with it to make a general cash offer for the whole of the Company's issued share capital as a result of the issue to it of the Consideration Shares or the grant of the UKPG Option pursuant to the terms of the Proposals.

Independent Shareholders' approval for the UKPG Holdings Waiver is being sought at the EGM pursuant to Resolution 4 which will be taken by a vote on a poll. This will include approval of the issue by the Company to UKPG Holdings of the Consideration Shares and the grant to UKPG Holdings of the UKPG Option and the subsequent exercise of such option.

UKPG Holdings has not purchased any Ordinary Shares in the 12 months immediately preceding the date of this document. The UKPG Holdings Waiver will be invalidated if any purchases of Ordinary Shares are made by UKPG Holdings or any parties acting in concert with it in the period between the date of this document and the EGM.

Shareholders should note that Rule 9 of the City Code also states that if any person or group of persons acting in concert hold shares carrying not less than 30 per cent., but not more than 50 per cent., of the voting rights of the Company and such person, or any person acting in concert with him, acquires any additional shares which increases their percentage of the voting rights, such person or group of persons will be obliged to make a general offer to all of the Shareholders.

11. Change of name

It is proposed to change the name of the Company to Panmure Gordon & Co. plc and Shareholders' approval to effect this is being sought at the EGM pursuant to Resolution 11. However, the Company will, where appropriate, service its AIM corporate broking clients under the name of 'Panmure Gordon Durlacher'.

12. De-listing from the Official List and admission to trading on AIM

In order to take advantage of the more flexible rules applicable to a quotation on AIM, the Company will, conditional upon Shareholder approval of the Acquisition at the EGM, request the UK Listing Authority to cancel its listing on the Official List and apply to the London Stock Exchange for admission to trading on AIM of both the Existing Ordinary Shares and New Ordinary Shares.

Following the expected lifting of the suspension from the Official List of the Ordinary Shares tomorrow, the Existing Ordinary Shares will continue to be listed on the Official List pending Admission, which is expected to occur on 26 April 2005. In the event that the resolution to approve the Acquisition is not approved by Shareholders at the EGM, the Company's application for admission to AIM will lapse and its listing on the Official List will remain.

13. Proposed capital reorganisation

The Company has a significant deficit in its profit and loss account due to its historic trading results. As part of the Company's share capital reorganisation undertaken in October 2002 a resolution was passed to give the Company the ability to cancel the Deferred Shares. It is intended that the Company will consider ways of restructuring its balance sheet in due course to address the current deficit in its profit and loss account in order to put it in a position (subject to its future profitability) to pay dividends in accordance with the dividend policy set out below. To further assist in this process Resolution 12 is being proposed at the EGM to give the Company the ability (subject to Court approval) to cancel the entire share premium account of the Company existing upon Admission as well as to cancel and extinguish all the Deferred Shares. The Company is also taking the opportunity in Resolution 12 to refresh the resolution passed in 2002 in relation to the cancellation of the Deferred Shares. Any reduction of capital will only become effective upon the registration at Companies House of the Court Order confirming the reduction. The primary concern to the Court will be the protection of creditors; the Company will in due course put in place whatever mechanism the Company is advised by its professional advisers is appropriate in this regard.

14. Dividend policy

The Board intends to consider the payment of an appropriate level of dividends out of any distributable profits as and when it is able to do so.

15. Voting commitments

Irrevocable undertakings to vote in favour of the Resolutions have been received from Independent Shareholders in respect of an aggregate of 4,564,049 Existing Ordinary Shares representing approximately 23.5 per cent. of Durlacher's existing issued share capital. These undertakings will lapse in the event, *inter alia*, that the convening of the EGM is delayed beyond 30 April 2005 or if the Directors are in receipt of a firm intention to make an offer for the Company in accordance with Rule 2.5 of the City Code.

Details of the shareholdings and dealings in the 12 month period preceding the date of this document of those Independent Shareholders who have given irrevocable undertakings to vote in favour of the Resolutions are set out in paragraphs 5.7 and 5.8 of Part VIII of this document.

Non-binding letters of intent to vote in favour of the Resolutions have been received from Independent Shareholders in respect of in aggregate 2,186,725 Existing Ordinary Shares representing approximately 11.3 per cent. of Durlacher's existing issued share capital.

16. Bonus policy

It is intended that the bonus policy for the Enlarged Group will be to pay out by way of bonuses to management and employees 50 per cent. of consolidated operating profit, after exceptional items (save for specific exceptional items and option costs) from the year 2006 onward.

17. Corporate governance

The Group is committed to a high standard of corporate governance and has, wherever possible and practicable, adopted the provisions of the Combined Code as it applies to the Group's current reporting period.

With effect from Admission, the Company's board will have three committees; namely the Nomination Committee, the Audit Committee and the Remuneration Committee, as described below.

Nomination Committee

It is proposed that the Nomination Committee will comprise Tony Caplin, Howard Flight and Jon Hack and will be chaired by Tony Caplin. The committee will meet as necessary to consider and make recommendations to the board in respect of further board appointments.

Audit Committee

It is proposed that the Audit Committee will comprise Tony Caplin and Howard Flight and will be chaired by Tony Caplin. The committee will monitor and review the internal controls and financial reporting of the Enlarged Group from information provided by the management and the auditors. It will also consider the objectivity, independence and cost effectiveness of the external auditors. On an "as required" basis, other personnel may attend the Audit Committee meetings including the Chief Executive Officer and the Finance Director.

Remuneration Committee

It is proposed that the Remuneration Committee will meet as and when required and will comprise Tony Caplin and Howard Flight and will be chaired by Howard Flight. The committee will be responsible for determining the remuneration policy and terms and conditions of service of the Company's Executive Directors.

In addition, there will be a Management Committee which will comprise all Executive Directors of the Company and those other heads of business units that the Chief Executive believes appropriate. The Management Committee will be chaired by the Chief Executive.

18. Taxation

General information relating to UK taxation with regard to the Proposals is summarised in paragraph 12 of Part VIII of this document. A Shareholder who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than the UK, should consult his or her professional advisers.

19. CREST

The Existing Ordinary Shares are already eligible for settlement through CREST. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

20. Extraordinary General Meeting

A notice convening an Extraordinary General Meeting of the Company to be held at Moorgate Hall, 155 Moorgate, London EC2M 6XB at 10.00am on 22 April 2005 is set out at the end of this document. At the EGM, the following Resolutions will be proposed:

1. subject to, and conditional upon Resolutions 2 to 9 inclusive being passed, an ordinary resolution to approve the entering into of the Acquisition Agreement;
2. subject to, and conditional upon Resolutions 1 and 3 to 9 inclusive being passed, an ordinary resolution to approve the entering into of the Relationship Agreement;

3. subject to, and conditional upon Resolutions 1, 2 and 4 to 9 inclusive being passed, an ordinary resolution to approve the waiver by the Panel of the obligations of the EBT Concert Party and parties acting in concert with it under Rule 9 of the City Code (such resolution to be taken on a poll of Independent Shareholders);
4. subject to, and conditional upon Resolutions 1 to 3 inclusive and 5 to 9 inclusive being passed, an ordinary resolution to approve the waiver by the Panel of the obligations of UKPG Holdings and parties acting in concert with it under Rule 9 of the City Code (such resolution to be taken on a poll of Independent Shareholders);
5. subject to, and conditional upon Resolutions 1 to 4 inclusive and 6 to 9 inclusive being passed, an ordinary resolution to increase the authorised share capital of the Company from £29,550,000 to £32,350,000 by the creation of 70,000,000 new Ordinary Shares (9,260,648 of which will be Restricted Voting Ordinary Shares), representing an increase of approximately 229 per cent. to the existing authorised Ordinary Share capital. The reason for the increase is to ensure that the Company has sufficient authorised share capital to implement the Proposals and that, following Admission, there is appropriate headroom in light of the increased issued share capital of the Company;
6. subject to, and conditional upon Resolutions 1 to 5 inclusive and 7 to 9 inclusive being passed, an ordinary resolution to authorise the directors of the Company to (i) allot the Consideration Shares and (ii) allot other relevant securities up to an aggregate nominal amount of £563,719. The authority in (ii) will represent approximately 25 per cent. of the Enlarged Share Capital and will be supplemental to the existing authority granted by Shareholders at the annual general meeting of the Company held on 14 March 2005 and when aggregated with such existing residual authority will confer on the directors authority to allot relevant securities up to an aggregate amount of £752,488 (following the grant of the UKPG Option which will be made pursuant to such existing authority). This aggregate amount will represent approximately one third of the Enlarged Share Capital. The Directors have no present intention of exercising the new authority save in relation to the allotment of the Consideration Shares. The authority conferred by Resolution 6 will lapse on 21 April 2010;
7. subject to, and conditional upon Resolutions 1 to 6 inclusive, 8 and 9 being passed, an ordinary resolution to (i) amend the terms of the Existing Share Option Plans; and (ii) approve the grant of options pursuant to the Unapproved Share Option Plan to each of Simon Hirst, David Liddell and Julian Hirst to subscribe for 500,000 Ordinary Shares at an exercise price of 120p per share;
8. subject to, and conditional upon Resolutions 1 to 7 inclusive and 9 being passed, an ordinary resolution to adopt the ESOP and to approve the creation of the New Employee Benefit Trust;
9. subject to, and conditional upon Resolutions 1 to 8 inclusive being passed, an ordinary resolution to adopt the Performance Share Option Plan and to approve the grant of the UKPG Option;
10. subject to, and conditional upon Resolutions 1 to 9 inclusive being passed, a special resolution to disapply section 89(1) of the Act, first to avoid any technicalities which arise under the Act in connection with any rights issue to Shareholders and secondly up to a nominal amount of £217,988.04 (in respect of 5,449,701 Ordinary Shares) which will represent approximately 9.6 per cent. of the Enlarged Share Capital. This disapplication will be supplemental to the existing disapplication approved by Shareholders at the annual general meeting of the Company held on 14 March 2005. The UKPG Option will be granted pursuant to the existing disapplication. Consequently the new disapplication when aggregated with the residual existing disapplication (after taking into account the effect of the grant of the UKPG Option) will comprise an aggregate disapplication up to an aggregate nominal amount of £225,746.44 (in respect of 5,643,661 Ordinary Shares) which will represent approximately 10 per cent. of the Enlarged Share Capital. The new

disapplication over the additional £217,988.04 to be granted pursuant to this Resolution 9 will expire on 21 April 2010;

11. subject to and conditional upon Resolutions 1 to 9 inclusive being passed, a special resolution to change the Company's name to Panmure Gordon & Co. plc; and
12. a special resolution to authorise the Directors to cancel the Company's share premium account and to cancel and extinguish all of the Deferred Shares.

21. Action to be taken by Shareholders

A Form of Proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you intend to be present at that meeting, you are asked to complete the Form of Proxy in accordance with the instructions thereon and return it to the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA as soon as possible and, in any event, by no later than 10.00am on 20 April 2005. The completion and return of a Form of Proxy will not prevent you from attending the EGM and voting in person should you wish to do so. Existing Optionholders (who are not also Shareholders) are not entitled to attend and vote at the Extraordinary General Meeting and this document has been forwarded to them for information purposes only.

22. Further information

Your attention is drawn to the further information set out in Parts II to VIII of this document. Shareholders should read the whole of this document and should not just rely on the information contained in this Part I.

23. Recommendation

Howard Flight and I are members of the EBT Concert Party and therefore have not participated in the Board's recommendation of Resolution 3. The Independent Directors, who have been so advised by Hawkpoint, consider the EBT Concert Party Waiver and Resolution 3 to be fair and reasonable and in the best interests of the Shareholders as a whole. Accordingly, the Independent Directors unanimously recommend that you vote in favour of Resolution 3. In advising the Independent Directors, Hawkpoint has placed reliance on the Independent Directors' commercial assessments.

The Directors, who have been so advised by Hawkpoint, consider the Proposals set out in Resolutions 1, 2 and 4 to 12 inclusive to be fair and reasonable and in the best interests of the Shareholders as a whole. Accordingly, your Directors unanimously recommend that you vote in favour of Resolutions 1, 2 and 4 to 12 inclusive. In advising the Directors, Hawkpoint has placed reliance on the Directors' commercial assessments.

The Directors will not vote on Resolutions 3 and 4 in respect of their own beneficial and non-beneficial holdings as they are not able to do so under the terms of the Rule 9 Waivers granted by the Panel. Accordingly, the Directors have irrevocably undertaken so far as they are able to procure in respect of their own beneficial and non-beneficial holdings amounting to, in aggregate, 208,142 Existing Ordinary Shares, representing approximately 1.07 per cent. of the voting rights currently exercisable at a general meeting of the Company that such votes are cast in favour of Resolutions 1, 2 and 5 to 12 inclusive.

Accordingly, taking into account the irrevocable undertakings set out in paragraph 15 above, irrevocable undertakings to vote in favour of Resolutions 3 and 4 have been received in respect of a total of 4,564,049 Existing Ordinary Shares (representing approximately 23.9 per cent. of the voting rights currently exercisable at a general meeting of the Company by the Independent Shareholders¹) and irrevocable undertakings to vote in favour (including the irrevocable commitments of the Directors described above) of Resolutions 1, 2 and 5 to 12 inclusive have been received in respect of a total of 4,772,191 Existing Ordinary Shares (representing

¹ As at the date of this document and to the best knowledge and belief of the Directors, the number of shares held by Independent Shareholders is 18,858,630.

approximately 24.6 per cent. of the voting rights currently exercisable at a general meeting of the Company). In addition, letters of intent to vote in favour of Resolutions 1 to 12 inclusive have been received in respect of a total of 2,186,725 Existing Ordinary Shares (representing approximately 11.3 per cent. of the voting rights currently exercisable at a general meeting of the Company and 11.4 per cent. of the voting rights currently exercisable at a general meeting of the Company by the Independent Shareholders¹).

Yours faithfully

Tony Caplin
Non-executive Chairman

¹ As at the date of this document and to the best knowledge and belief of the Directors, the number of shares held by Independent Shareholders is 18,858,630.

PART II

INFORMATION ON DURLACHER

1. Introduction

Durlacher is an investment bank focusing on servicing corporates and institutional investors in the small and mid-cap stock market. It has been listed on the Official List since 25 October 1999.

2. History

Prior to becoming an investment bank, Durlacher had established a reputation for advising, raising capital for and investing in early stage technology companies. From 2000 until mid 2003, equity market conditions, particularly for technology companies, deteriorated dramatically which seriously affected the Group's ability to generate acceptable levels of revenue and profitability from this business model.

In addition to its early stage technology investment activities, Durlacher had also previously been engaged in private client stock broking, the development and operation of an on-line stock broking and information service, *nothingventured.com*, and fund management activities. These activities have all since been discontinued — the private client stock broking and *nothingventured.com* businesses were sold to Charles Stanley Group plc in September 2003 and the fund management business was closed in December 2004.

Since early 2002, the Company has repositioned its business as that of an investment bank offering corporate finance, institutional sales, equity research and market making services aimed at corporate clients and institutional investors in the UK small-cap market. The Company currently operates from one office in the City of London. As at 11 March 2005, the Group had 61 employees, 6 consultants and a retained corporate client base of 46 clients.

3. Description of business

Durlacher's business is that of investment banking focused on serving corporates and institutional investors in the small-cap market. The three key operational areas of the Group are corporate finance and corporate broking; institutional sales and research; and market making.

Corporate finance and corporate broking

A wide range of services are provided to small and medium sized companies by the corporate finance team, including:

- acting as sponsor, stockbroker and AIM nominated adviser;
- advice on mergers, takeovers, acquisitions and disposals;
- IPOs and secondary equity issuing advice;
- private equity and pre-IPO fundraising advice; and
- ad hoc corporate finance and corporate broking services as required by corporate clients.

In addition, Durlacher is selectively targeting advisory mandates on larger merger and acquisition transactions, mostly in cases where it is able to work closely with senior level management teams and/or private equity firms with which it maintains close relationships.

As at 11 March 2005, Durlacher was the retained corporate finance adviser and/or corporate broker to 46 companies. Durlacher's corporate finance and broking team numbers 10 professionals and one regulatory administrator.

Institutional sales and research

Durlacher's institutional sales team was formed in June 2001 and actively commenced broking in September 2001. The institutional sales and research teams have since grown substantially to

number some 22 professionals. In addition to a dedicated institutional sales team which focuses on both primary fundraisings and secondary placings, Durlacher has also established a sales trading capability for the secondary equity market.

The institutional sales team is focused on smaller cap growth stocks (generally sub-£250 million market capitalisation). Retained corporate clients cover various sectors such as leisure, support services, healthcare, specialist financials and natural resources and Durlacher's historic focus of technology and media.

As at 11 March 2005, Durlacher published research on 64 companies including, Durlacher's corporate clients and other companies selected for their position within Durlacher's chosen sectors.

Market making

Durlacher has expanded its market-making offering over the past two years. At 1 July 2002, Durlacher was a registered market-maker in 32 UK securities. As at 11 March 2005, Durlacher was a registered market-maker in 97 UK securities.

Other activities

In addition to the three core operation areas outlined above, the Company did, until recently, operate a fund management division which was established in March 2002 with the launch of two retail products, the Durlacher Blue Chip Plus Fund and the Durlacher Growth Plus Fund. The Directors did not consider Durlacher's fund management operation to be core to its corporate advisory and corporate broking strategy and, as a result, decided to close its fund management operation in December 2004. This decision was taken by the Board because this activity was loss making.

4. Management

Tony Caplin is currently Chairman of Durlacher, Simon Hirst Chief Executive, Julian Hirst Head of Corporate Finance and David Liddell Finance Director. Howard Flight and Jack Wigglesworth are currently Non-Executive Directors.

Jack Wigglesworth has indicated that he will step down from the Board following the Acquisition.

Brief biographical summaries of Tony Caplin, Simon Hirst, Julian Hirst, David Liddell and Howard Flight are set out in paragraph 9 of the letter from the Chairman of Durlacher in Part I of this document.

5. Summary financial information

As reflected in the audited report and accounts of the Company posted to Shareholders on 22 March 2005 for the 18 month period ended 31 December 2004, Durlacher reported turnover of £15.6 million (compared with £6.6 million for the year ended 30 June 2003) and a loss on ordinary activities before taxation of £5.4 million (compared with £1.5 million for the year ended 30 June 2003). The figures for the 18 months ended 31 December 2004 include the results of the discontinued private client stockbroking business (approximately 3 months), which was sold to Charles Stanley in September 2003. The loss on ordinary activities before taxation for the 18 months ended 31 December 2004 is stated after charging significant exceptional and restructuring costs.

This financial information on Durlacher has been extracted without material adjustment from the financial information relating to Durlacher set out in Part V of this document and Shareholders are recommended to read this document and the audited report and accounts of the Company in full rather than relying on this summary information provided.

PART III

INFORMATION ON PANMURE GORDON

1. Introduction

Founded in 1876, Panmure Gordon is a corporate and institutional stockbroker. Panmure Gordon provides corporate finance advice, distributes securities and produces research on behalf of a wide range of clients. On 11 March 2005, the Panmure Gordon Business was transferred from Lazard and Lazard & Co., Services Limited to Panmure Gordon & Co., a wholly-owned subsidiary of UKPG Holdings.

2. History

The firm of 'Panmure Gordon and Company' was founded as a partnership by Harry Panmure Gordon in 1876. By the early 1880s it was established as a corporate finance stockbroker specialising in new issues for both foreign governments and companies.

In 1987, the business of Panmure Gordon became a wholly owned subsidiary of National Bank of North Carolina (which subsequently became NationsBank), before being acquired by WestLB in 1996.

WestLB created a European investment bank under the name WestLB Panmure with operations in Germany and the UK covering corporate finance, equities, derivatives and private equity. Tim Linacre was appointed Chief Executive of WestLB Panmure in March 2003. Following Tim Linacre's appointment, the business was restructured to create WestLB Equities, specialising in pan-European and German equities and derivatives, and the Panmure Gordon business, refocused as a corporate and institutional stockbroker. Following this restructuring, Tim Linacre assumed the role of Chief Executive of the Panmure Gordon business.

The management of the Panmure Gordon business and WestLB believed that the business no longer fitted the strategic direction of WestLB and a sale process was commenced in late 2003. The business was acquired by Lazard in January 2004. Lazard had an existing equity capital markets business, Lazard Capital Markets, which was integrated into what became the Panmure Gordon Business, a division of Lazard. In January 2004, Richard Wyatt was appointed Chairman of the Panmure Gordon Business and Tim Linacre was appointed Chief Executive.

During and after the process of integration and restructuring there was significant change in staffing as a process of upgrading was undertaken. Since January 2004, over 30 new members of staff have joined the Panmure Gordon Business and a similar number have left. In particular, an eight strong investment trust team was recruited with a view to taking the Panmure Gordon Business back to an area of historic strength; this team joined Panmure Gordon in the summer of 2004. New equity research analysts were recruited to cover sectors that were either not covered or insufficiently covered by the business and the institutional sales desk was strengthened. In the opinion of Richard Wyatt and Tim Linacre, this upgrading has been one of the factors behind an improvement in the performance of the business in the second half of 2004, compared with the first half of 2004.

3. Description of business

Panmure Gordon is a corporate and institutional stockbroker. Panmure Gordon provides corporate finance advice, distributes securities and produces research on behalf of a wide range of clients.

Corporate finance

The corporate finance department advises companies on their financing requirements through equity capital markets, including flotations, private placements, secondary issues and follow-on

offerings, and provides corporate finance services including corporate broking, financial advisory and mergers and acquisitions advice.

As at 11 March 2005, Panmure Gordon acted as corporate broker to 57 companies and investment trusts and acted as financial adviser to 35 companies and investment trusts.

Institutional equities

The institutional equities department provides research, sales and trading services to institutional investors. As at 11 March 2005, Panmure Gordon provided research on over 200 companies and 300 investment trusts listed in London on the Official List of the UK Listing Authority or quoted on AIM, and as at 11 March 2005, acted as a market maker in over 600 stocks and investment trusts.

Panmure Gordon is on the dealing lists of approximately 280 institutions who deal in UK equities. During 2004 and early 2005, Panmure Gordon established electronic links (Retail Service Providers or “RSPs”) with over 45 private client stockbrokers to permit those brokers to deal through Panmure Gordon electronically without having to make a telephone call. As at 18 March 2005, RSPs averaged 278 trades per day accounting for approximately 15 per cent. of the total trade volume.

4. Management

Richard Wyatt is Chairman of Panmure Gordon and Tim Linacre is Chief Executive. Tim Linacre remains the client director for a number of Panmure Gordon’s corporate clients.

Brief biographical summaries of Richard Wyatt and Tim Linacre, who are Proposed Directors of the Board of Durlacher, are set out in paragraph 9 of the letter from the Chairman of Durlacher in Part I of this document.

5. Summary financial information

For the period from 12 January 2004 to 31 December 2004, the Panmure Gordon Business reported a loss on ordinary activities after tax of £10.0 million on turnover of £23.1 million. This loss on ordinary activities after tax was after costs of £1.5 million for premises, £24.8 million by way of a recharge from Lazard & Co., Services Limited of employment and certain other operational costs incurred by the Lazard Group in relation to the Panmure Gordon Business and £7.3 million of other administrative expenses. In the opinion of the Directors and the Proposed Directors, these costs are not representative of the on-going cost base of the Panmure Gordon Business as part of the Enlarged Group as they include a number of special and non-recurring items, including, a portion of the legal costs for the purchase of Panmure Gordon by Lazard and costs of restructuring the business and hiring new staff. It also includes bonuses accrued in 2004.

This summary financial information on Panmure Gordon has been extracted without material adjustment from the financial information relating to Panmure Gordon set out in Part VI of this document. Shareholders are referred to paragraph 5 of Part I of this document for a description of this financial information and recommended to read this document in full rather than rely on this summary information provided.

PART IV

INFORMATION ON LAZARD AND UKPG HOLDINGS

1. Corporate Structure

- 1.1 Lazard is a private limited company incorporated in England and Wales (registered number 162175) and whose registered office is at 50 Stratton Street, London W1J 8LL. Lazard's principal business is providing financial advisory services in connection with a wide range of strategic and financial matters including mergers and acquisitions and financial restructurings. Lazard also holds the Lazard Group's interests in a number of its European and other operations. Lazard is a wholly owned subsidiary of Lazard & Co., Holdings Limited, which in turn is a wholly owned subsidiary of Lazard LLC. Lazard & Co., Holdings Limited is a private limited company incorporated in England and Wales (registered number 3889341) and whose registered office is at 50 Stratton Street, London W1J 8LL.
- 1.2 UKPG Holdings is a Delaware limited liability company whose registered office is at c/o National Registered Agents Inc., 9 East Lookerman Street, Suite 1B, Dover, Kent County, Delaware 19901, United States. UKPG Holdings is an intermediate holding company. UKPG Holdings is a wholly owned subsidiary of LFCM Holdings, which in turn is a wholly owned subsidiary of Lazard LLC. LFCM Holdings is a Delaware limited liability company with registered office c/o National Registered Agents, Inc., 9 East Lookerman Street, Suite 1B, Dover, Kent County, Delaware 19901, United States.
- 1.3 Lazard LLC is a Delaware limited liability company whose principal place of business is at 30 Rockefeller Plaza, New York, New York 10020, United States. As at the date of this document, Lazard LLC is the group holding company of the Wider Lazard Group.
- 1.4 In the financial year ended 31 December 2004, Lazard LLC reported net revenue of US\$1,274,305,000, operating income of US\$357,762,000 and net income allocable to members of US\$246,974,000. As at 31 December 2004, Lazard LLC had members' equity of US\$384,798,000.

2. Directors

- 2.1 The directors of Lazard are Marcus Agius, Will Dennis, James Hansford, Peter Kiernan, Chris Oglethorpe, William Rucker, Nicholas Shott, Carolyn Sims, Charles Ward III and Peter Warner. The business address of each of the directors of Lazard is 50 Stratton Street, London W1J 8LL, which is also the registered office and principal place of business of Lazard.
- 2.2 The manager of UKPG Holdings is James Hansford. The business address of the manager of UKPG Holdings is 30 Rockefeller Plaza, New York, New York 10020, United States.

3. Disclosure of Shareholdings and Dealings

- 3.1 Neither Lazard, nor any director of Lazard, nor their immediate families or related trusts, nor any person acting in concert with Lazard, controlled or (in the case of directors) was interested, directly or indirectly, in any relevant securities of the Company on 29 March 2005 (being the latest practicable date prior to the publication of this document) nor has any such person dealt for value in relevant securities of the Company during the period commencing on 30 March 2004 being the date 12 months preceding the date of this document, and ending on 29 March 2005, being the latest practicable date prior to the posting of this document.
- 3.2 Neither UKPG Holdings, nor the manager of UKPG Holdings, nor his immediate family or related trusts, nor any person acting in concert with UKPG Holdings, controlled or (in the case of the manager) was interested, directly or indirectly, in any relevant securities of the Company on 29 March 2005 (being the latest practicable date prior to the publication of

this document) nor has any such person dealt for value in relevant securities of the Company during the period commencing on 30 March 2004 being the date 12 months preceding the date of this document, and ending on 29 March 2005, being the latest practicable date prior to the posting of this document.

4. Material Contracts

4.1 Save as described below, there have been no contracts entered into by UKPG Holdings or any of its subsidiaries otherwise than in the ordinary course of business during the two years immediately preceding the date of this document which are or may be material or at any time which contain an obligation or entitlement which is material to UKPG Holdings or any of its subsidiaries as at the date of this document:

4.1.1 the Acquisition Agreement, as further described in paragraph 8.1.1 of Part VIII of this document;

4.1.2 a long term subordinated loan agreement dated 17 February 2005 between UKPG Holdings and Panmure Gordon & Co., as further described in paragraph 8.2.2 of Part VIII of this document; and

4.1.3 a letter agreement dated 11 March 2005 between UKPG Holdings and Lazard regarding certain additional consideration payable by UKPG Holdings to Lazard in respect of the transfer of the Panmure Gordon Business by Lazard and Lazard & Co., Services Limited to Panmure Gordon & Co. pursuant to the terms of a sale of business agreement further described in paragraph 8.2.1 of Part VIII of this document.

4.2 In addition to the contracts referred to in paragraph 4.1, UKPG Holdings will, immediately prior to Admission enter into the Relationship Agreement as further described in paragraph 8.1.3 of Part VIII of this document, and the UKPG Option, as further described in paragraph 7.2 of Part VIII of this document.

5. Financial Information

UKPG Holdings was formed on 12 November 2004. Save for entering into the material contracts referred to at paragraph 4 above, UKPG Holdings has not traded in the period from the date of its establishment to 29 March 2005, being the latest practicable date prior to the posting of this document.

6. Special Arrangements

No agreement, arrangement or understanding (including any compensation arrangements) exists between UKPG Holdings and any of the Directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Acquisition.

UKPG Holdings has not entered into any agreement, arrangement or understanding to transfer any of the Consideration Shares to any other person.

7. Documents on display

A copy of UKPG Holdings' Amended and Restated Limited Liability Company Agreement dated 22 March 2005 and the material contracts referred to in paragraph 4 above are available for inspection as set out in paragraph 16 of Part VIII.

PART V

FINANCIAL INFORMATION ON DURLACHER

Accountants' report on Durlacher Corporation Plc and its subsidiaries for the years ended 30 June 2002 and 30 June 2003 and the 18 month period ended 31 December 2004



KPMG Audit Plc
Transaction Services
8 Salisbury Square
London EC4Y 8BB
United Kingdom

The Directors and the Proposed Directors
Durlacher Corporation Plc
Moorgate Hall
155 Moorgate
London
EC2M 6XB

The Directors
Hawkpoint Partners Limited
4 Great St Helen's
London
EC3A 6HA

30 March 2005

Dear Sirs

Durlacher Corporation Plc ('the Company')

We report on the financial information set out below. This financial information has been prepared for inclusion in the investment circular dated 30 March 2005 of Durlacher Corporation Plc ('the Company').

Basis of preparation

The financial information set out in this report is based on the audited consolidated financial statements of the Company and of its subsidiary undertakings (collectively referred to as 'the Group') for the years ended 30 June 2002 and 30 June 2003 and the 18 month period ended 31 December 2004 prepared on the basis described in note 4(a) to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Group who approved their issue.

The Directors and the Proposed Directors of the Group are responsible for the contents of the investment circular dated 30 March 2005 in which this report is included.

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

Basis of opinion

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

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

Opinion

In our opinion the financial information gives, for the purposes of the investment circular, a true and fair view of the state of affairs of Durlacher Corporation Plc as at the date(s) stated and of its results and cash flows for the periods then ended.

We consent to the inclusion in the investment circular dated 30 March 2005 of this report and accept responsibility for this report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

1. Consolidated Profit and Loss Account

				18 months ended 31 December	Year ended 30 June 2003	Year ended 30 June 2002
	Notes	Continuing £'000	Discontinuing £'000	2004 £'000	£'000	£'000
Turnover						
Continuing/discontinued		14,152	1,422	15,574	6,645	7,146
Total turnover	6	14,152	1,422	15,574	6,645	7,146
Cost of sales						
Continuing/discontinued		(782)	(1,255)	(2,037)	(2,653)	(3,118)
Total cost of sales	8	(782)	(1,255)	(2,037)	(2,653)	(3,118)
Gross profit		13,370	167	13,537	3,992	4,028
Administrative expenses						
Continuing/discontinued		(15,586)	(1,943)	(17,529)	(11,165)	(9,865)
Exceptional expenses	9	(2,704)	—	(2,704)	(818)	(1,843)
Total administrative expenses		(18,290)	(1,943)	(20,233)	(11,983)	(11,708)
Operating loss		(4,920)	(1,776)	(6,696)	(7,991)	(7,680)
Profit on disposal of fixed asset investments		111	—	111	2,617	4,219
Net income/(costs) on termination of discontinued activities		—	726	726	(890)	—
Net interest and similar costs						
Exceptional gain on debenture redemption		—	—	—	5,531	—
Other interest receivable		372	70	442	243	1
Total net interest and similar costs	11	372	70	442	5,774	1
Amounts written off fixed asset investments	18	—	—	—	(1,007)	(6,446)
Loss on ordinary activities before taxation	10	(4,437)	(980)	(5,417)	(1,497)	(9,906)
Tax on loss on ordinary activities	13			(77)	516	(118)
Loss on ordinary activities after taxation				(5,494)	(981)	(10,024)
Basic loss per ordinary share	14			(35.44)p	(17.57)p	(247.15)p
Diluted loss per share	14			(35.44)p	(17.57)p	(247.15)p

The Directors of the Group did not recommend the payment of or make any payment of dividends in any of the last three financial periods. The Group has no recognised gains or losses other than the result for the respective periods.

2. Consolidated Balance Sheet

		<i>As at</i> 31 December 2004 £'000	<i>As at</i> 30 June 2003 £'000	<i>As at</i> 30 June 2002 £'000
Fixed assets				
Intangible fixed assets	16	—	475	—
Tangible fixed assets	18	1,423	499	517
Investments	19	—	6	1,790
Total fixed assets		<u>1,423</u>	<u>980</u>	<u>2,307</u>
Current assets				
Investments	19	2,712	2,968	3,253
Debtors	20	8,055	3,065	1,492
Cash and bank balances		8,557	3,041	8,317
		<u>19,324</u>	<u>9,074</u>	<u>13,062</u>
Creditors: amounts falling due within one year	21	(8,674)	(3,904)	(3,918)
Net current assets		<u>10,650</u>	<u>5,170</u>	<u>9,144</u>
Total assets less current liabilities		<u>12,073</u>	<u>6,150</u>	<u>11,451</u>
Creditors: amounts falling due after one year	22	(69)	(221)	(9,065)
Provisions for liabilities and charges	23	(1,544)	(1,541)	(709)
Net assets		<u>10,460</u>	<u>4,388</u>	<u>1,677</u>
Capital and reserves				
Ordinary shares		776	326	28,493
Deferred shares		28,330	28,330	—
Called up share capital	26	29,106	28,656	28,493
Share premium account	27	27,473	18,072	14,543
Merger reserve	27	1,715	—	—
Profit and loss account	27	(47,834)	(42,340)	(41,359)
Equity shareholders' funds	28	<u>10,460</u>	<u>4,388</u>	<u>1,677</u>

3. Consolidated Cash Flow Statement

		<i>18 months ended</i> 31 December 2004 £'000	<i>Year ended</i> 30 June 2003 £'000	<i>Year ended</i> 30 June 2002 £'000
Net cash flow from operating activities	29	(4,506)	(9,453)	(6,809)
Returns on investment and servicing of finance	30	477	(115)	675
Taxation		—	—	702
Capital expenditure and financial investment	30	(1,329)	3,106	3,534
Acquisitions and disposals		58	(65)	—
Cash outflow before financing		<u>(5,300)</u>	<u>(6,527)</u>	<u>(1,898)</u>
Financing	30			
Proceeds of issue of ordinary share capital		11,566	4,001	45
(Decrease)/increase in short term loan		(750)	750	—
Repaid convertible debentures		—	(3,500)	—
Net cash inflow from financing activities		<u>10,816</u>	<u>1,251</u>	<u>45</u>
Increase in cash/(decrease)		<u>5,516</u>	<u>(5,276)</u>	<u>(1,853)</u>
Reconciliation of cash outflow to movement in net funds:				
Increase/(decrease) in cash for the period		5,516	(5,276)	(1,853)
(Decrease)/increase in short term loan		750	(750)	—
Non-cash movement on redemption of debentures		—	5,250	5,040
Repayment of convertible debentures		—	3,500	—
Change in net funds debt resulting from cash flows		<u>6,266</u>	<u>2,724</u>	<u>3,187</u>
Net funds/(debt) at start of period		2,291	(433)	(3,620)
Net funds/(debt) at end of period	31	<u>8,557</u>	<u>2,291</u>	<u>(433)</u>

An analysis of the cash flows from discontinued operations is included in note 29. Except as disclosed above, the cash flows arising from acquisitions have not been disclosed as they are immaterial. Unless explicitly stated all other cash flows above arise from continuing operations.

Notes to the Financial Information

4. Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards.

(a) Basis of accounting

The Financial Statements are prepared under the historical cost convention, modified by the inclusion of investments at market value, as discussed below.

The Group financial statements consolidate the assets and liabilities of the Company and all its subsidiary undertakings made up to 31 December 2004, 30 June 2003 and 30 June 2002 and its share of the results and post acquisition reserves of subsidiary undertakings. The profits and losses of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal. Foreign subsidiaries are consolidated after translating the profit and loss account at the weighted average exchange rate during the year and the balance sheet at the exchange rate ruling at the balance sheet date. Foreign exchange gains or losses arising from translation of foreign subsidiaries into sterling are recorded in reserves.

As referred to in the accounting policies for investments, where the Group has a significant holding, being greater than 20 per cent. these have not been consolidated as they are either held with a view to subsequent resale or the Group does not actually exercise significant influence over the financial and operating policies of these companies.

(b) Turnover

Turnover comprises gross commission, corporate finance and research fees and dealing profits and losses excluding value added tax, receivable in respect of the period.

Commission and all other income have been recognised on an accruals basis and have been taken to the profit and loss account on all transactions executed during the period up to the balance sheet date. Dealing profits and losses include profits and losses on market trades as well as profits and losses arising from the valuation of marketable securities held as current trading assets.

Transactions are recorded in the financial books and records on the date on which the Company enters into an irrevocable commitment to carry out the transaction.

(c) Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fittings	20.00 per cent. per annum
Furniture and office equipment	15.00 per cent. per annum
Computer and telephone equipment	33.33 per cent. per annum
Motor vehicles	25.00 per cent. per annum

(d) Investments

Quoted investments are held as current asset investments as at 31 December 2004, 30 June 2003 and 30 June 2002. In line with normal industry practice, all unquoted investments are classified as fixed assets.

Unquoted investments are valued at the lower of cost and net realisable value as per the British Venture Capital Association (BVCA) guidelines. A permanent diminution in the value of fixed asset investments is charged direct to the profit and loss account. During the period to 31 December 2004 the write down of unquoted investments charged to the profit and loss account totalled £6,000 (2003: £1.0 million, 2002: £6.5 million). Refer to Note 19 for further details.

Unquoted investments at 31 December 2004 include some interests in companies in which the Group holds in excess of 20 per cent. of the issued voting share capital of the investee company. These companies have not been accounted for as associates on the basis that the Group does not actually exercise a significant influence over the operating and financial policies of these companies.

Marketable securities and other quoted investments held as current trading assets are stated at market value and profits and losses arising from this valuation are included within turnover. This is not in accordance with schedule 4 of the Companies Act 1985 which requires that such assets should be stated at the lower of cost and net realisable value. The Directors consider that these requirements would fail to give a true and fair view of the profit for the period of an investment bank that holds readily marketable investments as current assets, since their marketability enables decisions to be taken continually about whether to hold or sell those assets, and hence the economic measure of performance in any period is properly made by reference to market values. The cumulative impact of this policy on other quoted investments during the period to 31 December 2004 is to increase the results and net assets by £nil (2003: £0.8 million, 2002: £0.7 million). It is not practicable to quantify the effect on the accounts of this departure in respect of marketable securities, since information on original cost, being of no continuing relevance to the business, is not readily available.

(e) Long and short positions in securities

The terms "long" and "short" represent the aggregate of trading positions in individual securities arising respectively from a net bought and net sold position. Long and short positions in securities are valued at market bid and offer prices respectively at the close of business on the balance sheet date.

(f) Goodwill and negative goodwill

Purchased goodwill arising on business combinations in respect of acquisitions is capitalised and amortised to nil by equal annual instalments over its estimated useful life which is currently ten years. No charge is made in the year of acquisition. Goodwill arising on consolidation of acquisitions before 1 January 1998 when FRS 10 'Goodwill and Intangible Assets' was adopted, was written off to reserves in the year of acquisition. Upon subsequent disposal, any related goodwill previously written off to reserves is written back to the profit and loss account as part of the profit and loss on disposal.

(g) Operating Leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

(h) Trading balances — broking

The Group sub-contracts its settlement function to Pershing Securities Limited ("Pershing") and gross balances owing from or to clients are not reflected in the Group's balance sheet, but only the net amount owing from or to Pershing in respect of commissions and charges. The Group remains responsible for any bad debts arising on the gross balances.

(i) Trading balances — market making

Balances with clients, Stock Exchange member firms and settlement offices are included in market debtors and market creditors for their unsettled bought and sold transactions respectively.

(j) Debtors

Debtors are stated at net realisable value after taking account of any provision for bad and doubtful debts.

(k) Employee Benefit Trust

The Group has an Employee Benefit Trust. In accordance with UITF 32, the assets and liabilities of the EBT are consolidated within the Group Financial Statements. The cost of benefits provided under the trust is recognised when employees become entitled to the benefits.

(l) Deferred taxation

Deferred taxation is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. No deferred tax asset has been recognised as the transfer of economic benefit is uncertain. Deferred tax balances are not discounted.

(m) Financial instruments

The Group occasionally uses foreign exchange forward contracts to hedge against adverse changes in currency exchange rates associated with foreign currency denominated trades. Where hedge accounting is permitted by accounting rules, the hedged item is translated at the forward contracted rate. Where hedge accounting is not permitted by accounting rules, the contracts are recorded on the balance sheet at their fair market value.

5. Segmental Analysis

The Directors consider that the Group operates in one segment, being investment banking.

6. Turnover Analysis

For the 18 months ended 31 December 2004 and the year ended 30 June 2003

	<i>18 months ended 31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>
Market-making	2,083	318
Corporate finance	11,024	1,709
Institutional broking	903	70
Discontinued operations	1,422	4,117
Other	142	431
Total	<u>15,574</u>	<u>6,645</u>

For the year ended 30 June 2002

	<i>Year ended 30 June 2002 £'000</i>
Commissions	4,319
Fees	1,520
Dealing profits and losses	1,307
Total	<u>7,146</u>

A small proportion of turnover is attributable to non-UK markets.

The Group acquired web-angel plc, a non-trading company, during 2004. web-angel plc has no post acquisition results to disclose.

7. Discontinued Activities

	<i>18 months ended 31 December 2004</i>		
	<i>Continuing £'000</i>	<i>Discontinuing £'000</i>	<i>Total £'000</i>
Turnover	14,152	1,422	15,574
Cost of sales	(782)	(1,255)	(2,037)
Gross Profit	13,370	167	13,537
Administrative expenses	(18,290)	(1,943)	(20,233)
Operating loss	(4,920)	(1,776)	(6,696)
	<i>Year ended 30 June 2003</i>		
	<i>Continuing £'000</i>	<i>Discontinuing £'000</i>	<i>Total £'000</i>
Turnover	2,528	4,117	6,645
Cost of sales	(175)	(2,478)	(2,653)
Gross Profit	2,353	1,639	3,992
Administrative expenses	(8,202)	(3,781)	(11,983)
Operating loss	(5,849)	(2,142)	(7,991)
	<i>Year ended 30 June 2002</i>		
	<i>Continuing £'000</i>	<i>Discontinuing £'000</i>	<i>Total £'000</i>
Turnover	2,506	4,640	7,146
Cost of sales	(584)	(2,534)	(3,118)
Gross Profit	1,922	2,106	4,028
Administrative expenses	(8,645)	(3,063)	(11,708)
Operating loss	(6,723)	(957)	(7,680)

The results of Life Capital Limited acquired during 2003 are not material and have not been separately disclosed.

8. Cost of Sales

	<i>18 months ended</i>		
	<i>31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2002 £'000</i>
Write down of investments	—	—	(247)
Commission payable	(2,037)	(2,653)	(2,871)
Total	(2,037)	(2,653)	(3,118)

9. Administration Expenses — Exceptional Expenses

Included within administration expenses are the following non-recurring exceptional expenses:

	<i>18 months ended</i>		
	<i>31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2002 £'000</i>
Restructuring costs	—	—	(1,111)
Termination and redundancies	(1,362)	(818)	(732)
Compensation in lieu of commission on share issue	(392)	—	—
Property costs	(950)	—	—
Total	(2,704)	(818)	(1,843)

Property costs resulted from the move to new offices in June 2004. Predominantly, they are a provision for the onerous lease conditions on the old offices. Further, dilapidation costs have been incurred and leasehold improvements have been written off.

Restructuring costs principally consist of professional advisory costs relating to the legal, financial and technical work required following the strategic review conducted in 2002.

10. Loss on Ordinary Activities before Taxation

The loss on ordinary activities before taxation is stated after charging:

	<i>18 months ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December</i>	<i>30 June 2003</i>	<i>30 June 2002</i>
	<i>2004</i>	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Staff costs (Note 12)	(10,529)	(5,850)	(6,943)
Depreciation of owned tangible fixed assets (Note 18)	(427)	(295)	(347)
Impairment of fixed assets	(95)	—	(321)
Auditors' remuneration — Audit Services	(236)	(163)	(225)
— Further Assurance Services	—	(285)	(418)
— Tax Services	(82)	(78)	—
— Other Services	(195)	(63)	—
Hire of other assets — Operating leases	(952)	(498)	(418)
Amortisation of goodwill (Note 16)	(165)	(12)	(13)
Bad and doubtful debts recovery/(charge)	—	—	548
Exceptional expenses (Note 9)	(2,704)	(818)	(1,843)

In addition to the amounts within loss on ordinary activities, the auditors provided services in relation to share placings amounting to £66,755 (2003: £62,310) which was offset against the share premium. The audit fee for the Parent Company was £189,114 (2003: £74,250, 2002: £99,000).

11. Net Interest Receivable

	<i>18 months ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December</i>	<i>30 June 2003</i>	<i>30 June 2002</i>
	<i>2004</i>	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest receivable and similar items			
Cash deposits	344	184	437
Convertible debenture	—	5,614	—
Other	146	186	188
	<u>490</u>	<u>5,984</u>	<u>625</u>
Interest payable and similar charges			
Bank loans and overdrafts	(37)	(98)	(15)
Convertible debenture	—	(83)	(597)
Foreign exchange loss	(11)	(29)	(12)
	<u>(48)</u>	<u>(210)</u>	<u>(624)</u>
Net interest receivable	<u>442</u>	<u>5,774</u>	<u>1</u>

The exceptional gain on the debenture redemption consists of profit made on the purchase of the convertible debentures on 20 December 2002 together with the release of interest accrued on the debentures as at the date of repurchase.

12. Staff Costs

	<i>18 months ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December</i>	<i>30 June 2003</i>	<i>30 June 2002</i>
	<i>2004</i>	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Staff costs including Directors emoluments:			
Wages and salaries	(9,188)	(5,293)	(6,297)
Social security costs	(1,152)	(557)	(646)
Pensions	(189)	—	—
Total	<u>(10,529)</u>	<u>(5,850)</u>	<u>(6,943)</u>

Average number of persons, including Directors, employed by the Company during the period
For the 18 months ended 31 December 2004 and the year ended 30 June 2003

	<i>18 months ended 31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>
Management	5	5
Corporate Finance	15	24
Principal Risk	5	5
Fund Management	5	3
Institutional Broking	11	12
Discontinued Operations	5	22
Half Commission	2	18
Analysts	9	10
Support and Administration	21	21
Total	<u>78</u>	<u>120</u>

For the year ended 30 June 2002

	<i>Year ended 30 June 2002 £'000</i>
Management and administrative	117
Broking	22
Total	<u>139</u>

Employee Benefit Trust

The Group has two Employee Benefit Trusts ("EBTs") which were established on 28 May 1996 and 5 June 2003. The assets and liabilities of the EBTs are solely for the benefit of the employees of the Group.

As at 20 July 2001 assets to the value of £2.7 million were distributed to Sub Trusts for two of the then Directors (£2.7 million) and two employees (£6,321) of the Group. Consequently these assets are no longer under the control of the Group.

In accordance with UITF 32, the assets and liabilities of the EBTs have been consolidated within the Group accounts as at 31 December 2004 and the net effect on the Group's net assets and results for 2004 is £nil (2003: £nil, 2002: £nil).

The following is a reconciliation of the movements within the EBTs for the period ended 31 December 2004 and the years ended 30 June 2002 and 30 June 2003:

	<i>£'000</i>
Cash in fund as at 19 July 2001*	3,055
Activities during the year end 30 June 2002:	
Result for the period ended 30 June 2002	(25)
Assets distributed to subtrusts	(2,715)
Cash in fund as at 30 June 2002	<u>315</u>
Activities during the year end 30 June 2003:	
Result for the period ended 30 June 2003	—
Assets distributed to subtrusts	(315)
Cash in fund as at 30 June 2003	<u>—</u>
Activities during the period end 31 December 2004:	
Assets received into Trust	384
Result for the period ended 31 December 2004	3
Assets distributed to Sub Trusts	(387)
Funds as at 31 December 2004	<u>—</u>

* Accounts prior to distribution to Subtrust. No accounts were available for the EBT as at 30 June 2001.

Directors' emoluments

Emoluments paid to each Director during the period ended 31 December 2004 were as follows:

	<i>Salary</i>	<i>Bonus</i>	<i>Loss of</i>	<i>Pension</i>	<i>Benefits</i>	<i>Payments</i>	<i>Total</i>
	<i>2004</i>	<i>2004</i>	<i>office</i>	<i>2004</i>	<i>2004</i>	<i>to Third</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>2004</i>	<i>£'000</i>	<i>£'000</i>	<i>Parties</i>	<i>£'000</i>
			<i>£'000</i>			<i>2004</i>	
						<i>£'000</i>	<i>£'000</i>
C G Stainforth	467	—	150	100	7	15	739
A L Caplin	114	—	—	—	—	—	114
J Wigglesworth	113	—	—	—	—	—	113
H Flight	38	—	—	—	—	—	38
R Boardman	92	—	129	—	1	5	227
S Hirst	225	285	—	8	2	—	520
N D Martin	—	—	—	—	—	—	—
G R Gordon	—	—	—	—	—	—	—
D Liddell	90	50	—	6	1	—	147
Total	1,139	335	279	114	11	20	1,898

The Directors are reimbursed all reasonable expenses incurred solely in relation to their duties as a Director.

During the period ended 31 December 2004, the Trustees of the Durlacher Employee Benefit Trust have revocably apportioned £200,000 to a subtrust for the potential benefit of C G Stainforth and his family and/or dependants.

Compensation for loss of office was paid to Directors during the period ended 31 December 2004 as negotiated.

The Group introduced a defined contribution pension scheme in July 2004 for all employees, including Directors.

One director, S Hirst, received a contractual bonus of £285,000.

Mr C Stainforth stood down from the Board on 4 October 2004 although his employment continued until 31 October 2004. Subsequent to that date terms of compromise have been agreed between the Company and Mr Stainforth.

Emoluments paid to each Director during the year ended 30 June 2003 were as follows:

	<i>Salary</i>	<i>Bonus</i>	<i>Loss of</i>	<i>Payment to</i>	<i>Total</i>
	<i>2003</i>	<i>2003</i>	<i>office</i>	<i>third parties</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>2003</i>	<i>2003</i>	<i>£'000</i>
			<i>£'000</i>	<i>£'000</i>	
					<i>£'000</i>
C G Stainforth	308	—	—	—	308
A L Caplin	63	—	—	—	63
J Wigglesworth	63	—	—	—	63
H Flight	17	—	—	—	17
R Boardman	28	—	—	—	28
S Hirst	92	200	—	3	295
N D Martin	54	—	163	15	232
G R Gordon	89	—	75	4	168
Total	714	200	238	22	1,174

During the year ended 30 June 2003, the Trustees of the Durlacher Employee Benefit Trust have revocably apportioned £140,000 to a subtrust for the potential benefit of C G Stainforth and his family and/or dependants.

Compensation for loss of office was paid to Directors during the year ended 30 June 2003 as negotiated within contractual entitlements.

Emoluments paid to each director during the year ended 30 June 2002 were as follows:

	<i>Fees</i> 2002 £'000	<i>Salary</i> 2002 £'000	<i>Bonus</i> 2002 £'000	<i>Loss of</i> <i>office</i> 2002 £'000	<i>Pension</i> 2002 £'000	<i>Total</i> 2002 £'000
G H Chamberlain	5	229	—	113	—	347
A G Chamberlain	5	141	—	50	—	196
A C Bottomly	1	28	—	38	—	67
H Stocker	—	76	30	38	3	147
R Hendy	—	10	—	—	—	10
M A Wilsher	—	—	—	—	—	—
N D Martin	—	119	—	—	—	119
A L Caplin	—	6	—	—	—	6
J Wigglesworth	—	5	—	—	—	5
C G Stainforth	—	43	—	—	—	43
G R Gordon	—	11	—	—	—	11
Total	11	668	30	239	3	951

No reimbursements were made during the year ended 30 June 2002 to any Directors.

Consultancy fees of £32,500 were paid to a company controlled by M A Wilsher.

Compensation for loss of office was paid to Directors during the year ended 30 June 2002 as provided for in their service contracts.

Details of Directors' share options

For the 18 months ended 31 December 2004:

<i>Date of Grant</i>	<i>Earliest</i> <i>Exercise</i> <i>Date</i>	<i>Expiry</i> <i>Date</i>	<i>Exercise</i> <i>Price</i> <i>(p)</i>	<i>No.</i> <i>Outstanding</i> <i>at 1 July</i> <i>2003</i>	<i>Granted in</i> <i>Period</i>	<i>Lapsed in</i> <i>Period</i>	<i>No.</i> <i>Outstanding</i> <i>at</i> <i>31 December</i> <i>2004</i>
D L Liddell 12/05/04	12/05/07	12/05/14	125	—	24,000	—	24,000
A L Caplin 06/06/03	06/06/06	06/06/13	120	25,000	—	—	25,000
S Hirst 06/06/03	06/06/06	06/06/13	120	25,000	—	—	25,000
C Stainforth 06/06/03	06/06/06	06/06/13	120	25,000	—	(25,000)	—
R Boardman 06/06/03	06/06/06	06/06/13	120	25,000	—	(25,000)	—

During the period and up to 16 March 2005, the Directors have exercised none of the above share options.

The above share options have been granted under the share option scheme established prior to 30 June 2003. Options are exercisable at the exercise price. Details on staff share options exercised during the period are included in Note 26 to the Financial Statements. As disclosed in note 26, 2,715,483 options over the ordinary shares of Durlacher Corporation Plc were granted to an Executive Share Option Scheme held in the Durlacher Corporation Employee Benefit Trust on 11 August 2003 (557,091 options), 12 May 2004 (1,008,392 options) and 7 December 2004 (1,150,000 options).

During the period some of the share options held in the Employee Benefit Trust have been subtrustered for the potential benefit of certain Directors or their beneficiaries. The current allocations, which are subject to change at the Trustee discretion, are as follows:

<i>Date of Grant</i>	<i>Earliest Exercise Date</i>	<i>Expiry Date</i>	<i>Exercise Price (p)</i>	<i>No. Outstanding at 1 July 2003</i>	<i>Granted in Period</i>	<i>Lapsed in Period</i>	<i>No. Outstanding at 31 December 2004</i>
D L Liddell							
12/05/04	11/08/05	11/08/13	171	—	23,560	—	23,560
12/05/04	06/06/05	06/06/13	103	—	5,715	—	5,715
12/05/04	12/05/06	12/05/14	125	—	96,725	—	96,725
							126,000
A L Caplin							
10/07/03	06/06/05	06/06/13	103	—	167,828	—	167,828
31/10/03	11/08/05	11/08/13	171	—	35,172	—	35,172
							203,000
S Hirst							
10/07/03	06/06/05	06/06/13	103	—	95,820	—	95,820
31/10/03	11/08/05	11/08/13	171	—	22,037	—	22,037
12/05/04	11/08/05	11/08/13	171	—	10,685	—	10,685
12/05/04	06/06/05	06/06/13	103	—	2,592	—	2,592
12/05/04	12/05/06	12/05/14	125	—	43,866	—	43,866
							175,000
C Stainforth							
10/07/03	06/06/05	06/06/13	103	—	863,025	(863,025)	—
31/10/03	11/08/05	11/08/13	171	—	161,975	(161,975)	—
R Boardman							
10/07/03	06/06/05	06/06/13	103	—	59,574	(59,574)	—
31/10/03	11/08/05	11/08/13	171	—	15,426	(15,426)	—

The market price of the Company's shares at 31 December 2004 was 85 pence (30 June 2003: 171.50 pence) and the range during the period to 31 December 2004 was 62.5p to 196p.

For the year ended 30 June 2003:

<i>Date of Grant</i>	<i>Earliest Exercise Date</i>	<i>Expiry Date</i>	<i>Exercise Price (p)</i>	<i>No. Outstanding at 1 July 2002</i>	<i>Granted In Period</i>	<i>Lapsed In Period</i>	<i>No. Outstanding At 30 June 2003</i>
C G Stainforth							
15/04/02	15/04/04	15/04/12	5.00	10,000,000	—	(10,000,000)	—
06/06/03	06/06/06	06/06/13	1.20	—	25,000	—	25,000
R Boardman							
06/06/03	06/06/06	06/06/13	1.20	—	25,000	—	25,000
A L Caplin							
06/06/03	06/06/06	06/06/13	1.20	—	25,000	—	25,000
S Hirst							
06/06/03	06/06/06	06/06/13	1.20	—	25,000	—	25,000
N D Martin							
28/06/99	28/06/01	28/06/09	15.11	1,350,000	—	(1,350,000)	—
05/07/01	05/07/03	05/07/11	6.00	3,150,000	—	(3,150,000)	—
G R Gordon							
02/02/02	20/02/04	02/02/12	6.00	750,000	—	(750,000)	—

None of the Directors' share options were exercisable during the year. The above share options have been granted under the share option scheme established prior to 30 June 2003. Options are exercisable at the exercise price. Details on staff share options exercised during 2003 are included in Note 26.

As disclosed in Note 26, 1,282,067 options over the ordinary shares of Durlacher Corporation Plc were granted to an Executive Share Option Scheme held in the Durlacher Corporation Employee Benefit Trust on 6 June 2003.

Since 30 June 2003 some of the share options held in the Employee Benefit Trust have been subtrusted for the potential benefit of certain Directors or their beneficiaries. The current allocations, which are subject to change at the Trustees discretion, are as follows:

<i>Date of Grant</i>	<i>Earliest Exercise Date</i>	<i>Expiry Date</i>	<i>Exercise Price (p)</i>	<i>No. Outstanding at 1 July 2002</i>	<i>Granted In Period</i>	<i>Lapsed In Period</i>	<i>No. Outstanding At 30 June 2003</i>
C G Stainforth							
10/07/03	06/06/05	06/06/13	1.03	—	863,025	—	863,025
R P Boardman							
10/07/03	06/06/05	06/06/13	1.03	—	59,574	—	59,574
A L Caplin							
10/07/03	06/06/05	06/06/13	1.03	—	167,828	—	167,828
S Hirst							
10/07/03	06/06/05	06/06/13	1.03	—	95,820	—	95,820

The market price of the Company's shares at 30 June 2003 was 171.50 pence (30 June 2002: 245 pence) and the range during the year to 30 June 2003 was 71.5p to 245p.

For the year ended 30 June 2002:

<i>Date of Grant</i>	<i>Earliest Exercise Date</i>	<i>Expiry Date</i>	<i>Exercise Price (p)</i>	<i>No. Outstanding at 1 July 2001</i>	<i>Granted In Period</i>	<i>Lapsed In Period</i>	<i>No. Outstanding At 30 June 2002</i>
G H Chamberlain							
17/11/95	17/11/97	17/11/05	5.00	12,707,455	—	(12,707,455)	—
30/04/98	30/04/00	30/04/08	5.00	2,700,000	—	(2,700,000)	—
04/02/99	04/02/01	04/02/09	5.93	1,458,000	—	(1,458,000)	—
				<u>16,865,455</u>	<u>—</u>	<u>(16,865,455)</u>	<u>—</u>
A G Chamberlain							
17/11/95	17/11/97	17/11/05	5.00	7,935,610	—	(7,935,610)	—
30/04/98	30/04/00	30/04/08	5.00	1,890,000	—	(1,890,000)	—
04/02/99	04/02/01	04/02/09	5.93	1,020,600	—	(1,020,600)	—
				<u>10,846,210</u>	<u>—</u>	<u>(10,846,210)</u>	<u>—</u>
A C Bottomly							
30/04/98	30/04/00	30/04/08	5.00	1,560,000	—	(1,560,000)	—
22/06/99	22/06/01	22/06/09	12.78	540,000	—	(540,000)	—
15/10/99	15/10/01	15/10/09	61.00	1,305,000	—	(1,305,000)	—
				<u>3,405,000</u>	<u>—</u>	<u>(3,405,000)</u>	<u>—</u>
N D Martin							
28/06/99	28/06/01	28/06/09	15.11	1,350,000	—	—	1,350,000
05/07/01	05/07/03	05/07/11	6.00	—	3,150,000	—	3,150,000
				<u>1,350,000</u>	<u>3,150,000</u>	<u>—</u>	<u>4,500,000</u>
H Stocker							
05/05/99	05/05/01	05/05/09	12.89	675,000	—	(675,000)	—
05/07/01	05/07/03	05/07/11	6.00	—	3,825,000	(3,825,000)	—
				<u>675,000</u>	<u>3,825,000</u>	<u>(4,500,000)</u>	<u>—</u>
C G Stainforth							
15/04/02	15/04/04	15/04/12	5.00	—	10,000,000	—	10,000,000
G R Gordon							
02/02/04	02/02/04	02/02/12	6.00	—	750,000	—	750,000

During the year, no options were exercised by the Directors.

The above share options have been granted under the share option scheme established prior to 30 June 2002. Options are exercisable at a share price no less than the market price on the date of grant. Option holders must pay at least the nominal value per share on exercise. Details on staff share options exercised during the year are included in Note 26.

The market price of the Company's shares at 30 June 2002 was 1.75 pence (30 June 2001: 5.25 pence). The share price ranged from a high of 8.00 pence to a low of 1.75 pence during the year ended 30 June 2002.

13. Taxation

The current tax charge for the period is different to the standard rate of corporation tax in the UK of 30 per cent., (2003: 30 per cent., 2002: 30 per cent.). The amounts are compared below:

	<i>18 months ended 31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2002 £'000</i>
Analysis of current tax charge in period			
Current year UK corporation tax	—	—	—
Prior year corporation tax over/(under) provision	(77)	516	(118)
Current tax credit/(charge)	(77)	516	(118)
Current tax reconciliation			
Loss on ordinary activities before tax	(5,417)	(1,497)	(9,906)
Current tax at 30 per cent. (2003: 30 per cent., 2002: 30 per cent.)	(1,625)	(449)	(2,972)
Effects of:			
Sundry permanent differences	256	324	2,197
Timing differences:			
Current year tax losses not relieviable	1,369	125	775
Prior year corporation tax (over)/under provision	(77)	516	(118)
Current tax per profit and loss statement	(77)	516	(118)

The effective rate of corporation tax for the period ended 31 December 2004 was 1.5 per cent. (2003: nil per cent., 2002: (1.2) per cent.).

Deferred taxation

At 31 December 2004 the Group had a deferred tax asset as set out below. This asset has not been recognised in the balance sheet due to the uncertainty over the timing of its recoverability. It will become recoverable if the Group generates profits.

	<i>31 December 2004 £'000</i>	<i>30 June 2003 £'000</i>	<i>30 June 2002 £'000</i>
Potential deferred tax asset	9,603	8,141	11,103

14. Earnings Per Share

The calculation of earnings per share are based on the following profits and number of shares:

	<i>18 months ended 31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2002 £'000</i>
Loss attributable to ordinary shareholders:			
After exceptional expenses and discontinued activities	(5,494)	(981)	(10,024)
Weighted average number of shares in issue	15,636,079	5,582,246	4,055,778
Adjusted weighted average number of shares in issue	15,636,079	5,582,246	4,055,778

At 30 June 2002 there were no dilutive shares as the exercise prices of outstanding options and the conversion price of convertible debt were in excess of the average market price per share.

FRS 14 requires presentation of diluted EPS when a company would be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding options, net loss per share would only be decreased by the exercise of these share options therefore no adjustment has been made to the weighted average number if shares in issue.

15. Result of Parent Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Parent Company is not presented. The Parent Company's loss for period ended 31 December 2004 was £5.2 million (2003: profit of £5.0 million, 2002: loss of £8.3 million).

16. Intangible Fixed Assets

	<i>Positive goodwill £'000</i>
Cost and net book value	
At 1 July 2003	475
Amounts written off	(165)
Reduction in deferred consideration	(310)
At 31 December 2004	<u>—</u>
	<u>—</u>
	<i>Positive goodwill £'000</i>
Cost	
At 1 July 2002	—
Additions (see note 17)	487
At 30 June 2003	<u>487</u>
Accumulated goodwill amortisation	
At 1 July 2002	—
Charge for the year	12
At 30 June 2003	<u>12</u>
Net book value	
At 30 June 2003	<u>475</u>
At 30 June 2002	<u>—</u>

17. Acquisitions

On 17 March 2003 the Company acquired the entire share capital of Life Capital Limited for consideration comprising 74,000 shares in Durlacher Corporation Plc, warrants over 100,000 ordinary shares at an exercise price of £1 per share and deferred consideration contingent on future earnings. Life Capital Limited has been consolidated under the acquisition method of accounting. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	<i>Book value & fair value at the date of acquisition £'000</i>
Tangible fixed assets	3
Investments	6
Debtors	3
Total assets	<u>12</u>
Bank overdraft	(65)
Other creditors	(32)
Total liabilities	<u>(97)</u>
Net liabilities	<u>(85)</u>
	<u>£'000</u>
Consideration	
Estimated deferred consideration	331
Market value of 74,000 shares issued	59
Warrants to subscribe for 100,000 shares in Durlacher Corporation at £1 per share	12
Total consideration	<u>402</u>
Net liabilities acquired	85
Goodwill arising on acquisition	<u>487</u>

The deferred consideration which was to be paid in cash, ranged from nil to £1.55 million and was dependant on actual revenues generated in the 18 months after acquisition by the business in force at the date of acquisition. The balance of deferred consideration was written off in 2004 (see Note 16).

On the date the share warrants and shares were issued the share price was 80 pence per share.

18. Tangible Fixed Assets

For the period ended 31 December 2004

<i>Group</i>	<i>Furniture and office equipment £'000</i>	<i>Fittings £'000</i>	<i>Computer and telephone equipment £'000</i>	<i>Total £'000</i>
Cost				
At 1 July 2003	104	414	835	1,353
Additions	217	1,134	95	1,446
Disposals	(84)	(378)	(528)	(990)
At 31 December 2004	237	1,170	402	1,809
Accumulated depreciation				
At 1 July 2003	69	244	541	854
Charge for the period	31	167	229	427
Disposals	(71)	(296)	(528)	(895)
At 31 December 2004	29	115	242	386
Net book value				
At 31 December 2004	208	1,055	160	1,423
At 30 June 2003	35	170	294	499

For the year ended 30 June 2003

	<i>Motor vehicles £'000</i>	<i>Furniture and office equipment £'000</i>	<i>Fittings £'000</i>	<i>Computer and telephone equipment £'000</i>	<i>Total £'000</i>
Cost					
At 1 July 2002	49	370	490	939	1,848
Additions	—	13	19	290	322
Disposals	(49)	(279)	(95)	(394)	(817)
At 30 June 2003	—	104	414	835	1,353
Accumulated depreciation					
At 1 July 2002	28	246	263	794	1,331
Charge for the year	—	50	78	167	295
Disposals	(28)	(227)	(97)	(420)	(772)
At 30 June 2003	—	69	244	541	854
Net book value					
At 30 June 2003	—	35	170	294	499
At 30 June 2002	21	124	227	145	517

For the year ended 30 June 2002

	<i>Motor vehicles £'000</i>	<i>Furniture and office equipment £'000</i>	<i>Fittings £'000</i>	<i>Computer and telephone equipment £'000</i>	<i>Total £'000</i>
Cost					
At 1 July 2001 (as restated)	49	325	428	823	1,625
Additions	—	45	62	116	223
At 30 June 2002	49	370	490	939	1,848
Accumulated depreciation					
At 1 July 2001 (as restated)	16	76	48	523	663
Charge for the year	12	47	100	188	347
Impairment Charge	—	123	115	83	321
At 30 June 2002	28	246	263	794	1,331
Net book value					
At 30 June 2002	21	124	227	145	517
At 30 June 2001 (as restated)	33	249	380	300	962

19. Investments

Fixed asset investments

	<i>31 December 2004 £'000</i>	<i>30 June 2003 £'000</i>	<i>30 June 2002 £'000</i>
Other investments — unquoted	—	6	1,790

The Directors estimate of the market value at the unquoted investments at 30 June 2002 was £4.9 million. The Group's unquoted investments are carried at the lower of cost and BVCA guidelines prescribed value. Had all these investments been carried at their BVCA value, the investments value and the net assets of the Group would have been increased by £3.1 million at 30 June 2002.

Movements in fixed asset investments (excluding subsidiaries) were as follows:

	<i>18 months ended 31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2002 £'000</i>
Carrying value at start of period/year	6	1,790	7,913
Additions	—	6	401
Disposals	—	(783)	(78)
Impairment	(6)	(1,007)	(6,446)
Carrying value at 31 December/30 June	—	6	1,790

Fixed asset investments include participating interests which it is not appropriate to either consolidate or equity account on the basis that the Group exercises no control or significant influence over them.

Additional information on principal subsidiary undertakings included in consolidation:

At 31 December 2004 the Company owned 100 per cent. of the ordinary share capital of the following significant subsidiary undertakings, all of which operate in the United Kingdom and are registered in England and Wales.

<i>Name</i>	<i>Nature of business</i>
Durlacher Limited	Stock broking, corporate finance and market making
web-angel plc	Dormant
Durlacher Research Ltd	Dormant
Life Capital Ltd	Dormant
The Throgmorton Press Ltd	Dormant

A full list of the Group's companies is included in paragraph 10 of Part VIII of this document.

Current asset investments

Current asset investments represent the Group's investment in quoted entities.

The market value of the quoted investments were as follows:

	31 December 2004 £'000	30 June 2003 £'000	30 June 2002 £'000
Shares traded on the London Stock Exchange	210	216	275
Shares traded on AIM	2,502	2,530	2,499
Other	—	222	479
Total	2,712	2,968	3,253

20. Debtors

	31 December 2004 £'000	30 June 2003 £'000	30 June 2002 £'000
Due within one year:			
Trade debtors	743	430	153
Market debtors	5,303	1,863	517
Other debtors	926	232	265
Prepayments and accrued income	1,083	540	557
Total	8,055	3,065	1,492

21. Creditors: Amounts Falling due within One Year

	31 December 2004 £'000	30 June 2003 £'000	30 June 2002 £'000
Bank loan	—	(625)	—
Trade creditors	(479)	(946)	(646)
Market creditors	(4,290)	(889)	(580)
Short positions	(293)	(78)	—
Other taxation and social security	(381)	(215)	(300)
Other creditors	(2,295)	(366)	(72)
Accruals and deferred income	(936)	(785)	(2,320)
Total	(8,674)	(3,904)	(3,918)

In 2002 included within accruals and deferred income are accruals relating to the Group's reconstruction and restructuring of £1.2 million

22. Creditors: Amounts Falling due after One Year

	31 December 2004 £'000	30 June 2003 £'000	30 June 2002 £'000
Bank loan	—	(125)	—
Convertible debentures	—	—	(8,750)
Other	(69)	(96)	(315)
Total	(69)	(221)	(9,065)

On 11 November 2000 the Company issued £15.0 million of convertible debentures for cash. On 27 March 2001 £1.21 million of debentures were converted into ordinary shares. On 13 July 2002 the Company restructured the terms of the debentures, which resulted in the conversion of £5 million into ordinary shares and share premium (Note 26), the cancellation of the remaining £8.75 million balance and the re-issue of £8.75 million debentures maturing on 13 July 2004.

During 2003 the Company negotiated the early repayment of the Convertible Debentures, nominal value £8.75 million and the cancellation of the 43.75 million nil paid warrants at a discount of 60 per cent. to the nominal value of the Convertible Debentures under the terms of the Debenture Holder Agreements.

The £3.5 million required for the repayment of the Convertible Debentures was funded by a bank loan and the existing cash resources.

Other long term creditors relate to the settlement of complaints regarding the management of certain investment portfolios (2003: the estimate of the deferred consideration that fell due after one year (see note 17), 2002: the other creditor was in relation to the Employee Benefit Trust)

23. Provisions for Liabilities and Charges

	<i>Reorganisation and Reconstruction</i>			
	<i>Legal action</i>	<i>Other</i>	<i>Total</i>	
	£'000	£'000	£'000	£'000
Balance as at 1 July 2003	(797)	(600)	(144)	(1,541)
Utilised during the period	773	600	144	1,517
Charged during the period	(700)	(570)	(250)	(1,520)
As at 31 December 2004	<u>(724)</u>	<u>(570)</u>	<u>(20)</u>	<u>(1,544)</u>
	<i>Reorganisation and Reconstruction</i>			
	<i>Legal action</i>	<i>Other</i>	<i>Total</i>	
	£'000	£'000	£'000	£'000
Balance as at 1 July 2002	(601)	—	(108)	(709)
Utilised during the year	516	—	68	584
Charged during the year	(712)	(600)	(104)	(1,416)
As at 30 June 2003	<u>(797)</u>	<u>(600)</u>	<u>(144)</u>	<u>(1,541)</u>
	<i>Reorganisation and Reconstruction</i>			
	<i>Legal action</i>	<i>Other</i>	<i>Total</i>	
	£'000	£'000	£'000	£'000
Balance as at 1 July 2001	(570)	—	—	(570)
Utilised during the year	570	—	—	570
Charged during the year	(601)	—	(108)	(709)
As at 30 June 2002	<u>(601)</u>	<u>—</u>	<u>(108)</u>	<u>(709)</u>

The reorganisation and reconstruction provision as at 30 June 2002 principally consisted of further costs arising as a result of the strategic and operational review undertaken during that year. These costs included property and other office associated costs, costs for professional advisers and other administration costs, which were based on the Directors' estimate of the corresponding liability.

Before the 2003 year end the Directors decided that they would dispose of and terminate the private client stock broking business and communicated that decision to the staff affected. A provision was established in the respect of the Directors' best estimate of the redundancy and other termination costs. The obligations represented by the provision were expected to be settled within five months of the year end.

The Group has received a small number of complaints regarding the management of certain investment portfolios. Legal action has been served against the Company in respect of certain of the complaints while others have been referred to the Financial Ombudsman Service. Having carefully considered the Group's position and after taking legal advice on specific complaints the Directors have established a provision representing their best estimate of the liabilities likely to arise in respect of these complaints. The timing of any payment is dependent on how the cases develop.

Reorganisation and reconstruction costs have been quantified on the basis of a commitment to pay the relevant parties. It is envisaged that these payments will be made in the course of the next financial year.

24. Financial Instruments and Risk Profile

The Group's financial instruments comprise, cash and liquid resources, trade debtors and creditors arising from operations, equity investments held within the investment portfolio, and long and short positions held in equity and debt instruments. The risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk and liquidity risk. With the exception of those assets and liabilities discussed below, the Group's financial assets and liabilities mature in three months or less.

The Group does not trade in financial instruments other than marketable securities, which are traded as part of market making activities. Senior management regularly review policies for managing the risks summarised below.

Market risk

Market risks arise from movements in the market price of quoted and unquoted entities in which the Group holds investments. All quoted positions are marked to market on a real time basis and unrealised gains or losses are recognised through the profit and loss account for the period. For unquoted investments unrealised losses are recognised through the profit and loss account but unrealised gains are not recognised (see below).

Unquoted investments are held with a view to subsequent re-sale but as they are less liquid than quoted investments, they are held as fixed assets. The amount of capital available and the size of individual positions is predetermined and monitored by the senior management team including the Group Chief Executive.

Investments held by the Group are susceptible to changes in value arising from market factors. The main purpose of holding investments is to achieve capital growth in their value and subsequently dispose of them realising a profit. The trading performance of each investment is constantly monitored by research and corporate finance executives.

The net gain arising from investments in the period ended 31 December 2004 was £0.1 million (2003: £2.0 million). As at 31 December 2004, the overall value at risk from the investment portfolio is the total carrying value of £2.7 million (2003: £3 million).

Interest rate risk

Interest income arises primarily from cash at bank and will fluctuate depending on cash movements and market interest rate movements. Interest income in the period is disclosed in note 11.

Foreign currency risk

The base currency of the Group is sterling and therefore the Group is not significantly exposed to foreign currency risk. The Group does enter into foreign currency arbitrage deals, predominantly in South African Rand. When considered necessary, the Group will enter into forward foreign exchange contracts to hedge the foreign currency exposure on these deals. If hedge accounting criteria is met, these transactions are recorded at the forward contract rate. If hedge accounting is not applied, then the forward contracts are recorded on balance sheet at their fair market value.

At 31 December 2004 the Group held £288 of cash denominated in USD Dollars (2003: £71,000), £3,013 of cash denominated in S African (2003: £nil cash, £174,000 of long positions and £14,000 of market creditors denominated in South African Rand), £7,483 of cash denominated in Euro's (2003: £nil) and £13,712 of cash and £51,009 of market debtors denominated in Australian Dollars (2003: £nil cash and £nil market debtors).

The Group did not hold any forward foreign exchange contracts at 31 December 2004 (2003: Nil, 2002: Nil) and as such there were no unrecognised gains or losses relating to financial instruments. During the year, there were no significant gains or losses recognised for forward exchange contracts.

Liquidity risk

The Group has £8.6 million in cash at bank (2003: £3.0 million, 2002: £8.3 million) and bank borrowings of £nil at 31 December 2004 (2003: £0.75 million bank loan, 2002: £8.75 million convertible debenture). Senior management regularly review the liquidity of the Group to ensure continuity of adequate funding.

Fair value of financial instruments

The Directors consider that the fair values of financial assets and liabilities are equal to their carrying values.

Quoted investments and other marketable securities are carried in the balance sheet at their market value or discounted market value, which the Directors consider to be their fair value. Unquoted investments are carried in the balance sheet at the lower of cost and their market value determined in accordance with BVCA guidelines. At the year end the market value of all unquoted investments was below cost.

25. Other Financial Commitments

At 31 December 2004, the Company was committed to making the following payments under non-cancellable operating leases:

	<i>31 December</i>	<i>30 June 2003</i>	<i>30 June 2002</i>
	<i>2004</i>	<i>£'000</i>	<i>£'000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Land & building annual commitments which expire:			
Within one year	15	168	—
Within 1 to 2 years	—	—	168
Within 2 to 5 years	230	237	119
Over 5 years	478	14	14
Total	723	419	301

26. Share Capital

	31 December 2004 £'000	30 June 2003 £'000	30 June 2002 £'000
Authorised			
30,507,117 (2003: 16,757,117) ordinary shares of 4p each	1,220	670	—
708,242,883 unquoted deferred shares of 4p	28,330	28,330	—
1,000,000,000 ordinary shares of 5p each	—	—	50,000
Total	29,550	29,000	50,000
Allotted, called up and fully paid:			
19,394,026 (2003: 8,144,861) ordinary shares of 4p each	776	326	—
708,242,883 unquoted deferred shares of 4p	28,330	28,330	—
569,850,595 ordinary shares of 5p each	—	—	28,493
Total	29,106	28,656	28,493

During 2002 the Company issued 54,470,146 ordinary shares on the conversion of debentures (£5,040,428 principal and accrued interest of £365,932) on 13 July 2001 (53,644,086) and 10 September 2001 (826,060) respectively. In 2002 the Company also allotted 890,000 ordinary shares in connection with the exercise of options for a cash consideration of £44,500. These shares were allotted on 5 July 2001 (600,000), 21 November 2001 (250,000) and 23 November 2001 (40,000).

During 2002 the Company issued no ordinary shares for cash.

On 1 November 2002 the Ordinary Shares were sub-divided into one Interim Ordinary Share and 174 Interim Deferred Shares of 1/35p. The Interim Ordinary Shares and Interim Deferred Shares were then consolidated and holders received one New Ordinary Share and one Deferred Share for every 140 existing Interim Ordinary Shares and 140 existing Interim Deferred Shares respectively. The New Ordinary Shares rank *pari passu*, save as to the nominal value, with the original Ordinary Shares which they replaced.

The Deferred Shares have no rights to vote or participate in dividends and only carry limited rights on any return of capital on liquidation.

The authorised but unissued ordinary share capital was sub-divided into 175 Interim Ordinary Shares. Every 140 Interim Ordinary Shares which arose out of the sub-division was then consolidated into one New Ordinary Share.

Finally, the authorised Share Capital of the Company was reduced to £29 million by the cancellation of 525 million authorised but unissued New Ordinary Shares.

On 31 January 2003 the shareholders approved the issue of 4,000,500 Ordinary Shares issued at £1 each which raised cash of £4 million.

On 17 March 2003 the Company issued 74,000 Ordinary Shares together with warrants over 100,000 Ordinary Shares at an exercise price of £1 per share, as part payment for the acquisition of Life Capital Limited. The market value of the Ordinary Shares issued on 17 March 2003 was £59,200. The warrants were issued at £1 per Warrant Share and can be exercised between eighteen months and seven years from the date of issue.

On 23 July 2003 Durlacher issued shares to acquire the entire share capital of web-angel plc. web-angel plc was a non-trading company with cash resources at the time of this acquisition. For this reason the transaction has been treated as proceeds of a share issue rather than an acquisition of a company. Nevertheless merger relief is still applicable and the premium on issue of the shares has been recognised in a merger reserve. As at 31 December 2004 3,248,798 ordinary shares of 4p each had been issued in respect of this transaction. The shares were issued for 73p each.

On 24 February 2004 the shareholders approved the issue of 8,000,366 Ordinary Shares issued at £1.25 each which raised cash of £10 million.

On 13 July 2001, pursuant to the restructuring of the convertible debenture, the Company issued 43,750,000 nil-paid three year warrants for ordinary shares to the existing debenture holders. These warrants carry no voting rights and each warrant entitles the holder to subscribe for one ordinary share. For the period to 13 July 2003 the warrants are exercisable at a fixed price of 17.5p per share and from 13 July 2003 to 13 July 2004 at a fixed price of 20p per share. The warrants were cancelled by mutual agreement between the company and the warrant holders on 30 December 2002.

Share option scheme

For the period ended 31 December 2004

During the year there were no options exercised by staff or Directors.

The Executive Share Option Scheme held in The Durlacher Corporation Employee Benefit Trust 2003, not approved by the Inland Revenue, was granted 557,091 options over ordinary shares of the Company on 11 August 2003 at an exercise price of £1.03, exercisable between two and ten years from the date they were granted. A second grant of 1,008,392 options was made on 12 May 2004 at an exercise price of £1.75, exercisable between two and ten years

from the date they were granted. A third grant of 1,150,000 options on 7 December 2004 was made with an exercise price of £0.64, exercisable between two and ten years from the date they were granted.

In December 2004, 1,150,000 options over ordinary shares in the Employee Benefit Trust were sub-trusted to certain Directors or their beneficiaries.

For the year ended 30 June 2003

During 2003 all existing options lapsed and were replaced by two schemes.

The Durlacher Corporation Plc Approved Company Share option Plan, approved by the Inland Revenue (“the approved scheme”) was set up on 6 June 2003 and granted 346,905 options over ordinary shares of the Company at an exercise price of £1.20, exercisable between three and ten years from the date they were granted.

The Executive Share Option Scheme held in The Durlacher Corporation Employee Benefit Trust 2003, not approved by the Inland Revenue (“the unapproved scheme”), was set up on 6 June 2003 and granted the 1,282,067 options over ordinary shares of the Company at an exercise price of £1.03, exercisable between two and ten years from the date they were granted.

Since 30 June 2003 some of the share options in the Employee Benefit Trust have been revocably allocated to the some Directors but this is subject to change at the Trustees discretion.

For the year ended 30 June 2002

At 30 June 2002 the following options had been granted and remained outstanding in respect of the Company’s ordinary shares of 5p each under the Company’s share option scheme.

The new share option schemes, to be approved by shareholders, will not allow options to be granted at a discount to the market value and therefore no further charge to the profit and loss account is expected to arise in future years.

The Executive Directors and some members of staff hold options to subscribe for shares in the Company at prices ranging from 5p to 344.44p under the share option scheme established with the approval of the shareholders in 1995. Options over 890,000 were exercised in the year to 30 June 2002 and 53,124,110 lapsed. The total consideration received by the Company during the year to 30 June 2002 on the exercise of options was £44,500.

The number of remaining shares subject to options, the years in which they were granted and the years in which they will expire are.

<i>Financial year granted</i>	<i>Option price (pence)</i>	<i>Date exercisable</i>	<i>No. of shares</i>
1997	5.00	1999 – 2007	260,000
1998	5.00	2000 – 2008	10,471,000
1999	5.93 – 78.83	2001 – 2009	8,398,305
2000	56.50 – 344.44	2002 – 2010	873,545
2001	8.25 – 22.00	2003 – 2011	3,000,000
2002	5.00 – 8.00	2004 – 2012	38,249,250
Total			61,252,100

27. Reserves

	<i>Share Premium £'000</i>	<i>Merger Reserve £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 1 July 2003	18,072	—	(42,340)	(24,268)
Shares issued re web-angel plc	—	1,715	—	1,715
Shares issued re share placing	9,401	—	—	9,401
Loss for the period	—	—	(5,494)	(5,494)
At 31 December 2004	<u>27,473</u>	<u>1,715</u>	<u>(47,834)</u>	<u>(18,646)</u>

	<i>Share Premium £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 1 July 2002	14,543	(41,359)	(26,816)
Shares issued	3,529	—	3,529
Loss for the year	—	(981)	(981)
At 30 June 2003	<u>18,072</u>	<u>(42,340)</u>	<u>(24,268)</u>

	<i>Share Premium £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 1 July 2001 (as restated)	11,860	(31,394)	(19,534)
Premium on conversion of debt	2,683	—	2,683
Foreign Exchange gain	—	12	12
Share option charge per UITF 17	—	47	47
Loss for the year	—	(10,024)	(10,024)
At 30 June 2002	<u>14,543</u>	<u>(41,359)</u>	<u>(26,816)</u>

28. Reconciliation of Movement in Equity Shareholders' Funds

	<i>18 months ended 31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2002 £'000</i>
Loss for the financial period	(5,494)	(981)	(10,024)
Shares issues	11,566	3,692	5,452
Foreign exchange movement	—	—	12
Share option charge per UITF 17	—	—	47
Opening Shareholders' funds	4,388	1,677	6,190
Closing Shareholders' funds	<u>10,460</u>	<u>4,388</u>	<u>1,677</u>

In 2004 the proceeds of shares issued is net of issue costs of £280,000 (2003: £382,000).

29. Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	<i>18 months ended 31 December 2004 £'000</i>	<i>Year ended 30 June 2003 £'000</i>	<i>Year ended 30 June 2002 £'000</i>
Operating loss	(6,696)	(7,991)	(7,680)
Depreciation and write down of intangible fixed assets	687	295	668
Decrease in current asset investments	471	285	51
(Increase)/decrease in debtors	(4,325)	(1,614)	675
Decrease in creditors and provisions	5,357	(428)	(570)
Provision for Share Options granted	—	—	47
Net cash outflow from operating activities	<u>(4,506)</u>	<u>(9,453)</u>	<u>(6,809)</u>

Net cash outflow from operating activities comprises:

	<i>18 months ended</i> 31 December 2004 £'000	<i>Year ended</i> 30 June 2003 £'000
Continuing operating activities	(2,923)	(8,098)
Discontinued operating activities	(1,583)	(1,355)
	<u>(4,506)</u>	<u>(9,453)</u>

30. Analysis of Cash Flow for Headings Netted in the Cash Flow Statement

	<i>18 months ended</i> 31 December 2004 £'000	<i>Year ended</i> 30 June 2003 £'000	<i>Year ended</i> 30 June 2002 £'000
Returns on investment and servicing of finance			
Interest received	525	370	626
Interest paid	(48)	(210)	(226)
Cash (paid out)/acquired with Employee Benefit Trust	—	(275)	275
Net cash (outflow)/inflow for returns on investments and servicing of finance	<u>477</u>	<u>(115)</u>	<u>675</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(1,446)	(322)	(224)
Proceeds from sale of tangible fixed assets	—	27	—
Purchase of investments	—	—	(401)
Proceeds from sale of investments	117	3,401	4,159
Net cash inflow/(outflow) from capital expenditure and financial investment	<u>(1,329)</u>	<u>3,106</u>	<u>(3,534)</u>
Acquisitions and disposals			
Proceeds over termination costs	58	—	—
Overdraft acquired with subsidiary undertaking	—	(65)	—
Net cash outflow from acquisitions and disposals	<u>58</u>	<u>(65)</u>	<u>—</u>
Proceeds from the issue of ordinary share capital			
Proceeds from share issue	12,053	4,001	—
Acquisition and share issue costs	(487)	—	—
Net cash outflow from acquisitions and disposals	<u>11,566</u>	<u>4,001</u>	<u>—</u>

31. Analysis of Changes in Net Debt

	<i>At 30 June</i> 2003 £'000	<i>Cash flow</i> £'000	<i>Non-cash</i> <i>movements</i> £'000	<i>At</i> 31 December 2004 £'000
Cash in hand and at bank	3,041	5,516	—	8,557
Loans	(750)	750	—	—
Net funds	<u>2,291</u>	<u>6,266</u>	<u>—</u>	<u>8,557</u>
	<i>At 30 June</i> 2002 £'000	<i>Cash flow</i> £'000	<i>Non-cash</i> <i>movements</i> £'000	<i>At 30 June</i> 2003 £'000
Cash in hand and at bank	8,317	(5,276)	—	3,041
Convertible debentures	(8,750)	3,500	5,250	—
Loans	—	(750)	—	(750)
Net funds	<u>(433)</u>	<u>(2,526)</u>	<u>5,250</u>	<u>2,291</u>
	<i>At 30 June</i> 2001 £'000	<i>Cash flow</i> £'000	<i>Non-cash</i> <i>movements</i> £'000	<i>At 30 June</i> 2002 £'000
Cash in hand and at bank	10,170	(1,853)	—	8,317
Convertible debentures	(13,790)	—	5,040	(8,750)
Net (debt)/funds	<u>(3,620)</u>	<u>(1,853)</u>	<u>5,040</u>	<u>(433)</u>

32. Related Party Transaction

As a result of the acquisition of web-angel plc Christopher Stainforth, former Chief Executive Officer of Durlacher, is a potential discretionary beneficiary, via a discretionary employee benefit trust established through a former employment with Ermgassen & Co Limited, in 4,965,290 web-angel shares representing approximately 3.8 per cent. of web-angel's current issue share capital. This has resulted in Christopher Stainforth being a potential discretionary beneficiary, via a discretionary trust, in 124,132 New Durlacher shares which represents 1.1 per cent. of Durlacher's share capital as enlarged by the offer for web-angel plc.

In 2002, consultancy fees of £nil were paid to a company controlled by D Tabizel, who was a Non-executive Director of the Company. In 2002, consultancy fees of £7,500 were paid to a company controlled by M A Wilshier, a non Executive Director of the Company who resigned 2 October 2002. As at 30 June 2002 a further amount of £25,000 has been accrued in respect of services provided to the Group by a company controlled by M A Wilshier.

Yours faithfully

KPMG Audit Plc

PART VI

FINANCIAL INFORMATION ON PANMURE GORDON

Part A Accountants' report on Panmure Gordon & Co. for the period 29 September 2003 to 31 December 2004

Deloitte.
Deloitte & Touche LLP
Athene Place
66 Shoe Lane
London EC4A 3BQ

The Directors and the Proposed Directors
Durlacher Corporation Plc
Moorgate Hall
155 Moorgate
London EC2M 6XB

The Directors
Hawkpoint Partners Limited
4 Great St. Helen's
London EC3A 6HA

30 March 2005

Dear Sirs

We report on the financial information set out below relating to Panmure Gordon & Co., Limited ("Panmure Gordon & Co."). This financial information has been prepared for inclusion in the investment circular relating to the acquisition of Panmure Gordon & Co. by Durlacher Corporation Plc ("Durlacher") and the subsequent de-listing from the Official List of the UK listing Authority (the "UKLA") of Durlacher's shares and its admission to the AIM market of London Stock Exchange (the "Investment Circular").

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable United Kingdom accounting standards, is based on the audited statutory financial statements of Panmure Gordon & Co. for the 15 month period from incorporation on 29 September 2003 to 31 December 2004 (the "financial statements"), to which no adjustments were considered necessary.

Responsibility

The financial statements are the responsibility of the directors of Panmure Gordon & Co. who approved their issue. The directors of Lazard & Co., Limited ("Lazard") are responsible for the maintenance of the accounting records of Panmure Gordon & Co. on which the financial information is based.

The Directors and the Proposed Directors of Durlacher are responsible for the contents of the Investment Circular in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards 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.

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.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Investment Circular, a true and fair view of the state of affairs of Panmure Gordon & Co. as at 31 December 2004 and of its result for the 15 month period then ended.

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

Balance sheet as at 31 December 2004

	2004 £
Current assets	
Intercompany debtor	2
Total assets	<u>2</u>
Capital and reserves	
Called up share capital (Note 4)	<u>2</u>
Equity shareholders' funds	<u>2</u>

Notes to the financial information for the period ended 31 December 2004

1. Accounting policies

These financial statements have been prepared in accordance with the provisions of the Companies Act and applicable Accounting Standards in the United Kingdom. Particular accounting policies that have been used are set out below. The financial statements are prepared on the historical cost basis of accounting.

2. Profit and loss account

Panmure Gordon & Co. did not trade during the 15 month period to 31 December 2004 (the "Period") and made neither a profit nor a loss during the Period. No profit and loss account is included in these financial statements. There have been no other recognised gains and losses or movement in shareholders' funds during the Period.

3. Directors' emoluments

There were no directors' fees or other emoluments for their services to Panmure Gordon & Co. during the Period. Panmure Gordon & Co. had no employees during the Period. The auditor's remuneration is borne by a related company.

4. Share capital

	<i>As at</i> <i>31 December</i> <i>2004</i> £
Authorised, allotted, called up but unpaid:	2
2 ordinary shares of £1 each	<u>2</u>

5. Cash flow statement

Panmure Gordon & Co. is exempt from preparing a cash flow statement under paragraph 5 of the Financial Reporting Standard No. 1 (revised 1996) "Cash Flow Statements".

6. Related Party disclosures

Panmure Gordon & Co. has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 8, and accordingly has not disclosed transactions with entities that are part of the same group.

7. Post Balance Sheet Events

On 7 February 2005, the authorised share capital of Panmure Gordon & Co. was increased to £6,000,000 by the creation of an additional 5,999,998 ordinary shares of £1 each. On 7 February 2005, Panmure Gordon & Co. issued and allotted 5,999,998 ordinary shares of £1 each to UKPG Holdings LLC at par value.

On 7 February 2005, Panmure Gordon & Co. entered into a £3 million fixed term subordinated loan agreement with UKPG Holdings LLC. On 17 February 2005, this subordinated loan agreement was superseded in its entirety by a new £3 million fixed term subordinated loan agreement on substantially the same terms.

On 11 March 2005, the Panmure Gordon Business of Lazard and Lazard & Co., Services Limited was sold to Panmure Gordon & Co.

On 16 March 2005, the authorised share capital of Panmure Gordon & Co. was increased to £9,000,000 by the creation of an additional 3,000,000 ordinary shares of £1 each. On 16 March 2005, Panmure Gordon & Co. issued and allotted 3,000,000 ordinary shares of £1 each to UKPG Holdings LLC at par value.

On 23 March 2005, the authorised share capital of Panmure Gordon & Co. was increased to £10,000,000 by the creation of an additional 1,000,000 ordinary shares of £1 each. On 23 March 2005, Panmure Gordon & Co. issued and allotted 308,749 ordinary shares of £1 each to UKPG Holdings LLC at par value.

8. Ultimate Holding Company

Panmure Gordon & Co. was incorporated on 29 September 2003 and was subsequently acquired by Lazard Nominees Limited on 13 January 2004. On 7 February 2005, Panmure Gordon & Co. was acquired by UKPG Holdings LLC.

As at 31 December 2004, the parent company of the smallest group which included Panmure Gordon & Co. and for which group accounts were to be prepared, was Lazard & Co., Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

Copies of Lazard & Co., Holdings Limited's consolidated financial statements may be obtained from The Secretary, Lazard & Co., Holdings Limited, 50 Stratton Street, London W1J 8LL.

As at 31 December 2004, Panmure Gordon & Co.'s immediate parent company was Lazard Nominees Limited, a company incorporated in Great Britain and registered in England and Wales.

As at 31 December 2004, Panmure Gordon & Co.'s ultimate parent company and ultimate controlling party was Lazard LLC, a Delaware limited liability company.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

Part B Accountants' report on the Panmure Gordon Business for the period 12 January 2004
to 31 December 2004

Deloitte
Deloitte & Touche LLP
Athene Place
66 Shoe Lane
London EC4A 3BQ

The Directors and the Proposed Directors
Durlacher Corporation Plc
Moorgate Hall
155 Moorgate
London EC2M 6XB

The Directors
Hawkpoint Partners Limited
4 Great St. Helen's
London EC3A 6HA

30 March 2005

Dear Sirs

We report on the financial information set out below relating to the business of Panmure Gordon (the "Panmure Gordon Business"). In the period from 12 January 2004 to 31 December 2004, the Panmure Gordon Business was carried on as a division of Lazard & Co., Limited ("Lazard"). With effect from 11 March 2005, the Panmure Gordon Business has been carried on by Panmure Gordon & Co., Limited ("Panmure Gordon & Co."). This financial information has been prepared for inclusion in the investment circular relating to the acquisition of Panmure Gordon & Co. by Durlacher Corporation Plc ("Durlacher") and the subsequent de-listing from the Official List of the UK listing Authority (the "UKLA") of Durlacher's shares and its admission to the AIM market of London Stock Exchange (the "Investment Circular").

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited non-statutory financial statements of the Panmure Gordon Business for the period from 12 January 2004 to 31 December 2004 to which no adjustments were considered necessary.

From 1996 until its sale to Lazard in January 2004, the business of Panmure Gordon was carried on as a division of WestLB Panmure Limited ("WestLB") and has therefore historically existed as a division of its parent company, both within WestLB and subsequently Lazard. Accordingly, other than for the purposes of this document, no statutory or management accounts have been prepared for the Panmure Gordon Business on a standalone basis since 1996. The accounts for the Panmure Gordon Business for the period 12 January 2004 to 31 December 2004 have been specifically prepared for the purposes of this Investment Circular. No accounts have been produced for the Panmure Gordon Business for the period during which it formed part of WestLB as separate financial information for the Panmure Gordon Business, which formed part of a larger division within WestLB, was not produced in respect of this period and cannot now be reconstructed due to the unavailability of this information. Accordingly, our review of the historical financial information relating to the Panmure Gordon Business has been limited to the period from 12 January 2004 to 31 December 2004.

Responsibility

The financial statements of the Panmure Gordon Business for the period from 12 January 2004 to 31 December 2004 are the responsibility of the directors of Lazard, who approved their issue.

The Directors and the Proposed Directors of Durlacher are responsible for the contents of the Investment Circular in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards 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.

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.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Agreement of interdivisional balance

In forming our opinion, we have considered the adequacy of the disclosure made in Note 1 to the financial statements regarding the extraction of the results of the Panmure Gordon Business from the books and records of Lazard, and the agreement of the resultant interdivisional balance. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial information set out below gives for the purposes of the Investment Circular, a true and fair view of the state of affairs of the Panmure Gordon Business as at 31 December 2004 and of its loss for the period from 12 January 2004 to 31 December 2004.

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

Profit and loss account

		<i>12 January to 31 December 2004</i>
	<i>Note</i>	<i>£000</i>
TURNOVER	2	23,115
Operating expenses	3	(33,610)
OPERATING LOSS		(10,495)
Interest receivable and similar income	4	568
Interest payable and similar charges	5	(103)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(10,030)
Tax credit on loss on ordinary activities	7	—
RETAINED LOSS	13	(10,030)

No gains or losses have been recognised in these financial statements other than those reflected in the Profit and Loss Account and therefore no separate statement of total recognised gains and losses has been presented. All activities relate to continuing operations.

A reconciliation of the movement in capital employed is shown in note 13.

Balance sheet

		<i>As at 31 December 2004</i>
	<i>Notes</i>	<i>£'000</i>
FIXED ASSETS		
Tangible fixed assets	9	314
		314
CURRENT ASSETS		
Debtors	10	43,307
Investments	11	5,685
Cash at bank and in hand	16	5,009
		54,001
Creditors: amounts falling due within one year	12	(49,088)
NET CURRENT ASSETS		4,913
TOTAL ASSETS LESS CURRENT LIABILITIES		5,227
CAPITAL AND RESERVES		
Capital contribution	13	15,257
Profit and loss account	13	(10,030)
CAPITAL EMPLOYED		5,227

Cash flow statement

		12 January to 31 December 2004 £000
Net cash outflow from operating activities	Notes 15(a)	(10,267)
Returns on investments and servicing of finance:		
Interest Received		568
Interest Paid		(103)
		<hr/> 465
Capital expenditure and financial investment:		
Purchase of tangible fixed assets		(446)
		<hr/> (10,248)
Cash outflow before use of liquid resources and financing		
Financing:		
Capital contribution – cash	13	6,814
– other	13	8,443
		<hr/> 5,009
Increase in cash at bank and in hand		<hr/> <hr/> 5,009

Reconciliation of net cash flow to movement in net funds

		12 January to 31 December 2004 £000
Increase in cash in the year		5,009
Net funds at 12 January 2004 [Note 15(b)]		—
Net funds at 31 December 2004 [Note 15(b)]		<hr/> 5,009

Notes to the financial information

1. Accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

The financial information for the Panmure Gordon Business has been extracted from the books and records of Lazard. The records of Lazard had not been maintained in contemplation of producing separate accounts for the Panmure Gordon Business. There are therefore no direct records of the resultant interdivisional balance between Lazard and the Panmure Gordon Business, disclosed in Note 12. Agreement has been reached between the senior management of the Panmure Gordon Business and Lazard as to the level of the current balance and no further adjustments in respect of the period will be made. The financial statements of Lazard for the year ended 31 December 2004 contain an unqualified audit report.

No comparatives have been prepared as separate information for the Panmure Gordon Business prior to 12 January 2004 was not produced nor is this information available now.

(b) Turnover

Turnover comprises corporate broking revenue, secondary market commissions and gains and losses arising from client facilitation trading.

Fees receivable

The majority of fees are contingent on a critical future event and are therefore only recognised when that event occurs. Where the terms of the engagement allow for the issuance of invoices before the completion of an engagement, turnover is recognised when contractual performance has taken place.

Trading income

Dealing profits are accrued on a trade date basis.

(c) Trading securities

Debt and equity securities arising from trading activities are classified as current asset investments and are valued at market prices where these exist, net of a liquidity provision where deemed appropriate, or at the directors' valuation for unlisted investments, with the resulting profit or loss being taken to the profit and loss account.

(d) Collateral for stock borrowed

The Panmure Gordon Business pays away collateral in the form of cash in respect of stock borrowing activity. Collateral paid away is recorded on the balance sheet within debtors.

The Panmure Gordon Business measures the market value of the securities borrowed against the collateral deposited on a daily basis and ensures the borrowing is collateralised appropriately.

(e) Tangible fixed assets

Fixed assets are depreciated over their expected lives on a straight line basis, which range from 3 to 10 years.

(f) Foreign currencies

Transactions in foreign currencies are translated into sterling at contracted rates during the year and monetary assets and liabilities are retranslated at the rates ruling at the balance sheet date with exchange differences dealt within the profit and loss account.

(g) Taxation

The Panmure Gordon Business is not a taxable entity, however Lazard will be assessed for tax, and in turn will allocate any debit or credit to Panmure Gordon Business according to its profit or loss. As at the year ended 31 December 2004, Lazard did not utilise the losses of the Panmure Gordon Business and therefore there is no tax charge or credit allocated. On 11 March 2005, the Panmure Gordon Business was sold to Panmure Gordon & Co., a related party. Under UK tax law any tax losses of the trade of Panmure Gordon Business will pass to Panmure Gordon & Co.

(h) Deferred taxation

The Panmure Gordon Business is not a taxable entity, however Lazard will be assessed for tax, and in turn will allocate any debit or credit relating to current or deferred taxation to the Panmure Gordon Business according to its profit or loss.

Deferred taxation in Lazard is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(i) Dividends

The Panmure Gordon Business is not a legal entity. Its results form part of the financial results of Lazard which, for the year ending 31 December 2004, did not make any dividend payments.

(j) Capital and reserves

The capital and reserves includes the capital contribution by Lazard into the Panmure Gordon Business. This was created when the Panmure Gordon Business was allocated assets and liabilities by Lazard that enabled the Panmure Gordon Business to start trading on 12 January 2004.

(k) Interdivisional current account

The interdivisional account represents the resultant net position from transactions between the Panmure Gordon Business and Lazard during the period.

2. Turnover

	<i>12 January to 31 December 2004 £000</i>
Turnover comprises:	
Fee income	10,116
Gains and losses from trading operations	12,999
	<hr/>
	23,115
	<hr/> <hr/>

3. Operating expenses

	<i>12 January to 31 December 2004 £000</i>
Premises cost	1,501
Recharge from group company	24,782
Other administrative expenses	7,327
	<hr/>
	33,610
	<hr/> <hr/>

The recharge from group company comprises a recharge of operating expenses from Lazard & Co., Services Limited ("LSL").

The Panmure Gordon Business has no direct operating lease commitments. All amounts charged to the Profit and Loss Account are an allocation from Lazard.

4. Interest receivable and similar income

	<i>12 January to 31 December 2004 £000</i>
Bank and other interest	568
	<hr/>
	568
	<hr/> <hr/>

5. Interest payable and similar charges

	<i>12 January to 31 December 2004 £000</i>
Bank and other interest	103
	<hr/>
	103
	<hr/> <hr/>

6. Loss on ordinary activities before tax

	<i>12 January to 31 December 2004 £000</i>
This is stated after taking into account:	
(a) Income	
Profits less losses on securities dealing	3,511
	<hr/>
(b) Charges	
Rental charged on land and buildings held under operating lease	1,501
Depreciation	132
	<hr/>

The auditors' remuneration for the current period was borne by LSL.

7. Tax credit on loss on ordinary activities

	<i>12 January to 31 December 2004 £000</i>
Tax credit on loss on ordinary activities	Nil

Tax credit for current year tax for the year is less than the standard rate of 30% for the reasons set out in the following reconciliation:

	<i>12 January to 31 December 2004 £000</i>
Loss on ordinary activities before tax	(10,030)
Tax on loss on ordinary activities at standard rate	(3,009)
Factors affecting charge:	
Capital allowances for the period in excess of depreciation	
Disallowed expenses	109
Losses for which no current relief obtained	
Not recognised in deferred tax	2,900
Credit for current tax for the year	Nil

On 11 March 2005, the Panmure Gordon Business was sold to Panmure Gordon & Co., a related party. Under UK tax law any tax losses of the trade of the Panmure Gordon Business will pass to Panmure Gordon & Co.

8. Deferred taxation

The Panmure Gordon Business has a potential future tax benefit, not recognised, of approximately £2.9 million in respect of losses carried forward.

On 11 March 2005, the Panmure Gordon Business was sold to Panmure Gordon & Co., a related party. Under UK tax law any tax losses of the trade of the Panmure Gordon Business will pass to Panmure Gordon & Co.

9. Tangible fixed assets

	<i>Fixtures, Fittings and Equipment £000</i>	<i>Total £000</i>
<i>Cost</i>		
At 12 January 2004	—	—
Additions	446	446
At 31 December 2004	446	446
<i>Depreciation</i>		
At 12 January 2004	—	—
Charge for the year	132	132
At 31 December 2004	132	132
<i>Net book value</i>		
At 31 December 2004	314	314
At 12 January 2004	—	—

10. Debtors

	<i>As at 31 December 2004 £000</i>
Trade debtors	41,547
Amounts due from group undertakings	925
Other debtors	457
Prepayments and accrued income	378
	43,307

11. Current asset investments

	<i>As at</i>
	<i>31 December</i>
	<i>2004</i>
	<i>£000</i>
Trading securities – listed on a UK recognised exchange	5,685
	<u>5,685</u>

The market value of the trading securities was £5,778,000.

12. Creditors: Amounts falling due within one year

	<i>As at</i>
	<i>31 December</i>
	<i>2004</i>
	<i>£000</i>
Short positions in trading securities – listed on a UK recognised exchange	5,136
Trade creditors	25,540
Amounts due to group undertakings:	
Lazard (interdivisional current account)	2,916
Other	3,766
Other creditors	11,730
	<u>49,088</u>

13. Capital employed

Reconciliation of movements in capital employed:

	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 12 January 2004	—	—	—
Capital contribution	15,257	—	15,257
Loss attributable to the Panmure Gordon Business	—	(10,030)	(10,030)
Closing capital employed	<u>15,257</u>	<u>(10,030)</u>	<u>5,227</u>

On 12 January 2004, certain of the assets and liabilities of the former Lazard Capital Markets division were allocated to the Panmure Gordon Business by Lazard. On the same day, Lazard also allocated certain trading book assets and liabilities which had been acquired from WestLB Panmure Limited. The total book and fair value of the allocated assets and liabilities was £15,257,000, being satisfied by a capital contribution of an equivalent amount. The following table sets out the book values and fair values of the identifiable assets and liabilities allocated to the Panmure Gordon Business.

	<i>Book Value and Fair Value</i>
	<i>£000</i>
Current Assets	
Trade debtors	37,540
Other debtors	412
Cash	6,814
Long positions	5,716
Total Assets	<u>50,482</u>
Creditors	
Short positions	(2,269)
Trade creditors	(32,548)
Other creditors	(408)
Total liabilities	<u>(35,225)</u>
Net assets	<u>15,257</u>
Satisfied by	
Capital contribution	<u>(15,257)</u>
	<u>—</u>

14. Related party transactions

During the period 12 January 2004 to 31 December 2004, the Panmure Gordon Business undertook the following transactions with related parties:

- (i) Recharge of £221,000 to Lazard Frères & Co., LLC for the provision of macro-economic research. The full amount was outstanding as at 31 December 2004.
- (ii) Recharge of £663,000 from Lazard Frères & Co., LLC in respect of securities processing costs. £350,000 remained outstanding as at 31 December 2004.
- (iii) Recharge of £165,000 from Lazard in respect of executive management services provided. The full amount was outstanding as at 31 December 2004.
- (iv) Recharge of £234,000 from Lazard Frères & Co., LLC in respect of trading book administration. The full amount was outstanding as at 31 December 2004.
- (v) During the period, the Panmure Gordon Business generated commissions of £35,000 from US clients facilitated by Lazard Frères & Co., LLC. The full amount was outstanding as at 31 December 2004. In addition, assets of £669,000 and liabilities of £3,183,000 are included within intercompany debtors and creditors respectively in relation to this trading.
- (vi) The Panmure Gordon Business held £300,000 on deposit with Lazard Frères & Co., LLC. This is included within cash at bank and in hand.
- (vii) The Panmure Gordon Business held £300,000 on deposit with Lazard Frères Banque. This is included within cash at bank and in hand.
- (viii) Expenditure incurred by Lazard and LSL on behalf of the Panmure Gordon Business was not formally recharged to the Panmure Gordon Business in the accounting records of Lazard and remained outstanding as at 31 December 2004 and shown in the balance sheet as intercompany creditor.

15. Cash Flow Notes

(a) Reconciliation of net cash outflow from operating activities:

	<i>12 January to 31 December 2004 £000</i>
Operating loss	(10,495)
Depreciation	132
Increase in trading book receivables	(41,547)
Increase in net trading book positions	(549)
Increase in prepayments & accrued income	(378)
Increase in intercompany debtors	(925)
Increase in other debtors	(457)
Increase in trading book payables	25,540
Increase in intercompany creditors	6,682
Increase in other creditors	11,730
Net cash outflow from operating activities	<u>(10,267)</u>

(b) Analysis of change in net funds

	<i>At 12 January 2004 £000</i>	<i>Cashflow £000</i>	<i>At 31 December 2004 £000</i>
Cash at bank and in hand	—	5,009	5,009
	<u>—</u>	<u>5,009</u>	<u>5,009</u>

16. Cash at bank and in hand

Cash at bank and in hand includes client money of £1,035,000 and a corresponding liability is recorded within other creditors on the balance sheet.

17. Ultimate parent company

As at 31 December 2004, the parent company of the smallest group which included Lazard, of which Panmure Gordon Business was a division, and for which group accounts were to be prepared and Lazard's immediate controlling party, as at that date, was Lazard & Co., Holdings Limited ("LCH"), a company incorporated in Great Britain and registered in England and Wales.

Copies of LCH's and Lazard's financial statements may be obtained from The Secretary, Lazard & Co., Holdings Limited, 50 Stratton Street, London W1J 8LL.

As at 31 December 2004, Panmure Gordon Business's ultimate parent company and ultimate controlling party was Lazard LLC, a Delaware limited liability company.

18. Post Balance Sheet Events

On 11 March 2005 the Panmure Gordon Business was sold to a related company, Panmure Gordon & Co.. Panmure Gordon & Co.'s ultimate parent company and ultimate controlling party is Lazard LLC, a Delaware limited liability company.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

PART VII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following pro forma statement of net assets of Durlacher is prepared, for illustrative purposes only, to show the effect of the capitalisation of Panmure Gordon & Co., Limited (“Panmure Gordon & Co.”), the acquisition of the business of Panmure Gordon (the “Panmure Gordon Business”) by Panmure Gordon & Co. and the acquisition of Panmure Gordon & Co. by Durlacher as if they had occurred on 31 December 2004, and because of its nature, may not give a true picture of Durlacher’s financial position. The pro forma statement of net assets therefore assumes that the transfer of the Panmure Gordon Business to Panmure Gordon & Co. had also taken place on 31 December 2004. This pro forma statement of net assets is based on the audited balance sheet of Durlacher as at 31 December 2004 and adjusted as per the notes below.

	<i>Adjustments</i>							<i>Pro forma net assets</i>
	<i>Net assets of Durlacher Corporation Plc as at 31 December 2004</i>	<i>Net assets of Panmure Gordon & Co. as at 31 December 2004</i>	<i>Net assets of the Panmure Gordon Business as at 31 December 2004</i>	<i>Capital increases in Panmure Gordon & Co.</i>	<i>Sub-ordinated loan made to Panmure Gordon & Co.</i>	<i>Acquisition of Panmure Gordon Business by Panmure Gordon & Co.</i>	<i>Acquisition accounting adjustments</i>	
	<i>Note 1(a)</i>	<i>Note 1(b)</i>	<i>Note 1(c)</i>	<i>Note 2(a)</i>	<i>Note 2(b)</i>	<i>Note 2(c)</i>	<i>Note 2(d)</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets								
Goodwill	—	—	—	—	—	—	12,387	12,387
Tangible fixed assets	1,423	—	314	—	—	—	—	1,737
	<u>1,423</u>	<u>—</u>	<u>314</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,387</u>	<u>14,124</u>
Current assets								
Investments	2,712	—	5,685	—	—	—	—	8,397
Debtors	8,055	—	43,307	—	—	—	—	51,362
Cash and deposits	8,557	—	5,009	9,309	3,000	(5,227)	(1,600)	19,048
	<u>19,324</u>	<u>—</u>	<u>54,001</u>	<u>9,309</u>	<u>3,000</u>	<u>(5,227)</u>	<u>(1,600)</u>	<u>78,807</u>
Creditors: amounts falling due within one year	(8,674)	—	(49,088)	—	—	—	—	(57,762)
Net current assets	<u>10,650</u>	<u>—</u>	<u>4,913</u>	<u>9,309</u>	<u>3,000</u>	<u>(5,227)</u>	<u>(1,600)</u>	<u>21,045</u>
Creditors: amounts falling due after more than one year	(69)	—	—	—	(3,000)	—	—	(3,069)
Provisions for liabilities and charges	(1,544)	—	—	—	—	—	—	(1,544)
Net Assets	<u>10,460</u>	<u>—</u>	<u>5,227</u>	<u>9,309</u>	<u>—</u>	<u>(5,227)</u>	<u>10,787</u>	<u>30,556</u>

Note 1 — Unadjusted net assets information

- (a) The unadjusted net assets information on Durlacher has been extracted, without material adjustment, from the audited financial results of Durlacher as at 31 December 2004.
- (b) The unadjusted net assets information on Panmure Gordon & Co. has been extracted, without material adjustment, from the audited financial statements of Panmure Gordon & Co. for the period ended 31 December 2004 set out in Part A of Part VI of this document. As at 31 December 2004, Panmure Gordon & Co. had a debtor of £2.
- (c) The unadjusted net assets information on the Panmure Gordon Business, a division of Lazard & Co. Limited, has been extracted, without material adjustment, from the Accountants’ Report on the Panmure Gordon Business for the period 12 January 2004 to 31 December 2004 set out in Part B of Part VI of this document.

Note 2 — Adjustments

The adjustments made in the pro forma statement of net assets reflect the following items:

- (a) On 7 February 2005, the share capital of Panmure Gordon & Co. was increased by the issue of 5,999,998 ordinary shares of £1 each at par value. On 16 March 2005, the share capital of Panmure Gordon & Co. was increased by the issue and allotment of a further 3,000,000 ordinary shares of £1 each at par value. On 23 March 2005, the share capital of Panmure Gordon & Co. was increased by the issue and allotment of a further 308,749 ordinary shares of £1 each at par value. Further details on these matters are provided on pages 63 and 64 of the document. For the purposes of the pro forma, the Directors have assumed that the proceeds were received in cash.

- (b) On 17 February 2005, a long-term subordinated loan was made to Panmure Gordon & Co. of £3 million. Further details are provided on page 63 of the document.
- (c) On 11 March 2005, Panmure Gordon & Co. acquired certain assets and liabilities of the Panmure Gordon Business from Lazard & Co., Limited and Lazard & Co., Services Limited. For the purposes of the pro forma, the Directors have assumed that the net assets at 31 December 2004 were acquired for their book value and the consideration was settled in cash in the sum of £5.2 million.
- (d) The pro forma net assets as at 31 December 2004 includes pro forma acquisition accounting adjustments related to the computation of the purchase price and allocation of the purchase price to the tangible assets and liabilities of Panmure Gordon & Co. and the Panmure Gordon Business. The purchase price comprises the issue of the Consideration Shares by Durlacher and Durlacher's estimated expenses of £1.6 million relating to the Acquisition. For the purposes of the pro forma financial information, the purchase price has been based on the middle-market quotation of Durlacher Shares at the time of suspension on 13 January 2005 of 108.5p, the last dealing day before the posting of this document, implying a value of £20.1 million for the 18,521,295 Consideration Shares. This results in goodwill arising on consolidation of £12,387,000. The final determination of the purchase price will be based upon the price of Durlacher Shares on the date that the Acquisition formally completes (which is expected to be on Admission). Accordingly, the final acquisition adjustments may be materially different from those reflected in the pro forma financial information presented herein.

Note 3 — Subsequent events

The pro forma net assets statement does not take into account any trading or other transactions subsequent to the date of the accounts included in the pro forma information.



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The Directors and the Proposed Directors
Durlacher Corporation Plc
Moorgate Hall
155 Moorgate
London
EC2M 6XB

The Directors
Hawkpoint Partners Limited
4 Great St Helen's
London
EC3A 6HA

30 March 2005

Dear Sirs

Durlacher Corporation Plc ("the Company")

We report on the pro forma net assets statement set out in Part VII of the investment circular dated 30 March 2005, which has been prepared, for illustrative purposes only, to provide information about how the capitalisation of Panmure Gordon & Co. Limited ("Panmure Gordon & Co."), the acquisition of the business of Panmure Gordon (the "Panmure Gordon Business") by Panmure Gordon & Co. and the acquisition of Panmure Gordon & Co. by Durlacher might have affected the financial information presented as if they had occurred at 31 December 2004.

Responsibilities

It is the responsibility solely of the Directors of Durlacher Corporation Plc to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board of the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors of Durlacher Corporation Plc.

Opinion

In our opinion:

- the pro forma net assets statement has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of Durlacher Corporation Plc; and
- the adjustments are appropriate for the purposes of the pro forma disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

KPMG Audit Plc

KPMG Audit Plc, a company incorporated under the UK Companies Acts, is a member of KPMG International, a Swiss cooperative

Registered in England No 3110745
Registered office: 8 Salisbury Square, London EC4Y 8BB

PART VIII

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors, (whose full names and functions (current and proposed) are set out in paragraph 2.2 below) and the Proposed Directors whose full names and proposed functions are set out in paragraph 2.4 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the 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.
- 1.2 The directors of Lazard, whose names are set out in paragraph 2.1 of Part IV of this document, accept responsibility for the information contained in Part IV of this document relating to Lazard and the directors of Lazard, members of their immediate families and related trusts. To the best of the knowledge and belief of the directors of Lazard (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The manager of UKPG Holdings, whose name is set out in paragraph 2.2 of Part IV of this document, accepts responsibility for the information contained in Part IV of this document relating to UKPG Holdings and the manager of UKPG Holdings, members of his immediate family and related trusts. To the best of the knowledge and belief of the manager of UKPG Holdings (who has taken all reasonable care to ensure that such is the case), the information contained in this document for which he takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and status

- 2.1 Durlacher was incorporated and registered in England and Wales on 26 March 1992 as a public company limited by shares under the Act with registration number 2700769 under the name of Boxham Plc. By special resolution passed on 4 September 1992, the Company's name was changed to Financial Publications Plc and by special resolution passed on 2 December 1997, it was changed to Durlacher Corporation Plc.
- 2.2 The names of the Directors and their respective functions are as follows:
Anthony Lindsay Caplin (*Non-Executive Chairman and proposed Non-Executive Director*)
Jack Wigglesworth (*Non-Executive Deputy Chairman and resigning upon Admission*)
Simon Richard Hirst (*Chief Executive Officer and proposed Executive Vice Chairman*)
David Lyon Liddell (*Finance Director*)
Howard Emerson Flight (*Non-Executive Director*)
- 2.3 Durlacher's registered office and principal place of business for each of the Directors is at Moorgate Hall, 155 Moorgate, London EC2M 6XB.
- 2.4 The names of the Proposed Directors and their respective functions are as follows:
Richard Edward John Wyatt (*Proposed Executive Chairman*)
Timothy James Thornton Linacre (*Proposed Chief Executive Officer*)
Julian Clement Hirst (*Proposed Executive Director and Head of Corporate Finance*)
Jonathan Nicholas Bewick Hack (*Proposed Non-Executive Director to be appointed by UKPG Holdings*)

3. Share capital

- 3.1 On 27 February 2004, the authorised share capital of the Company was increased from £29,150,000 to £29,550,000 by the creation of 10,000,000 new Ordinary Shares.
- 3.2 On 14 March 2005, by resolutions passed by Durlacher at its annual general meeting:
 - 3.2.1 the Directors were generally and unconditionally authorised pursuant to section 80 of the Act (in substitution for any existing authorities conferred on the Directors) to allot relevant securities (within the meaning of section 80) up to an aggregate nominal amount of £258,587 provided that this authority shall expire (unless previously renewed, varied or revoked by Durlacher in general meeting) on 13 March 2010, save that Durlacher may, prior to the expiry of such period or the revocation of the authority, make any offer or agreement which requires or might require relevant securities to be allotted after the expiry of such period or revocation and the Directors may allot relevant securities pursuant to such offer or agreement as if this authority had not expired;
 - 3.2.2 the Directors were empowered pursuant to section 95 of the Act (in substitution for existing power conferred on the Directors to allot equity securities) to allot equity securities (within the meaning of section 94 of the Act) for cash as if section 89(1) of the Act did not apply to the allotment. This power was limited to:
 - 3.2.2.1 the allotment of equity securities in connection with an issue or offer of equity securities by way of rights or otherwise open for acceptance for a period fixed by the Directors in favour of the holders of equity securities and any other person entitled to participate in such issue or offer where equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity

securities held by or deemed to be held by them on the record date for such allotment, subject only to the exclusions and other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or practical problems arising under the laws of any overseas territory or the requirements of any regulatory authority or body or any stock exchange in any territory; and

3.2.2.2 the allotment (other than pursuant to the power referred to in sub-paragraph 3.2.2.1 above) of equity securities up to an aggregate nominal amount equal to £77,576.88,

and expires on 13 March 2010, save that Durlacher may make any offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities pursuant to that offer or agreement as if this power had not expired.

3.3 For the purposes of implementing the Proposals, resolutions will be proposed at the EGM, *inter alia*, to:

3.3.1 increase the authorised share capital of the Company from £29,550,000 to £32,350,000 by the creation of 70,000,000 new Ordinary Shares (9,260,648 of which will be Restricted Voting Ordinary Shares);

3.3.2 authorise the directors of the Company pursuant to section 80 of the Act (in addition to the existing authority conferred on the Directors referred to in paragraph 3.2.1 above) to:

3.3.2.1 allot the Consideration Shares; and

3.3.2.2 allot other relevant securities up to an aggregate nominal amount of £563,719,

such authority to expire (unless previously renewed, varied or revoked by Durlacher in general meeting) on 21 April 2010 save that the Company may, prior to the expiry of such period or the revocation of the authority, make any offer or agreement which requires or might require relevant securities to be allotted after the expiry of such period or revocation and the directors may allot relevant securities pursuant to such offer or agreement as if the authority had not expired; and

3.3.3 empower the directors of the Company pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in 3.3.2 above (in addition to the existing power conferred on the Directors referred to in 3.2.2 above) as if section 89(1) of the Act did not apply to that allotment, and being limited to:

3.3.3.1 the allotment of equity securities in connection with an issue or offer by way of rights in favour of holders of Ordinary Shares in proportion (as nearly as may be) to the respective numbers of Ordinary Shares held by them; and

3.3.3.2 the allotment (otherwise than pursuant to paragraphs 3.3.3.1 and 3.3.3.2 above) of equity securities up to a maximum aggregate nominal amount of £217,988.04;

such power to expire on 21 April 2010 (unless and to the extent that such power is revoked, varied, renewed or extended prior to such date), but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require equity securities to be allotted after the expiry of such a period and the directors may allot equity securities pursuant to such an offer or agreement as if the power conferred hereby had not expired.

3.4 The provisions of section 89 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 Act) apply to the authorised but unissued share capital of Durlacher (in respect of which the Directors have authority to make allotments pursuant to section 80 of the Act as referred to in paragraph 3.2 above) except to the extent such provisions have been disapplied as referred to in paragraph 3.2 above.

3.5 At the date of this document, a maximum of 3,600,327 Ordinary Shares have been reserved for issue in respect of the exercise of options granted under the Existing Share Option Plans as follows:

3.5.1 on 6 June 2003 Durlacher granted options over 1,282,067 Ordinary Shares pursuant to the terms of the Unapproved Share Option Plan to the trustees of Existing Employee Benefit Trust (the "EEBT"). The exercise price of such options is 103p per Ordinary Share and such options are exercisable from the second anniversary of the date of grant up until the tenth anniversary of the date of grant. The potential beneficiaries of the EEBT are the employees (including some of the Directors) of the Group and their families.

3.5.2 on 6 June 2003, Durlacher granted options over 346,405 Ordinary Shares pursuant to the terms of the Approved Share Option Plan to certain Directors and employees of the Group. The exercise price of such options is 120p per Ordinary Share and such options are exercisable from the third anniversary of the date of grant up until the tenth anniversary of the date of grant.

3.5.3 on 11 August 2003 Durlacher granted options over 557,091 Ordinary Shares pursuant to the terms of the Unapproved Share Option Plan to the EEBT. The terms of grant are the same as the grant of options to the EEBT described in paragraph 3.5.1 above save that the exercise price for these options is 171p per Ordinary Share. The grant of these options constituted a technical breach of the Unapproved Share Option Plan (as they were granted before the Company's issued ordinary share capital had increased to a sufficient size as a result of the issue of Ordinary Shares pursuant to the Company's offer for web-angel plc) and, accordingly, a resolution to ratify such grant was proposed and passed in a general meeting held on 27 February 2004.

3.5.4 on 11 August 2003, Durlacher granted options over 97,226 Ordinary Shares pursuant to the terms of the Approved Share Option Plan to certain employees of the Group. The terms of grant are the same as the grant of options described in paragraph 3.5.2 above save that the exercise price for these options is 174p per Ordinary Share. The grant of these options constituted a technical breach of the Approved Share Option Plan (for the same reason as is set out in paragraph 3.5.3 above) and, accordingly, a resolution to ratify such grant was proposed and passed in a general meeting held on 27 February 2004.

3.5.5 since 6 June 2003 some of the share options over 1,282,067 Ordinary Shares granted to the trustees of the EEBT referred to in paragraph 3.5.1 above have been allocated for the potential benefit of certain Directors and J C Hirst or their beneficiaries. The current allocations, which are subject to change at the discretion of the trustees of the EEBT, are as follows:

<i>Director</i>	<i>Exercise period</i>	<i>Granted</i>	<i>Exercise price (£)</i>
J C Hirst	06/06/05 — 06/06/13	97,391	1.03
S R Hirst	06/06/05 — 06/06/13	95,820	1.03
S R Hirst	06/06/05 — 06/06/13	2,592	1.03
D L Liddell	06/06/05 — 06/06/13	5,715	1.03
A L Caplin	06/06/05 — 06/06/13	167,828	1.03

3.5.6 since 11 August 2003 some of the share options over 557,091 Ordinary Shares granted to the trustees of the EEBT referred to in paragraph 3.5.3 above have been allocated for the potential benefit of certain Directors and J C Hirst or their beneficiaries. The current allocations, which are subject to change at the discretion of the trustees of the EEBT, are as follows:

<i>Director</i>	<i>Exercise period</i>	<i>Granted</i>	<i>Exercise price (£)</i>
J C Hirst	11/08/05 — 11/08/13	28,513	1.71
S R Hirst	11/08/05 — 11/08/13	22,037	1.71
S R Hirst	11/08/05 — 11/08/13	10,685	1.71
D L Liddell	11/08/05 — 11/08/13	23,560	1.71
A L Caplin	11/08/05 — 11/08/13	35,172	1.71

3.5.7 on 12 May 2004, Durlacher granted options over 1,008,392 Ordinary Shares pursuant to the terms of the Unapproved Share Option Plan to the trustees of the EEBT. The exercise price of such options is 125p per Ordinary Share and such options are exercisable from the second anniversary of the date of grant up until the tenth anniversary of the date of grant.

3.5.8 on 12 May 2004, Durlacher granted options over 474,925 Ordinary Shares pursuant to the terms of the Approved Share Option Plan to certain Directors and employees of the Group. The exercise price of such options is 125p per Ordinary Share and such options are exercisable from the third anniversary of the date of grant up until the tenth anniversary of the date of grant.

3.5.9 since 12 May 2004 some of the share options over 1,008,392 Ordinary Shares granted to the trustees of the EEBT referred to in paragraph 3.5.7 above have been allocated for the potential benefit of certain Directors and J C Hirst or their beneficiaries. The current allocations, which are subject to change at the discretion of the trustees of the EEBT, are as follows:

<i>Director</i>	<i>Exercise period</i>	<i>Granted</i>	<i>Exercise price (£)</i>
J C Hirst	12/05/06 — 12/05/14	24,096	1.25
S R Hirst	12/05/06 — 12/05/14	43,866	1.25
D L Liddell	12/05/06 — 12/05/14	96,725	1.25

3.5.10 on 7 December 2004, Durlacher granted options over 1,150,000 Ordinary Shares pursuant to the terms of the Unapproved Share Option Plan to the trustees of the EEBT. The exercise price of such options is 64p per Ordinary Share and such options are exercisable from the second anniversary of the date of grant up until the tenth anniversary of the date of grant.

3.5.11 of the total of options granted over 918,556 Ordinary Shares pursuant to the terms of the Approved Share Option Plan referred to in paragraphs 3.5.2, 3.5.4 and 3.5.8 above, some have lapsed or been cancelled upon certain Directors or employees of the Group ceasing to be employed by the Group and, as result, options over 722,352 Ordinary Shares remain outstanding under the Approved Share Option Plan at the date of this document.

3.5.12 of the total options granted over 3,997,550 Ordinary Shares pursuant to the terms of the Unapproved Share Option Plan referred to in paragraphs 3.5.1, 3.5.3, 3.5.7 and 3.5.10 above, some have lapsed or been cancelled upon certain Directors or employees of the Group ceasing to be employed by the Group and, as a result, options over 2,877,975 Ordinary Shares remain outstanding under the Unapproved Share Option Plan at the date of this document.

- 3.6 Pursuant to the Proposals, and with effect from Admission, some of the share options over 1,150,000 Ordinary Shares granted to the trustees of the EEBT referred to in paragraph 3.5.10 above will be allocated for the potential benefit of certain Directors and J C Hirst, or their beneficiaries. The current proposed allocations, which are subject to change at the discretion of the trustees of the EEBT, are as follows:

<i>Director</i>	<i>Exercise period</i>	<i>Granted</i>	<i>Exercise price (£)</i>
J C Hirst	07/12/06 — 07/12/14	90,000	0.64
S R Hirst	07/12/06 — 07/12/14	164,000	0.64
D L Liddell	07/12/06 — 07/12/14	130,000	0.64

In addition, it is proposed that the balance of these share options (comprising options over 766,000 Ordinary Shares) will be allocated for the potential benefit of certain existing Group employees.

- 3.7 Pursuant to the Proposals, and with effect from Admission, the Company will grant options pursuant to the terms of the Unapproved Share Option Plan to each of S R Hirst, D L Liddell and J C Hirst to subscribe for 500,000 Ordinary Shares at an exercise price of 120p per share.
- 3.8 Pursuant to the Proposals, and with effect from Admission, the Company will grant the Performance Options and the UKPG Option. Further details of these options are set out in paragraph 7.2 of this Part VIII.
- 3.9 A maximum of 100,000 Ordinary Shares have been reserved for issue in respect of the exercise of warrants granted to Zoe Appleyard pursuant to the acquisition of Life Capital Limited by Durlacher (as summarised in paragraph 8.1.10 of this Part VIII). The exercise price of such warrants is 100p per Ordinary Share and such warrants are exercisable until 17 March 2010.
- 3.10 As at the date of this document, the authorised share capital of Durlacher is £29,550,000, divided into 30,507,117 Ordinary Shares and 708,242,883 Deferred Shares of which 19,394,026 Ordinary Shares and 708,242,883 Deferred Shares are in issue and fully paid. The Company does not currently hold any treasury shares.
- 3.11 On Admission, the authorised share capital of Durlacher will be £32,350,000, divided into 100,507,117 Ordinary Shares (9,260,648 of which will be Restricted Voting Ordinary Shares) and 708,242,883 Deferred Shares of which 56,436,616 Ordinary Shares (including all of the Restricted Voting Ordinary Shares) and 708,242,883 Deferred Shares will be in issue and fully paid.
- 3.12 The following table sets out the closing middle-market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List on the first dealing day in each of the six months immediately prior to the date of this document and the middle-market quotation on 29 March 2005 (being the latest practicable date prior to printing this document and the last dealing day prior to the announcement of the Proposals):

<i>Year</i>	<i>Date</i>	<i>Price per Ordinary Share</i>
2004	1 October	70.0p
	1 November	67.5p
	1 December	63.5p
2005	4 January	90.0p
	1 February*	N/A
	1 March*	N/A
	29 March*	N/A

* The listing of the Ordinary Shares has been suspended since 13 January 2005. The middle market quotation at the time of the suspension was 108.5p.

4. Memorandum and Articles of Association

- 4.1 The memorandum of association provides that Durlacher's principal objects are, *inter alia*, to carry on business as a general commercial company, to acquire and hold by way of investment shares, stocks, debentures, debenture stocks or other interests of or in any company and to vary such investments from time to time, and to provide managerial, executive, administrative, financial, supervisory and consultant services. The objects of Durlacher are set out in full in clause 4 of the memorandum of association which is available for inspection at the addresses specified in paragraph 16 of this Part VIII.
- 4.2 The Articles, contain, *inter alia*, the provisions set out in the following sub-paragraphs of this paragraph 4.
- 4.3 *Share rights*
- 4.3.1 Subject to the provisions of the Act and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights, privileges or restrictions as Durlacher may in general meeting determine. In particular any such shares may be issued with a preferential, deferred or qualified right to dividends or to the distribution of assets and with a special, or without any, right of voting.
- 4.3.2 Durlacher may issue any shares which are to be redeemed, or which at the option of Durlacher are liable to be redeemed. Subject to the Articles and to the Act, the unissued shares of Durlacher (whether forming part of the original or any increased capital) are at the disposal of the Board.

4.4 *Voting rights*

- 4.4.1 Subject to any special rights restrictions or prohibitions as regards voting for the time being attached to any special class of shares in the capital of Durlacher, and subject to paragraph 4.4.2 on a show of hands every holder of Ordinary Shares personally present (or, being a corporation, present by a duly appointed representative) at a general meeting shall have one vote only, and in case of a poll every member present in person or by proxy shall have one vote for every Ordinary Share held by him. A proxy need not be a member of Durlacher.
- 4.4.2 A member shall not, unless the directors otherwise determine, be entitled to be present or vote at a general meeting or to exercise any other right conferred by membership in relation to meetings of Durlacher if (a) any call or such other sum as is presently payable by him to Durlacher in respect of shares in Durlacher remains unpaid, or (b) he or any other person who is or appears to be interested in shares held by such member has been duly served with notice, pursuant to any provision of the Act concerning the disclosure of interests in voting shares, and is in default in supplying to Durlacher within 28 days (or such other period as may be specified in such notice) the information thereby required.

4.5 *Dividends*

- 4.5.1 Subject to any rights or privileges for the time being attached to any shares in the capital of Durlacher having preferential or special rights in regard to dividend (of which, as at the date of this document, there are none) all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose. If any share be issued upon terms providing that it shall rank for dividend as from or after a particular date, or be entitled to dividends declared after a particular date, such share shall rank or be entitled to dividend accordingly.
- 4.5.2 Durlacher may by ordinary resolution declare dividends but no dividend shall be payable except out of the profits of Durlacher available for distribution in accordance with the provisions of the Act, or in excess of the amount recommended by the directors. The directors may from time to time pay such interim dividends as appear to the directors to be justified.
- 4.5.3 Durlacher has not to date declared or paid any dividend but were it to do so in any year the entitlement thereto would arise on a date fixed by the directors at the time of recommending the dividend.
- 4.5.4 The directors may deduct from any dividend or other monies payable to a member on or in respect of a share all sums of money presently payable by him to Durlacher on account of calls or otherwise in relation to shares in Durlacher. The directors may also retain any dividend or other monies payable on or in respect of a share on which Durlacher has a lien and may apply that sum towards the satisfaction of the liability in respect of which the lien exists.
- 4.5.5 All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to Durlacher.
- 4.5.6 No dividend or other moneys payable on or in respect of a share shall bear interest as against Durlacher.

4.6 *Liquidation*

Subject to any special rights for the time being attached to any class of shares in Durlacher on a return of assets on liquidation or otherwise the members are entitled to share in any surplus assets of Durlacher *pro rata* to the amount paid up on their shares. A liquidator may, with the sanction of an extraordinary resolution of Durlacher and any other sanction required by the Act, divide among the members *in specie* or in kind the whole or any part of the assets of Durlacher, those assets to be set at such value as he deems fair and may determine how such division shall be carried out as between members of different classes of members. The liquidator may also vest the whole or any part of the assets of Durlacher in trustees on trusts for the benefit of the members.

4.7 *Variation of rights*

- 4.7.1 Whenever the share capital is divided into different classes, the special rights attached to any class may be varied in such manner as may be provided by those rights or (in the absence of any such provision) with the written consent of the holders of three-fourths of nominal value of the issued shares of that class or with the sanction of any extraordinary resolution passed at a separate general meeting of the holders of such shares.
- 4.7.2 If any class of shares shall have any preferential right to dividend or return of capital, the conferring upon other shares of rights to either dividend or return of capital ranking in point of priority in some or all respects either *pari passu* with or after that class shall not (unless otherwise expressly provided by the Articles or by the terms of issue of the shares of that class) be deemed a variation of the rights of the holders of that class of shares.

4.8 *Transfer of Ordinary Shares*

- 4.8.1 All transfers of Ordinary Shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors and may, except in the case of a corporation, be under

hand only. The 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.

4.8.2 The directors may in their absolute discretion and without assigning any reason therefore refuse to register any transfer of Ordinary Shares which are not fully paid up or on which Durlacher has a lien provided that this does not prevent dealings in the Ordinary Shares taking place on an open and proper basis. The registration of transfers may be suspended by the directors (for up to 30 days in any year) either generally or in respect of any class of shares.

4.8.3 The Articles contain no other restrictions on the free transferability of fully paid shares provided that (a) the transfer is in respect of only one class of share, (b) it is not in favour of more than four persons jointly, (c) it is accompanied by the relevant share certificate(s) and such other evidence of title that the directors may reasonably require, and d) the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

4.8.4 No fee will be charged by Durlacher in respect of the registration of any instrument of transfer or probate or letter of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any certificated shares or otherwise for making any entry in the register of members affecting the title to any certificated shares.

4.9 *Alteration of share capital*

Durlacher may from time to time by ordinary resolution (a) increase its share capital, or (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, or (c) cancel any shares which at the date of the passing of the relevant resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled, or (d) sub-divide all or any of its shares into shares of smaller amount and the resolution effecting such subdivision may determine that as between the resulting shares, they be given different rights as regards dividend, capital, voting or otherwise. Subject to any direction by Durlacher in general meeting, whenever as a result of any consolidation or sub-division of shares members of Durlacher are entitled to any issued shares in fractions, the directors may deal with such fractions as they determine. Durlacher may from time to time, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Durlacher may also from time to time purchase its own shares (including any redeemable shares).

4.10 *Issue of shares*

If and to the extent authorised or permitted by the Act, the Articles and any resolution of Durlacher pursuant thereto and subject to any directions by Durlacher in general meeting, all unissued shares shall be at the disposal of the directors and they may allot, grant options over, offer or otherwise deal with or dispose of them to such persons, at such times and on such terms as they think fit.

4.11 *Conversion of shares into stock*

4.11.1 Durlacher may from time to time by ordinary resolution convert all or any of its fully paid up shares into stock and reconvert any such stock into fully paid up shares of any denominations.

4.11.2 When any shares have been converted into stock, subject to any direction resolved at a general meeting, the rights of transfer in respect of the stock shall be in the same manner as the shares from which the stock arose, but Durlacher in general meeting may, or failing a resolution of a general meeting, the directors may, if they think fit, from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum and may prescribe that stock is to be divided and transferable in units of corresponding amount.

4.11.3 The holders of stock shall be entitled to participate in the dividends and profits of Durlacher according to the amount of their respective interests in such stock and such interests shall confer on the stock holders the same privileges and advantages for the purpose of voting at meetings of Durlacher and for other purposes as if they held the shares from which the stock arose.

4.12 *Capitalisation of profits and reserves*

4.12.1 Upon the recommendation of the directors, Durlacher may in general meeting resolve to capitalise any part of any amount standing to the credit of any of Durlacher's reserve accounts or to the credit of the profit and loss account which is available for distribution and not required for paying the fixed dividends on any shares entitled to fixed preferential dividends, by applying such sum in paying up any amounts for the time being unpaid on any shares held by such members who would have been entitled to a distribution if the sum had been distributed by way of dividend and in the same proportions, or paying up in fully unissued shares or debentures of Durlacher to be allotted and distributed credited as fully paid up in the same proportions.

4.12.2 Upon the recommendation of the directors, Durlacher may in general meeting resolve to capitalise any part of the amount standing to the credit of any of Durlacher's reserve accounts or to the credit of the profit and loss account which is not available for distribution by applying such sum in paying up in full unissued shares to be allotted as fully paid bonus shares to those members who would have been entitled to that sum had it been distributed as a dividend and in the same proportions.

4.13 *Forfeiture and lien*

If a member fails to pay the whole or any part of any call in respect of any share then, following notice by the directors requiring payment of the unpaid amount together with any interest accrued and expenses incurred, such share shall be forfeited by a resolution of the directors to that effect. In addition, Durlacher shall have a first and paramount lien and charge on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable at a fixed time in respect of such share. Durlacher's lien on a share (if any) shall extend to all dividends payable thereon.

4.14 *General Meetings*

The Board shall convene and Durlacher shall hold general meetings as annual general meetings in accordance with the requirements of the Act. The Board may call general meetings whenever and at such times and places as it shall determine.

4.15 *Directors*

4.15.1 Retirement by Rotation

At every annual general meeting of Durlacher, as nearly as possible one third of the directors, but at least one, will retire by rotation. The directors to retire will be any director who wishes to retire and not to offer himself for re-election, those who have been longest in office and those who have at the start of the annual general meeting been in office for more than three years since their last appointment or re-appointment or, in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. A retiring director shall be eligible for re-election. A director who is 70 or over at the date of the meeting shall also retire, but shall be eligible for re-election. Where the Board convenes any general meeting of Durlacher at which (to the knowledge of the Board) a director will be proposed for appointment or reappointment who at the date for which the meeting is convened will have attained the age of 70 or more, the Board shall give notice of his age in years in the notice convening the meeting.

4.15.2 Remuneration of directors

4.15.2.1 There shall be paid out of the funds of Durlacher by way of remuneration of directors who are not managing or executive directors, fees at such rates as the directors may from time to time determine provided that such fees do not in the aggregate exceed £250,000 per annum or higher figure as Durlacher may in general meeting from time to time determine.

4.15.2.2 The remuneration and other terms and conditions of appointment of a director appointed to any executive office or employment under Durlacher shall from time to time (without prejudice to the provisions of any agreement between him and Durlacher) be fixed by the directors, and may be by way of fixed salary, lump sum, commission on the dividends or profits of Durlacher (or of any other company in which Durlacher is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

4.15.2.3 The directors (including alternate directors) shall also be paid out of the funds of Durlacher all their travelling, hotel and other expenses properly incurred by them in and about the business of Durlacher, including their expenses of travelling to and from meetings of the directors, or committee meetings or general meetings.

4.15.2.4 Any director who devotes special attention to the business of Durlacher, or 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 additional remuneration as the directors may determine.

4.15.3 Permitted interests of directors

Subject to the provisions of the Act:

4.15.3.1 A director may hold any other office or place of profit under Durlacher (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to the remuneration and otherwise) as the directors may determine, and subject to the provisions of the Act no director or intending director shall be disqualified by his office from contracting with Durlacher either with regard to his tenure of any other such office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of Durlacher in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to Durlacher for any profit realised from any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established.

4.15.3.2 Any director may act by himself or his firm in a professional capacity for Durlacher, and he or his firm shall be entitled to remuneration for professional services as if he were not a director, provided that nothing herein contained shall authorise a director or his firm to act as auditor of Durlacher.

4.15.3.3 Any director may continue to be or become a director of, or hold any other office or place of profit under, or be or become a member of, any other company in which Durlacher may be interested, and (unless otherwise provided by his terms of service) no such director shall be

accountable for any remuneration, salary, profit or other benefits received by him as a director of, or holder of any other office or place of profit under, or member of any such other company. The directors may exercise the voting powers conferred by the shares in any company held or owned by Durlacher in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors of or holders of any such office or place of profit under such company, or voting or providing for the payment of remuneration to the directors of such company).

4.15.4 Number of directors

The directors shall not be less than two nor more than 15 in number; subject to Durlacher's right to increase or reduce this number.

4.15.5 Appointment of directors

The directors shall have the power to appoint any person to be a director either to fill a casual vacancy or as an additional director. Anyone so appointed will only hold office until the next annual general meeting of Durlacher but will then be eligible for re-election. Durlacher may from time to time appoint any person to be a director either to fill a casual vacancy, or as an additional director.

4.15.6 Voting

A director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal in which he has to his knowledge any material interest, and if he shall do so his vote shall not count and nor will he be counted in the quorum; but these prohibitions do not apply to:

4.15.6.1 the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of Durlacher or any of its subsidiaries;

4.15.6.2 the giving of any security or indemnity to a third party in respect of a debt or obligation of Durlacher or any of its subsidiaries for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

4.15.6.3 any proposal concerning an offer of shares or debentures or other securities of or by Durlacher or any of its subsidiaries for subscription or purchase in which offer he is or may be entitled to participate as holder of securities or in the underwriting or sub-underwriting thereof;

4.15.6.4 any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder (otherwise than as a nominee for Durlacher or any of its subsidiaries) of or beneficially 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 of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be material in all circumstances);

4.15.6.5 any proposal concerning any insurance which Durlacher is empowered to purchase or maintain for, or for the benefit of, any directors of Durlacher or for persons who include directors of Durlacher; or

4.15.6.6 any proposal concerning the adoption modification or operation of a share incentive scheme, share option scheme or any other arrangement for the benefit of employees (including full time executive directors of Durlacher and/or any subsidiary of Durlacher) which does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom such scheme or arrangement relates.

4.15.7 Removal of directors

A director may be removed from office by an extraordinary resolution or by an ordinary resolution of which special notice has been given or by service on that director of a notice to that effect signed by all the other directors, save that any such removal shall be without prejudice to any claim which such director may have for damages for breach of any agreement between him and the Company, and the Company may appoint another person in place of a director so removed from office and any person so appointed shall be treated for the purpose of determining the time at which he or any other director is to retire by rotation as if he had become a director on the day on which the director in whose place he is appointed was last selected or re-elected a director.

4.16 *Borrowing powers*

4.16.1 The directors may exercise all powers of Durlacher to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, 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 Durlacher or of any third party.

4.16.2 The directors shall restrict the borrowings of Durlacher and exercise all other voting rights, powers of control or rights of influence exercisable by Durlacher in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding at any time of all moneys borrowed (as

defined in the Articles) by the Group and for the time being owing to persons outside the Group shall not at any time without the previous sanction of an ordinary resolution of Durlacher exceed an amount equal to ten times the adjusted capital and reserves.

4.17 Indemnity of officers

Subject to the provisions of the Act, but without prejudice to any indemnity to which a director may otherwise be entitled, every director or other officer of Durlacher shall be indemnified out of the assets of Durlacher against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of Durlacher.

4.18 Deferred Shares

The Articles contain the following provisions, *inter alia*, with respect to the Deferred Shares:

4.18.1 Dividends

Holders of Deferred Shares are not entitled to receive any dividend or other distribution.

4.18.2 Voting Rights

The holders of the Deferred Shares have no right to receive notice of any general meeting of Durlacher nor any right to attend, speak or vote at any such general meeting.

4.18.3 Variation of Rights

The Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without sanction on the part of the holders of the Deferred Shares.

5. The interests of the Directors, the Proposed Directors, the Concert Party and others

5.1 The interests of the Directors and the Proposed Directors and their immediate families (and, so far as is known to the Directors or the Proposed Directors or could with reasonable diligence be ascertained by them, persons connected with them (within the meaning of section 346 of the Act) which if the connected person were a Director or a Proposed Director would otherwise be disclosed pursuant to this paragraph) in the share capital of the Company at 29 March 2005, being the latest practicable date prior to the publication of this document, and on Admission, which are or will be required to be notified to the Company pursuant to sections 324 and 328 of the Act or to be entered in the register maintained pursuant to section 325 of the Act, all of which are or will be beneficial, are or are expected to be as follows:

(i) Ordinary Shares	As at the date of this document		On Admission	
	Number of Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares ¹	Percentage of Enlarged Share Capital ¹
A L Caplin	127,142	0.66	127,142	0.23
J Wigglesworth	11,000	0.06	11,000	0.02
H E Flight	20,000	0.10	20,000	0.03
S R Hirst	24,000	0.12	24,000	0.04
D L Liddell	26,000	0.13	26,000	0.05
R E J Wyatt	0	0.00	0	0.00
T J T Linacre	0	0.00	0	0.00
J C Hirst	1,000	0.01	1,000	0.00
J N B Hack	0	0.00	0	0.00
	<u>209,142</u>	<u>1.08</u>	<u>209,142</u>	<u>0.37</u>

¹ These numbers do not take into account the proposed dealings described in paragraphs 6.1.4 and 6.3.2.4 below.

(ii) Options granted pursuant to the terms of the Approved Share Option Plan

Director	Date of grant	Exercise Period	Number of Ordinary Shares under option	Exercise price (£)
A L Caplin	6 June 2003	06/06/06 — 06/06/13	25,000	1.20
JC Hirst	6 June 2003	06/06/06 — 06/06/13	25,000	1.20
S R Hirst	6 June 2003	06/06/06 — 06/06/13	25,000	1.20
D L Liddell	12 May 2004	12/05/07 — 12/05/14	24,000	1.25

(iii) Options granted pursuant to the Unapproved Share Option Plan

Some of the Directors are potential beneficiaries of the Existing Employee Benefit Trust which, as at the date of this document, has been granted options over 2,877,975 Ordinary Shares pursuant to the

Unapproved Share Option Plan. Details of the allocations to certain Directors are set out in paragraphs 3.5.5, 3.5.6 and 3.5.9 above. Pursuant to the Proposals, and with effect from Admission, certain other allocations will be made to certain Directors and Julian Hirst and details of these proposed allocations are set out in paragraph 3.6 of this Part VIII.

Pursuant to the Proposals and with effect from Admission, the Company will grant options pursuant to the Unapproved Share Option Plan to each of Simon Hirst, David Liddell and Julian Hirst to subscribe for 500,000 Ordinary Shares at an exercise price of 120p per share.

(iv) *Other options*

Pursuant to the Proposals, and with effect from Admission, the trustee of the New Employee Benefit Trust will grant options to certain of the Directors and the Proposed Directors to acquire Ordinary Shares from the New Employee Benefit Trust under the ESOP as follows:

- (a) to each of Richard Wyatt and Tim Linacre, an option to subscribe for 2,472,788 Ordinary Shares;
- (b) to each of Simon Hirst and Julian Hirst, an option to subscribe for 387,880 Ordinary Shares; and
- (c) to David Liddell, an option to subscribe for 193,940 Ordinary Shares.

All of these options will have an exercise price per Ordinary Share of 4p. Further details of the ESOP are set out in paragraph 7.1 of this Part VIII.

Pursuant to the Proposals, and with effect from Admission, the Company will also grant the Performance Options to Richard Wyatt and Tim Linacre. The Performance Options will be over an aggregate of 1,745,462 Ordinary Shares and will have an exercise price of 4p per Ordinary Share. Further details of the Performance Options are set out in paragraph 7.2 of this Part VIII.

- 5.2 In addition to the interests of the Directors disclosed in paragraph 5.1 above, the Company is aware of the following persons who, as at the date of this document have, or who, immediately following completion of the Proposals, are expected to have, an interest in three per cent. or more of the issued Ordinary Shares. Their interests as at the date of this document were, and as they are expected to be on Admission, are as follows:

	<i>As at the date of this document</i>		<i>On Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
New Employee Benefit Trust	—	—	18,521,295	32.82
UKPG Holdings ⁽¹⁾	—	—	18,521,295	32.82
Cantor Fitzgerald Europe	1,044,479	5.39	1,044,479	1.85
Nutraco Nominees Limited ⁽²⁾	977,016	5.04	977,016	1.73
Bootlane Holdings Limited ⁽³⁾	859,650	4.43	859,650	1.52
Chase Nominees Limited ⁽⁴⁾	802,500	4.13	802,500	1.42
HSBC Global Custody Nominee (UK) Limited (811597) ⁽⁵⁾	800,000	4.12	800,000	1.42
Goldman Sachs International (CREPTMP) ⁽⁶⁾	750,000	3.87	750,000	1.33
Mellon Nominees (UK) Limited (BSDTABN) ⁽⁷⁾	690,487	3.56	690,487	1.22
Goldman Sachs Securities (Nominees) Limited (SEG) ⁽⁸⁾	599,114	3.09	599,114	1.06

(1) Of the Ordinary Shares to be held by UKPG Holding on Admission, 9,260,647 (16.4 per cent. of the Enlarged Share Capital) will carry voting rights and the voting rights in respect of 9,260,648 (16.4 per cent. of the Enlarged Share Capital) will be suspended pending satisfaction of one of a number of specified conditions. In addition, UKPG Holdings will be granted the UKPG Option on Admission.

(2) Of the 977,016 Existing Ordinary Shares in which Nutraco Nominees Limited is interested:

- (a) 545,915 are held by Merrill Lynch IT UK Smaller Company Fund;
- (b) 252,607 are held by RBS plc as trustee for Merrill Lynch UK Equity; and
- (c) 178,124 are held by RBS plc as trustee for Merrill Lynch UK Smaller Company Fund.

(3) The 859,650 held by Bootlane Holdings Limited are held on behalf of Irelandia Investments Limited.

(4) Of the 802,500 Existing Ordinary Shares in which Chase Nominees Limited is interested:

- (a) 622,000 are held as trustee for British Steel Pension Fund Trustee Limited; and
- (b) 180,500 are held as trustee for Corus Engineering Steels Pension Scheme Trustees Limited.

(5) The 800,000 held by HSBC Global Custody (UK) Limited (811597) are held on behalf of Framlington Group Limited.

(6) The 750,000 held by Goldman Sachs International (CREPTMP) are held on behalf of Polar Capital.

(7) Of the 690,487 Existing Ordinary Shares in which Mellon Nominees (UK) Limited is interested:

- (a) 438,400 are held by Tilney Investment Management; and
- (b) 252,081 are held by ABN Amro Bank N.V. (Zurich Branch).

(8) Of the 599,114 held by Goldman Sachs Securities (Nominees) Limited (SEG), 598,624 are held on behalf of The Jam Trust.

- 5.3 Save as disclosed in paragraphs 5.1 and 5.2 above, the Company is not aware of any person who is, at the date of this document or will be, immediately following completion of the Proposals, interested (for the purposes of

section 198 of the Act), directly or indirectly, in three per cent. or more of the issued share capital of the Company or of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- 5.4 The following dealings for value in shares in the Company by the Directors, the Proposed Directors, their immediate families and connected persons have taken place during the disclosure period:

<i>Name</i>	<i>Date</i>	<i>Nature of transaction</i>	<i>Number of Existing Ordinary Shares</i>	<i>Price paid/ received per share</i>
David Liddell	3 December 2004	Purchase	20,000	67p
Tony Caplin	3 December 2004	Purchase	20,000	67p
Simon Hirst	4 October 2004	Purchase	7,000	75p
David Liddell	24 September 2004	Purchase	6,000	86.98p

Save as set out in this paragraph, there were no dealings for value in Existing Ordinary Shares by the Directors, the Proposed Directors, their immediate families and connected persons during the disclosure period.

- 5.5 The following dealings for value in shares in the Company by the members of the EBT Concert Party have taken place during the disclosure period:

<i>Name</i>	<i>Date</i>	<i>Nature of transaction</i>	<i>Number of Ordinary Shares</i>	<i>Price paid per share</i>
Tony Caplin	3 December 2004	Purchase	20,000	67p

- 5.6 The holdings of Ordinary Shares of the EBT Concert Party, both before and following completion of the Proposals are set out in paragraph 10 of Part I of this document.

- 5.7 Holdings (beneficially or otherwise) of Existing Ordinary Shares by Shareholders who have granted the Company undertakings to support the Resolutions as they are now are as follows:

<i>Name</i>	<i>Ordinary Shares</i>	<i>% of existing issued share capital</i>
Goldman Sachs Securities (Nominees) Limited	598,624	3.09
Framlington Investment Management	800,000	4.12
Paul Fullagar	300,000	1.55
Christopher Stainforth	257,500	1.33
Bootlane Holdings Limited	859,650	4.43
Tilney Investment Management	438,400	2.26
Artemis Investment Ltd.	830,404	4.28
MJ Technologies Ltd.	479,471	2.47

- 5.8 No dealings for value in Existing Ordinary Shares by any of the following who has granted an undertaking to vote in favour of the Resolutions have taken place during the disclosure period:

Goldman Sachs Securities (Nominees) Limited
Framlington Investment Management
Christopher Stainforth
Bootlane Holdings Limited
MJ Technologies Ltd.

The following dealings in Existing Ordinary Shares by Paul Fullagar who has granted an undertaking to vote in favour of the Resolutions have taken place during the disclosure period:

<i>Date</i>	<i>Transaction</i>	<i>Ordinary Shares</i>	<i>Price per Ordinary Share</i>
5 October 2004	Purchase	200,000	80.0p
22 October 2004	Purchase	100,000	67.5p

The following dealings in Existing Ordinary Shares by Tilney Investment Management who have granted an undertaking to vote in favour of the Resolutions have taken place during the disclosure period:

<i>Date</i>	<i>Transaction</i>	<i>Ordinary Shares</i>	<i>Price per Ordinary Share</i>
8 October 2004	Sale	50,000	75.0p
7 December 2004	Sale	500,000	66.0p

The following dealings in Existing Ordinary Shares by Artemis Investment Management who have granted an undertaking to vote in favour of the Resolutions have taken place during the disclosure period:

<i>Date</i>	<i>Transaction</i>	<i>Ordinary Shares</i>	<i>Price per Ordinary Share</i>
22 October 2004	Sale	28,517	67.0p
22 October 2004	Sale	4,563	67.0p
22 October 2004	Sale	1,141	67.0p
22 October 2004	Sale	5,703	67.0p
22 October 2004	Sale	1,141	67.0p
22 October 2004	Sale	8,935	67.0p
12 January 2005	Sale	185,364	105.5p
12 January 2005	Sale	29,658	105.5p
12 January 2005	Sale	37,073	105.5p
12 January 2005	Sale	58,077	105.5p
12 January 2005	Sale	7,414	105.5p
12 January 2005	Sale	7,414	105.5p

- 5.9 Save as set out or referred to in paragraphs 5.5 and 5.6, no member of the EBT Concert Party nor any person acting in concert with any member of the EBT Concert Party owned, controlled or was interested, directly or indirectly, in any relevant securities on 29 March 2005 (the latest practicable date prior to the posting of this document), nor has any such person dealt for value in any relevant securities during the disclosure period.
- 5.10 Save as disclosed in paragraphs 5.1, 5.4 and 5.5 above neither the Company nor any of the Directors or Proposed Directors nor any member of their immediate families owned, controlled or (in the case of the Directors and the Proposed Directors and their immediate families) was interested, directly or indirectly, in any relevant securities on 29 March 2005 (the latest practicable date prior to the posting of this document), nor has any such person dealt for value in any relevant securities during the disclosure period.
- 5.11 Neither the Company nor any of the Directors or Proposed Directors nor any member of their immediate families owned, controlled or (in the case of the directors and their immediate families) was interested, directly or indirectly, in any ordinary shares in UKPG Holdings on 29 March 2005 (the latest practicable date prior to the posting of this document), nor has any such person dealt for value in any such shares during the disclosure period.
- 5.12 No bank, stockbroker, financial or other professional adviser other than an exempt market maker to the Company or any associated company or subsidiary of the Company, nor any person controlling, controlled by, or under the same control as such bank, stockbroker, financial or other professional adviser, nor any pension fund of the Company, nor any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, owned, controlled or was interested, directly or indirectly, in any relevant securities on 29 March 2005 (the latest practicable date prior to the posting of this document), nor has any such person dealt for value therein during the disclosure period.
- 5.13 Save as set out above, no member of the EBT Concert Party nor the Company nor any associate (as defined in sub-paragraph 5.14 below) of any member of the EBT Concert Party or the Company has any arrangement with any person in relation to relevant securities. For the purposes of this paragraph, “arrangement” includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature which may be an inducement to deal or refrain from dealing.
- 5.14 In this paragraph 5:
- 5.14.1 references to an “associate” is to:
- 5.14.1.1 subsidiaries and associated companies of the Company and companies of which any such subsidiaries or associated companies are associated companies;
- 5.14.1.2 banks, financial and other professional advisers (including stockbrokers) to the EBT Concert Party and the Company, as appropriate, or a company covered in 5.14.1.1 above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
- 5.14.1.3 its directors and the directors of any company in 5.14.1.1 above (together in each case with their immediate families and related trusts);
- 5.14.1.4 the pension funds of the Company or of a company covered in 5.14.1.1 above; and
- 5.14.1.5 (in relation to the Company) an investment company, unit trust or other person whose investments an associate (as otherwise defined in this sub-paragraph 5.14) manages on a discretionary basis, in respect of the relevant investment accounts;
- 5.14.2 references to a “bank” do not apply to a bank whose sole relationship with any member of the EBT Concert Party or the Company or a company covered in 5.14.1.1 above is the provision of normal commercial banking services or activities in connection with the Proposals, such as registration work;

- 5.14.3 ownership or control of 20 per cent or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting, irrespective of whether the holding gives *de facto* control;
- 5.14.4 “relevant securities” means the Existing Ordinary Shares and other securities convertible into, or exchangeable for, rights to subscribe for the options (including traded options) in respect of, or derivatives referenced to, any of the foregoing;
- 5.14.5 “disclosure period” is the period commencing on 30 March 2004 being the date 12 months preceding the date of this document, and ending on 29 March 2005 being the latest practicable date prior to the posting of this document.
- 5.15. Save as disclosed in paragraph 5.4 to 5.6 above, no Existing Ordinary Shares or shares in UKPG Holdings are owned or controlled or have been dealt in for value during the past twelve months by the Company, any member of the EBT Concert Party or by any person acting in concert with any of them.
- 5.16 As at the date of this document, the Directors and Proposed Directors are not aware of any agreement, arrangement or understanding by which the beneficial ownership of any ESOP Shares will be transferred to any other person, other than holders of options under the ESOP.

6. Directors

6.1 *Directors’ existing service contracts*

6.1.1 General terms

Subject to 6.1.2.1 below, the contract of employment may be terminated by either party giving not less than 12 months’ written notice. Notice can be given at any time, but cannot expire before the anniversary of the commencement date of the contract. The contract of employment will be terminated automatically on the 65th birthday of an executive Director. Durlacher may terminate an executive Director’s service contract with immediate effect without notice, if certain circumstances arise. Durlacher may require the executive Director not to undertake all or part of his duties (for a period specified and not more than six months) provided that the executive Director is entitled to receive his salary and contractual benefits. An executive Director and his family are entitled to become members of Durlacher’s Private Health Insurance Scheme. An executive Director is eligible for an annual bonus, to be determined at the discretion of the Board.

6.1.2 Specific terms

6.1.2.1 Simon Hirst: Chief Executive Officer. Simon’s employment commenced on 20 November 2002, he was appointed to the Board on 28 November 2002 and his salary is £150,000 per annum. Simon may terminate his contract of employment on giving not less than six months written notice to the Company.

6.1.2.2 David Liddell: Finance Director. David was appointed to the Board on 7 April 2004 and his salary is £120,000 per annum.

6.1.3 In addition to the basic salary provided to each executive Director, the service agreements entitle each of the executive Directors to the following benefits:

6.1.3.1 private medical cover for the executive Director, their spouse and any unmarried children below the age of 21;

6.1.3.2 the entitlement to participate in the money purchase pension scheme operated by Durlacher. Durlacher makes a pension contribution on behalf of the executive director of 10 per cent. of his basic salary;

6.1.3.3 regulatory insurance policy to cover the cost of independent professional advice of £1,000,000 in the event of any regulatory investigation of the executive Director;

6.1.3.4 permanent health insurance under Durlacher’s permanent health insurance scheme;

6.1.3.5 25 days holiday per annum, in addition to normal bank and public holidays; and

6.1.3.6 provision of a life insurance policy of four times salary. This benefit becomes payable should he die whilst in the employment of Durlacher.

6.1.4 On 31 January 2005, Simon Hirst, pursuant to the terms of his contract of employment with the Company, would have been entitled to receive a guaranteed bonus of £100,000 relating to the period from 1 October 2004 to 31 January 2005. Simon Hirst has agreed to waive £52,500 of such guaranteed bonus and that, in relation to the £47,500 balance that was due to him, after the appropriate deductions for taxation and national insurance have been made, he would use such net amount to purchase Ordinary Shares in the market. The Company was, on 31 January 2005, and has continued to be in a close and/or prohibited period under the Model Code and therefore it was agreed that the purchase of Ordinary Shares by Simon Hirst would not take place until such time as he is free to purchase such Ordinary Shares pursuant to the Model Code.

6.2 *Non-executive Directors' existing terms of appointment*

6.2.1 General terms

The appointment may be terminated by either party giving the other three months' notice and immediately in certain specified circumstances.

6.2.2 Specific terms

6.2.2.1 Tony Caplin: Tony Caplin was formerly paid a fee of £76,000 per annum for his services. He agreed to a reduction in his annual fee from £75,000 to £52,000, such reduction to take effect from 1 January 2005. It was also agreed that, in consideration of Tony Caplin agreeing to this reduction in fee, the Company would provide him with a one-off ex gratia payment of £10,000 (after the appropriate deductions for taxation and national insurance). Pursuant to a letter of variation dated 24 March 2005 entered into between Tony Caplin and the Company, Tony Caplin has agreed to stand down as Chairman with effect from Admission. He will remain a Non-Executive Director of the Company.

6.2.2.2 Jack Wigglesworth: Jack Wigglesworth was formerly paid a fee of £75,000 per annum for his services. He agreed to a reduction in his annual fee from £75,000 to £25,000, such reduction to take effect from 1 January 2005. With effect from Admission, Jack Wigglesworth will be resigning from the Board and will receive a severance payment of £12,500.

6.2.2.3 Howard Flight: Howard Flight is paid a fee of £25,000 per annum for his services. It has been agreed with effect from Admission that his annual fee will be increased to £52,000

6.3 *Directors' and Proposed Directors service contracts*

The following agreements will be entered into by the Company and each of the executive Directors and the Proposed Directors prior to Admission. These agreements will be conditional on Admission and, in the case of the existing Executive Directors, will replace their existing service contracts (described in paragraph 6.1 above) which will be terminated on Admission.

6.3.1 General terms

The contract of employment may be terminated by Durlacher giving not less than 12 months' written notice or by the executive director giving not less than six months' written notice. In each case, notice can be given at any time. The contract of employment will be terminated automatically on the 65th birthday of the director. Durlacher may terminate an executive Director's service contract with immediate effect without notice, if certain circumstances arise. Durlacher may require the executive director not to undertake all or part of his duties (for a period specified and not more than six months) provided that the executive director is entitled to receive his salary and contractual benefits. An executive director is eligible for an annual bonus, to be determined at the discretion of the board.

6.3.2 Specific terms

6.3.2.1 Richard Wyatt: Executive Chairman. Richard will be appointed to the Board with effect from Admission and his salary will be £150,000 per annum.

6.3.2.2 Tim Linacre: Chief Executive Officer. Tim will be appointed to the Board with effect from Admission and his salary will be £175,000 per annum.

6.3.2.3 Simon Hirst: Executive Vice Chairman. Simon's salary will continue to be £150,000 per annum.

6.3.2.4 Julian Hirst: Executive Director. Julian, an existing employee of the Company, will be appointed to the Board with effect from Admission and his salary will be £150,000 per annum. On 31 January 2005, Julian, pursuant to the terms of his contract of employment with the Company at that time, would have been entitled to receive a guaranteed bonus of £100,000 relating to the period from 1 October 2004 to 31 January 2005. Julian has agreed to waive £50,000 of such guaranteed bonus and that, in relation to the £50,000 balance that was due to him, after the appropriate deductions for taxation and national insurance have been made, he would use such net amount to purchase Ordinary Shares in the market. The Company was, on 31 January 2005, and continues to be in a close period under the Model Code and therefore it was agreed that the purchase of Ordinary Shares by Julian would not take place until such time as he is free to purchase such Ordinary Shares pursuant to the Model Code.

6.3.2.5 David Liddell: Finance Director. David's salary will continue to be £120,000 per annum.

6.3.3 In addition to the basic salary provided to each executive director, the service agreements entitle each of the executive directors to the following benefits:

6.3.3.1 private medical cover for the executive director, their spouse and any unmarried children below the age of 21;

6.3.3.2 the entitlement to participate in the money purchase pension scheme operated by Durlacher. In addition, Durlacher will make a pension contribution on behalf of the executive director of

10 per cent. of his basic salary. Provided that the executive director contributes 5 per cent. of his basic salary, Durlacher's contribution will be increased to 12.5 per cent.;

- 6.3.3.3 directors and officers liability and regulatory insurance policy to cover the cost of independent professional advice of up to £1,000,000 in the event of any regulatory investigation of the executive director;
- 6.3.3.4 permanent health insurance under Durlacher's permanent health insurance scheme;
- 6.3.3.5 25 days holiday per annum, in addition to normal bank and public holidays; and
- 6.3.3.6 provision of a life insurance policy of four times salary. This benefit becomes payable should the executive director die whilst in the employment of Durlacher.

6.4 *Proposed Non-executive Director's terms of appointment*

Jon Hack will be appointed as a Non-executive Director by UKPG Holdings pursuant to the terms of the Relationship Agreement described in paragraph 8.1.3 of this Part VIII on the terms of a letter of appointment to be entered into by him prior to Admission. The appointment shall continue until terminated under the terms of the Relationship Agreement and immediately in certain specified circumstances. There will be no fee payable to Jon Hack by the Company relating to his appointment.

- 6.5 Save as disclosed in note 32 of Part V of this document none of the Directors has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 6.6 During the five years immediately prior to the date of this document, the Directors and the Proposed Directors have held or currently hold the following directorships and partnerships:

Anthony Lindsay Caplin:

Current Directorships/Partnerships

Ant plc
Alternative Networks Limited
Bibliotech Holding Plc
Britton Holdings Limited
Coppice Alupack Limited
Durlacher Corporation Plc
Ealing Hospital NHS Trust
Edengene Limited
Easynet Group Plc
Fattoria Villa Saletta srl
Global Sealing Technologies Limited
Hand Picked Hotels Limited
iRevolution Group Plc
Melh 888 Limited
Norprint Labelling Systems Limited
Northamber Plc
River Gardens Amenity Limited
Syncforce Limited
Tadpole Technologies Plc
The Family Holiday Association
Webdraw Limited

Past Directorships/Partnerships

2020ME Holdings Limited
2020ME Limited
2020ME UK Limited
80-20 Europe Limited
Abingdon Capital plc
Biblio@Tech Limited
Bibliotech Holding Plc
Dudley Office Supplies Limited
Dudley Stationery Limited
Dynamic Commercial Finance Plc
ERA Group Plc
First Africa Oil plc
Heritage Image Partnership Limited
Icollector Plc
IEQ Plc
iFuel Limited
Integration Limited
Inter-Hopper Limited
iRevolution Limited
Keystones Solutions Group plc
Law 883 Limited
London Pride Bus and Coach Sales Limited
London Pride (Bus Sales) Limited
London Pride Engineering Limited
London Pride Group Limited
London Pride Holdings Limited
London Pride Sightseeing Limited
Marchpole Holdings Plc
Newscreen Media Group plc
Redcliffe School Trust Limited
Rockingham Motor Speedway Limited
Terra Firma Capital Partners Limited
The Royal London NHS Trust
The Virtual Orchestra Company Limited
Totally Plc
Totalrock Limited
Trust Totally Plc
Venturia Plc
William Clowes Limited

Howard Emerson Flight:*Current Directorships/Partnerships*

ACM European Enhanced Income Fund PLC (Ireland)
Avebury Asset Management Limited
Durlacher Corporation Plc
Elgar Corporation (The)
Flight & Barr Limited
Gulf Overseas Investment Fund Limited
Halliday Flight Halliday Limited
Investec Asset Management Limited
Investec Select Funds plc (Ireland)
Investec Global Strategy Fund Limited (Guernsey)
Investec International Accumulation Fund Limited (Guernsey)

Past Directorships/Partnerships

Avatar Interactive Limited
Elgar Foundation (The)
First India Asset Management Limited (India)
Gartmore Premier VCT Limited
Guinness Flight Trustees S.a.r.l. (Guernsey)
Guinness Flight Worldwide Umbrella Fund Limited (Guernsey)
INVAR MACRO Bond Fund Limited (Cayman Islands)
Investec Asset Management Guernsey Limited (Guernsey)
Investec Asset Management (Pty) Limited (South Africa)
Investec Assurance Limited (South Africa)
Investec European Growth Income Trust Limited (Guernsey)
Investec Guinness Flight Asia Limited (Cayman Islands)
Investec Guinness Flight Pacific Fund Management Limited (Hong Kong)
Investec Guinness Flight Management Company Limited (South Africa)
Investec International Money Market Fund Limited (Jersey)
Investec Asset Management US Limited
Investec Investment Management Limited
PEP & ISA Managers' Associates Limited
Stellar Funds PCC Limited
TPN Holdings Plc
Venturia Plc
Yellobrickroad.com Limited

Jack Wigglesworth:*Current Directorships/Partnerships*

Deacons Heights Residents Association (1-8) Limited
Durlacher Corporation Plc
Elstree International Limited
Financial Services National Trading Organisation
Fintricity Limited
Gresham College
London Asia Capital plc
Roundhay Limited
Tamarind Services Limited
The Gaming Bourse Plc

Past Directorships/Partnerships

Cablenet International Limited
Capital Value Brokers Limited
Clivia Limited
Liffebenefit
Litcomp Plc
Majorband Limited
Mavicom Limited
SBA Underwriting Limited
Securities & Investment Institute
Securities Institute (Services) Limited
Stace Barr Angerstein Plc
Sunjet Airlines Limited
Supply Chain Connect Limited
The Futures and Options Association

Simon Richard Hirst:

Current Directorships/Partnerships

“Chiswell 1” Limited
Copleston Limited
Durlacher BMP Life Sciences Limited
Durlacher Corporation Plc
Durlacher Corporate Finance Limited
Durlacher Fund Management Limited
Durlacher Limited
Durlacher Ventures Limited
Durlacher Research Limited
Life Capital Limited
Rotherfield Nominees Limited
United Energy plc
United Energy Properties Limited
web-angel plc
web-angel Services Limited

David Lyon Liddell:

Current Directorships/Partnerships

“Chiswell 1” Limited
Durlacher Corporation Plc
Durlacher Corporate Finance Limited
Durlacher Fund Management Limited
Durlacher Limited
Durlacher Research Limited
Durlacher Ventures Limited
Guinness Flight Venture Capital Trust plc
Life Capital Limited
Rotherfield Nominees Limited
United Energy plc
United Energy Properties Limited
web-angel plc
web-angel Services Limited

Past Directorships/Partnerships

ABN Amro Corporate Finance Limited
“Chiswell 2” Limited
Durlacher Entertainment Limited
Financial Publications Limited
Nothing-Ventured.Com Limited
Nothing-Ventured Online Limited
The Throgmorton Press Limited

Past Directorships/Partnerships

“Chiswell 2” Limited
Durlacher Entertainment Limited
Financial Publications Limited
Guinness Mahon Unit Trust Managers Limited
Guinness Mahon International Investment Management Limited
Investec Asset Management (Pty) Limited
Investec Guinness Flight Investment Trust Managers Limited
Investec Guinness Flight Portfolio Management Limited
Guinness Flight Hambro Global Fund Managers Limited
Guinness Flight Global Advisers Limited
Plough Court Fund Management Limited
Investec Asset Management US Limited
Investec Management Limited
Investec Fund Managers Limited
Guinness Flight PEP Nominees Limited
Investec Asset Management Limited
IFM Nominees Limited
Investec Management Limited
Investec Investment Management Limited
Nothing-Ventured.Com Limited
Nothing-Ventured Online Limited
Temple Bar Properties Limited
Temple Bar Securities Limited
The Throgmorton Press Limited

Richard Edward John Wyatt:

Current Directorships/Partnerships

Panmure Gordon & Co., Limited
The Suffolk Foundation

Past Directorships/Partnerships

Cheapside (SSL) Limited
Lazard & Co., Limited
JHSW Limited
Plain English Group

Timothy James Thornton Linacre:

Current Directorships/Partnerships

Panmure Gordon & Co., Limited

Past Directorships/Partnerships

WestLB Panmure Limited
St Michael Nominees Limited
Rectory Nominees Limited
Parish Nominees Limited
Panmure Gordon Limited
The Voice Vault Limited

Julian Clement Hirst:

Current Directorships/Partnerships

Durlacher Limited

Past Directorships/Partnerships

None

Jonathan Nicholas Bewick Hack:

Current Directorships/Partnerships

None

Past Directorships/Partnerships

Lazard & Co., Limited
Lazard Brothers & Co., Limited

- 6.7 None of the Directors and the Proposed Directors has any unspent convictions in relation to indictable offences.
- 6.8 None of the Directors and the Proposed Directors has been declared bankrupt or been subject to an individual voluntary arrangement.
- 6.9 Save as set out below in sub-paragraphs 6.9.1 to 6.9.7, none of the Directors and the Proposed Directors has been a director of a company at the time of, or within the preceding 12 months of, that company being the subject of a receivership, administration, compulsory liquidation, creditors voluntary liquidation, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors:
- 6.9.1 Tony Caplin was appointed as a director of Computer Monitoring Services Limited in March 1984. On 25 October 1984 a liquidator was appointed to this company which was put into creditors voluntary liquidation. There was a deficiency to creditors of approximately £132,500;
- 6.9.2 Tony Caplin became non-executive director of ERA Group plc on 25 June 1997. Administrative receivers were appointed on 13 March 2001 following a request by the directors of ERA group plc. The estimated deficiency to creditors at 13 March 2001 was £1,078,000. This company is a holding company for various trading entities, including Beatties of London Limited;
- 6.9.3 Tony Caplin was a director of both Dudley Stationery Limited and Dudley Office Supplies Limited which were both put into administration on 28 September 2001 and 7 August 2002, respectively. Mr Caplin was appointed as the Barclays Bank nominee. The estimated deficiency to creditors at Dudley Stationery Limited at 3 December 2001 was £23,030,000 and the estimated deficiency to creditors at Dudley Office Supplies Limited at 7 August 2002 was £5,543,000;
- 6.9.4 Tony Caplin was a director of Just Group plc which was granted an administration order by the High Court on 9 January 2002;
- 6.9.5 Tony Caplin was a director of Icollector plc which was put into creditors voluntary liquidation on 28 February 2002. Mr Caplin resigned as a director of Icollector plc on 14 September 2001. There was a deficiency to creditors of approximately £2,958,000;
- 6.9.6 Jack Wigglesworth was a director of Mavicom Limited which was put into creditors voluntary liquidation on 25 February 2002. Mr Wigglesworth resigned as a director of Mavicom Limited on 31 December 2001. There was a deficiency to creditors of approximately £414,132; and
- 6.9.7 Tony Caplin is a director of Global Sealing Technologies Limited which was put into administration on 21 September 2004. There was a deficiency to creditors of approximately £6,255,000.
- 6.10 None of the Directors and the Proposed Directors has been a partner of a partnership at the time of, or within the preceding 12 months of, the partnership being the subject of a compulsory liquidation, administration or partnership voluntary arrangement, nor in that time have the assets of any such partnership been the subject of a receivership.
- 6.11 No asset of any Director or Proposed Director has at any time been the subject of a receivership.
- 6.12 None of the Directors and the Proposed Directors has been the subject of any public criticisms by statutory or regulatory authorities (including recognised professional bodies), nor has any of the Directors and the Proposed

Directors ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- 6.13 The total aggregate remuneration and benefits in kind paid to the Directors and former directors by any member of the Group during the 18 months ended 31 December 2004 amounted to approximately £1.90 million. It is estimated that the aggregate remuneration and benefits in kind payable to the Directors and the Proposed Directors in respect of the current financial period, being the year ending 31 December 2005, will be approximately £798,000.
- 6.14 There are no outstanding loans granted by any member of the Group to the Directors nor are there any guarantees provided by any member of the Group for the Directors' benefit.

7. Employee incentive arrangements

7.1 *The New Employee Benefit Trust and the ESOP*

A key part of the Proposals is the establishment of the New Employee Benefit Trust, the trustee of which will subscribe for 18,521,295 new Ordinary Shares representing approximately 32.8 per cent. of the Enlarged Share Capital of the Company (and 31.8 per cent. of the Enlarged Share Capital assuming the Performance Options and/or the UKPG Option, as the case may be, is exercised but assuming no exercise of the Warrants or any options granted pursuant to the Existing Share Option Plans).

7.1.1 Administration etc.

The New Employee Benefit Trust and the ESOP will operate in tandem as set out below.

The New Employee Benefit Trust will be established by the Company and administered offshore by a professional trustee (the "ESOP Trustee").

To the extent the ESOP Trustee exercises any discretion (other than in making initial awards under the ESOP to the Directors and the Proposed Directors as set out below or other initial awards, in which case it will consult with Richard Wyatt, Tim Linacre and Simon Hirst) it will not exercise that discretion without consulting a consultative body known as the "Recommendation Committee" which, although not a committee of the Company's board, will initially comprise Richard Wyatt, Tony Caplin, Howard Flight and Jon Hack.

7.1.2 Beneficiaries/eligibility

The beneficiaries of the New Employee Benefit Trust will be the employees (including the executive directors) of the Enlarged Group and their families.

Almost all employees (including the executive directors) of the Enlarged Group will be eligible to receive options under the ESOP.

7.1.3 Limit

Options may only be granted under the ESOP over the ESOP Shares. To the extent that options granted over those shares lapse without being exercised, the ESOP Trustee may grant further options over such shares to other employees, as agreed by the Recommendation Committee (and the Remuneration Committee in the case of executive directors) although, save for the initial grants on Admission as set out in paragraph 7.1.5 below, Richard Wyatt and Tim Linacre are not eligible to receive options under the ESOP.

7.1.4 Exercise price

It is intended that the ESOP Trustee will subscribe for the ESOP Shares at nominal value using funding provided by a third party financial institution, such funding to be guaranteed by the Enlarged Group.

Options granted under the ESOP will have an exercise price per Ordinary Share of 4p (i.e. the nominal value of an Ordinary Share). However, participants will be entitled to receive a bonus (net of tax) from the Company to cover this amount provided that the Enlarged Group has, on consolidation, been able to benefit from a reduction in its corporation tax liability in the year of exercise of at least this amount and has sufficient distributable reserves to pay the amount in accordance with the Act.

7.1.5 Grant of options

All options will be granted by the ESOP Trustee. It is proposed that the following options will be granted to certain of the Directors and the Proposed Directors with effect from Admission:

- to Richard Wyatt, an option to acquire 2,472,738 Ordinary Shares;
- to Tim Linacre, an option to acquire 2,472,738 Ordinary Shares;
- to Simon Hirst, an option to acquire 387,880 Ordinary Shares;
- to Julian Hirst, an option to acquire 387,880 Ordinary Shares; and
- to David Liddell, an option to acquire 193,940 Ordinary Shares.

Options over the balance of the ESOP Shares will be granted by 31 December 2005. Options may be granted at other times if any of the ESOP Shares become available (as a result of options lapsing without being exercised or any restriction imposed upon the grant of the option by law, regulation or dealing restriction) or if the

Recommendation Committee so determines. No payment is required for the grant of an option. Options granted under the ESOP may not be transferred, assigned or charged. Options granted under the ESOP are non-pensionable.

7.1.6 Rights of exercise

Options generally only become exercisable (i.e. they “vest”) as to one-third of the Ordinary Shares under option on each of the first, second and third anniversaries of Admission. The options have no performance conditions. Options may be exercised for a limited period on the cessation of employment or resignation to the extent that they have vested at that time. Leavers will forfeit their unvested options if they resign or leave due to cause. Unvested options held at the date of cessation of employment, other than in the case of resignation and termination for cause, will continue to vest at their normal vesting dates and may be exercised in a limited period thereafter.

7.1.7 Change of control

In the event of a takeover of the Company, all options may be exercised in full immediately prior to or within a certain period after the change of control.

7.1.8 Income tax and National Insurance contributions

Upon the exercise of options granted under the ESOP, participants will be required to provide the Company (or other relevant member of the Enlarged Group) with sufficient funds to enable it to discharge their liabilities to income tax, National Insurance contributions (“NIC”) and stamp duty. Included within this amount will be an amount equal to the employers’ NIC which arises as a result of the exercise of the option (which the employee will be required to bear). Participants will, however, be reimbursed for such amounts on similar terms as a bonus payment will be made for the exercise price (see 7.1.4 above).

7.1.9 Rights attaching to option shares

The ESOP Trustee will waive dividends on the ESOP Shares but, where the Company declares a dividend, optionholders will be entitled to receive a cash equivalent (after deduction of income tax and the Company’s NIC) from the Company to the extent that their options under the ESOP have vested.

Until the first anniversary of Admission, the ESOP Trustee will have complete discretion as to whether to and, if so, how to vote on the ESOP Shares, although it will consult the Recommendation Committee before exercising its discretion. Following the first anniversary of Admission, the ESOP Trustee will seek directions from optionholders as to how to vote in respect of any shares under vested options but will continue to consult the Recommendation Committee on whether and, if so, how to vote unvested shares. Where options have vested, but no directions are received in respect of the shares thereunder, or shares are unallocated (i.e. options have lapsed but no further options have been granted over the shares which were subject to those lapsed options), the ESOP Trustee will vote those shares in proportion to the directions it has received on shares under vested options. In default of any such directions being received, the ESOP Trustee shall exercise such voting rights as they shall in their discretion, and having consulted with the Recommendation Committee, determine.

7.1.10 Variation of capital

In the event of a capitalisation, sub-division, reduction, consolidation, undiscounted rights issue or other variation of the Company’s share capital or in the event of a demerger or other transaction which may affect the options (directly or indirectly), the number of shares under option and their exercise price may be varied in such manner as the ESOP Trustee determines, having consulted the Recommendation Committee.

In the event of a discounted rights issue, the ESOP Trustee will sell that number of rights in the market to fund the maximum subscription possible and allocate the resulting shares *pro rata* to options granted pursuant to the terms of the ESOP.

7.1.11 Amendment

The Recommendation Committee’s approval is required in addition to that of the Company to change the ESOP Trustee or (with the consent of the ESOP Trustee) to amend the trust deed governing the New Employee Benefit Trust.

The rules of the ESOP may, subject to the prior approval of the Recommendation Committee, be amended as the Board thinks fit, other than that no amendment may be made which would adversely affect the subsisting rights of ESOP participants without their consent or benefit participants or future participants without the approval of Shareholders.

7.1.12 Termination

The New Employee Benefit Trust shall terminate on the date agreed between the Company and the ESOP Trustee or, in the absence of any such agreement, the seventy-ninth anniversary of the New Employee Benefit Trust being created.

The ESOP shall terminate upon all of the ESOP Shares having been transferred to participants in the ESOP as a result of the exercise of their options.

7.2 *The Performance Share Option Plan, the Performance Options and the UKPG Option*

The Performance Options (which will be granted under the Performance Share Option Plan) and the UKPG Option are inter-related in that they are exercisable in mutually exclusive situations as summarised below.

7.2.1 Grant of options

In addition to the options to be granted to them under the ESOP set out above, the Company will also grant the Performance Options with effect from Admission to Richard Wyatt and Tim Linacre over a total of 1,745,462 unissued Ordinary Shares. Each of Richard Wyatt and Tim Linacre will hold an option to subscribe for 872,731 Ordinary Shares.

The Company will, at the same time, grant the UKPG Option under a separate agreement in parallel to the Performance Options. The UKPG Option will be over 1,745,462 Ordinary Shares — i.e. the same number of Ordinary Shares subject to the Performance Options.

The Performance Options are non-pensionable and non-transferable. The UKPG Option may be transferred to any such persons as UKPG Holdings determines, whether for consideration or otherwise.

7.2.2 Exercise price

The exercise price of both the Performance Options and the UKPG Option will be 4p per Ordinary Share. The Performance Options contain the same provisions for the reimbursement of exercise price as applies to the ESOP options summarised above.

7.2.3 Rights of exercise

The Performance Options become exercisable (i.e. they vest), to the extent that certain performance conditions are met, within the period of five years from Admission.

The Performance Options become exercisable as to half of the Ordinary Shares under option if, at any time before the fifth anniversary of Admission, the market capitalisation of the Company exceeds £60 million on any five consecutive AIM trading days. The Performance Options become exercisable as to the remaining half of the Ordinary Shares under option if, during the same period, the market capitalisation of the Company exceeds £90 million on any five consecutive AIM trading days.

The provisions which apply to the Performance Options on cessation of employment are the same as for options granted under the ESOP.

If the Performance Options lapse, either because the performance conditions are not met within the specified period or Richard Wyatt or Tim Linacre leaves employment before those conditions are met, the UKPG Option will become exercisable over the same number of Ordinary Shares over which the relevant Performance Option has lapsed. The UKPG Option is not subject to any other conditions of exercise. The UKPG Option will lapse without becoming exercisable if the performance conditions for the Performance Options are met.

7.2.4 Change of control

In the event of a takeover of the Company, the Performance Options may only be exercised immediately prior to or within a certain period after the occurrence of the relevant event if the performance conditions are or have been met.

As noted above, if the Performance Options are not exercisable on a change of control, the UKPG Option will be exercisable over the same number of Ordinary Shares in relation to which the Performance Options may not be exercised.

7.2.5 Income tax and NIC

The exercise of the Performance Options will be treated in the same way as the ESOP options in respect of income tax and NIC (save that no stamp duty will be payable). Richard Wyatt and/or Tim Linacre may receive a bonus to cover employer's NIC costs in the same circumstances as under the ESOP options. No such issues arise in relation to the UKPG Option.

7.2.6 Rights attaching to option shares

No voting rights will attach to the Ordinary Shares subject to the Performance Options or the UKPG Option until those shares are issued following the exercise of the options.

Although the Performance Options are over unissued Ordinary Shares, Richard Wyatt and Tim Linacre will, in the event that the Company declares a dividend, be entitled to receive a cash equivalent in respect of the relevant number of Ordinary Shares under options which have vested. The UKPG Option does not give rise to any such payment rights.

7.2.7 Variation of capital

In the event of a capitalisation, sub-division, reduction, consolidation, rights issue or other variation of the Company's share capital, the number of Ordinary Shares under, and the exercise price of, the Performance Options and/or the UKPG Option shall be amended in such manner as the Company's broker may determine.

7.2.8 Amendment

The terms of both the Performance Options and the UKPG Option may not be amended other than as agreed between the optionholder and the Company. In addition, the terms of the Performance Options may not be amended without the consent of UKPG Holdings and the UKPG Option may not be amended without the consent of Richard Wyatt and Tim Linacre (but only to the extent that the Performance Options have not lapsed).

7.3 *The Existing Share Option Plans*

7.3.1 Administration

The Approved Share Option Plan and the Unapproved Share Option Plan were adopted by ordinary resolution of the Company on 25 October 2002. Pursuant to the Proposals, a resolution will be proposed at the EGM to amend the rules of these Plans. In the case of the Approved Share Option Plan, these amendments will also be subject to the approval of the Inland Revenue. Further details of the proposed amendments are set out in paragraphs 7.3.4 and 7.3.8 below.

The Approved Share Option Plan has been approved by the Inland Revenue. The Unapproved Share Option Plan has not been, nor is it intended to be, approved by the Inland Revenue. Save as explained below, the provisions of the two plans are identical.

The Existing Share Option Plans are administered by the Board or a duly authorised committee of the Board.

7.3.2 Eligibility

All employees of the Group and executive directors of the Group are eligible for the grant of options under the Existing Share Option Plans. Selection is at the discretion of the Remuneration Committee, in the case of Directors and senior executives, and at the discretion of the Board in other cases.

7.3.3 Individual limit

There is a limit on the value of subsisting options that an individual may be granted under the Approved Share Option Plan of £30,000, or such other amount as may from time to time be specified by the relevant legislation. This limit is determined by reference to the market value of the Ordinary Shares subject to option at the time the relevant option is granted.

7.3.4 Limit

The maximum number of Ordinary Shares which may on any day be placed under option for subscription under the Existing Share Option Plans, when added to the number of Ordinary Shares allocated for subscription in the preceding 10 years under any other employees' share scheme adopted by Durlacher, may not exceed 20 per cent. of Durlacher's issued ordinary share capital prior to that day. Pursuant to the Proposals this limit will be amended so that the maximum number of Ordinary Shares which may on any day be placed under option for subscription under the Existing Share Option Plans, when added to the number of Ordinary Shares allocated for subscription in the preceding 10 years under any other employees' share scheme adopted by Durlacher may not exceed 12.5 per cent. of Durlacher's issued ordinary share capital prior to that day. For the purposes of this limit, Ordinary Shares subject to the Performance Options and the UKPG Option, the ESOP options and any options which have lapsed or been surrendered are disregarded.

7.3.5 Exercise price

In relation to options granted under the Approved Share Option Plan, the exercise price payable per Ordinary Share will not be less than the market value of the share on the date the option is granted or, if higher and shares are to be subscribed, the nominal value. Market value for this purpose is defined as the middle market quotation of an Ordinary Share derived from the Official List over the three dealing days immediately preceding the date of grant. In the case of options granted under the Unapproved Share Option Plan, the exercise price will normally be not less than the market value of the Ordinary Shares at the date of grant unless the Board resolves that exceptional circumstances have arisen which justify a lower price, provided it is not less than the nominal value of the Ordinary Shares at the time.

7.3.6 Performance conditions

The rules of the Existing Share Option Plans allow the Board to impose objective performance conditions upon the exercise of an option, if it considers it is appropriate to do so. Such performance conditions must be specified at the date an option is granted but may be subsequently amended by the Board if it considers that circumstances have arisen which justify such an amendment, provided that any amended condition is not more or less difficult to satisfy than the original condition.

7.3.7 Grant of options

Options may normally be granted under the Existing Share Option Plans within 42 days of the announcement by Durlacher of its interim or final results for any year. Options may, in addition, be granted outside those periods if the Board or the Remuneration Committee considers that exceptional circumstances have arisen which justify such a grant. No payment is required upon the grant of an option.

7.3.8 Rights of exercise

In normal circumstances, an option granted under the Approved Share Option Plan may not be exercised before the third anniversary of its grant and an option granted under the Unapproved Share Option Plan may not be exercised before the second anniversary. Early exercise of options is permitted if an individual dies, retires or leaves on account of ill-health, injury or disability or for any other reason which the Board reasonably considers justifies the exercise of his option. The provisions of the Existing Share Option Plans currently provide that if an individual leaves for any other reason his option will lapse immediately. Pursuant to the Proposals these provisions will be amended (in respect of the Approved Share Option Plan for future grants with the approval of the Inland Revenue and in respect of the Unapproved Share Option Plan for future grants and subsisting options) as follows. Options may be exercised for a limited period on the cessation of employment or resignation, to the extent that they have become exercisable (i.e. “vested”) at that time. Leavers will forfeit their vested options if they resign or leave due to cause. Unvested options held at the date of cessation of employment, other than in the case of resignation and termination for cause, will continue to vest at their normal vesting dates and may be exercised in a limited period thereafter.

7.3.9 Change of control

In the event of a takeover, reconstruction, amalgamation or voluntary winding-up of Durlacher, options may be exercised within the specified period after the relevant event or, in certain circumstances, exchanged for options over shares in the acquiring company or an associated company.

7.3.10 Income tax and NIC

When options granted under the Unapproved Share Option Plan are exercised, Durlacher (or any other Group company which employs the relevant individual) will account through the PAYE system for the income tax and employees’ national insurance contributions (“NIC”) due on the option gain. Participants will be required to reimburse Durlacher or authorise Durlacher to sell sufficient Ordinary Shares to meet this income tax and NIC liability.

In addition, if the Board considers it appropriate to do so, it may make it a condition of the exercise of an option granted under the Unapproved Share Option Plan that the option holder either reimburses the relevant Group company for the employers’ NIC which the relevant Group company will be liable to pay on the option gain, or enters into a joint election with Durlacher to transfer that liability to him.

7.3.11 Rights attaching to option shares

Options are neither transferable nor assignable. As soon as practicable after the exercise of an option granted over unissued Ordinary Shares, the appropriate number of Ordinary Shares will be allotted and issued to the participant. The Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of Durlacher save that they will not rank for any dividend or their rights attaching to such shares by reference to a record date prior to their issue. Ordinary Shares may also be transferred on the exercise of an option.

7.3.12 Variation of capital

In the event of a variation of share capital including a capitalisation issue or rights issue or any consolidation, sub-division or reduction of capital of Durlacher, the number of shares the subject of any option and the price for each of those shares shall be adjusted in such manner as the auditors of Durlacher confirm in their opinion is fair and reasonable subject, in the case of the Approved Share Option Plan, to the prior approval of the Board of Inland Revenue being obtained.

7.3.13 Amendments

No alteration to the advantage of participants may be made to the provisions relating to the persons to whom options may be granted, the limits on the total number of Ordinary Shares over which options may be granted, the limits on the number of options which may be granted to any participant, the adjustments to be made in the event of a variation of share capital and the periods or circumstances in which options may be exercised without the prior approval of Durlacher in general meeting (except for minor alterations to benefit the administration of the Existing Share Option Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any member of the Group).

7.3.14 Termination

Both of the Existing Share Option Plans may be terminated at any time by the Board or by Durlacher in general meeting but will otherwise terminate upon the tenth anniversary of their establishment. The provisions of both Existing Share Option Plans will remain in full force and effect in relation to any options still outstanding at the date of termination.

As at 30 March 2005, options under the Existing Share Option Plans are in issue in respect of 3,600,327 Ordinary Shares (2,877,975 under the Unapproved Plan and 722,352 under the Approved Plan).

8. Material contracts

- 8.1 Save as disclosed below, there are no contracts (not being contracts entered into in the ordinary course of business) which have been entered into at any time by any member of the Group within the period of two

years immediately preceding the date of this document and which are, or may be, material and there are no other contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

8.1.1 The Acquisition Agreement dated 24 March 2005 between the Company, UKPG Holdings, LFCM Holdings, Richard Wyatt, Tim Linacre and Lazard for the sale and purchase of the entire issued share capital of Panmure Gordon & Co.. The key terms of the Acquisition Agreement are as follows:

- (a) The Acquisition Agreement is conditional, amongst others, upon (i) Resolutions 1 to 9 inclusive being passed at the EGM, (ii) Admission, (iii) FSA approvals relating to the Company acquiring control of Panmure Gordon & Co. as a result of its acquisition of the shares in that company on completion of the Acquisition Agreement, UKPG Holdings acquiring control of Durlacher Limited through its holding of the Consideration Shares, and the trustee of the New Employee Benefit Trust acquiring control of both Panmure Gordon & Co. and Durlacher Limited as a result of its subscription for the ESOP Shares (in each case control being acquired as a result of the Company, UKPG Holdings, and the trustee of the New Employee Benefit Trust effectively acquiring upon Admission directly or indirectly more than 10 per cent. of the shares in Durlacher Limited or Panmure Gordon & Co.(as the case may be)) and (iv) the Panel having given and not withdrawn its consent to the Rule 9 Waivers. If any of the conditions are not satisfied or waived then the Acquisition Agreement will be terminated and the Proposals will not be implemented.
- (b) The consideration for the acquisition of the entire issued share capital of Panmure Gordon & Co. by the Company is to be satisfied by the issue of the Consideration Shares. In addition, under the terms of the Acquisition Agreement, the Company and UKPG Holdings have agreed to share the cost of terminating certain supply contracts relating to the Panmure Gordon Business as part of the integration of the two businesses.
- (c) Completion of the proposed acquisition is scheduled to take place on Admission. Pending completion of the Acquisition Agreement, UKPG Holdings has given certain undertakings to the Company to procure that Panmure Gordon & Co. does not depart from its ordinary course activities and does not allow for any change in its share capital, assets, finances or affairs in each case in any respect other than with the written consent of the Company. Correspondingly, pending completion, the Company has given certain undertakings to UKPG Holdings, amongst others, not to alter its share capital, not to grant any options in respect of any of its share capital and not to dispose of or acquire any material assets.
- (d) The Acquisition Agreement contains warranties in favour of the Company given by UKPG Holdings and Tim Linacre and Richard Wyatt in respect of the assets, liabilities and financial and other affairs and matters relating to Panmure Gordon & Co. and the Panmure Gordon Business. It also contains certain warranties given by the Company to UKPG Holdings in respect of the assets, liabilities and financial and other affairs and matters relating to the Group. The warranties are usual for this type of transaction and subject to customary limitations on the liability of the parties giving them.
- (e) The Acquisition Agreement contains provisions providing for termination by either party in the event of a material adverse change in the Company's or Panmure Gordon & Co.'s business, assets, financial or trading position or management, as the case may be, or a material breach of warranties given by either party relating to the content of this document which would in each case in the Company's or UKPG Holdings' (as the case may be) reasonable opinion, having consulted with the other parties, materially prejudice Admission.
- (f) The Acquisition Agreement contains a mechanism pursuant to which UKPG Holdings is obliged to deliver to the Company a balance sheet showing that Panmure Gordon & Co. had Net Assets (as defined and calculated in accordance with the Acquisition Agreement) equal to or in excess of £5,691,252 as at close of business on 11 March 2005. If following agreement between UKPG Holdings and the Company or determination by an independent third party of such balance sheet, the amount of Net Assets as at close of business on 11 March 2005 is found to be less than £5,691,252, then UKPG Holdings has agreed to fund any shortfall.
- (g) Following 11 March 2005 but prior to entering into the Acquisition Agreement, UKPG Holdings made a £3,308,749 cash subscription for shares in Panmure Gordon & Co. The Acquisition Agreement also contains an obligation on UKPG Holdings to deliver a balance sheet of Panmure Gordon & Co. on the second business day prior to Admission and in the event that this balance sheet shows that the Net Assets of Panmure Gordon & Co. at such time are less than £8,000,000 then the Company will have a right to terminate the Acquisition Agreement prior to Admission.

8.1.2 The UKPG Option, a description of which is set out in paragraph 7.2 of this Part VIII.

8.1.3 A Relationship Agreement to be entered into immediately prior to Admission between the Company, UKPG Holdings and Lazard pursuant to which the following principal matters have been agreed:

- (a) UKPG Holdings has undertaken to exercise the voting rights attaching to the Ordinary Shares (other than the Restricted Voting Ordinary Shares) it holds from time to time to procure in so far as it is legally able to do so that: (i) all transactions and relationships with any member of the Group are conducted on arm's length terms and on a normal commercial basis; (ii) the Company

is capable of carrying on its business independently of the Wider Lazard Group; (iii) no variations are made to the Articles which would be contrary to the Company's ability to carry on its business independently of the Wider Lazard Group; (iv) the provisions of the Relationship Agreement are observed; and (v) no action is taken to prejudice the listing of the Ordinary Shares on AIM.

- (b) The Company has undertaken to: (i) conduct all transactions and relationships with any member of the Wider Lazard Group on arm's length terms and on a normal commercial basis; and (ii) use all reasonable endeavours to comply with the provisions of the Combined Code having regard to the nature and size of the Group.
 - (c) The Company has undertaken not to do or omit to do anything that: (i) would result in an obligation arising on UKPG Holdings or any member of the Wider Lazard Group to make an offer to the holders of any class of equity share capital under Rule 9 of the City Code; or (ii) would result in any Third Party becoming a "concert party" (as defined in the City Code) of either UKPG Holdings or any other member of the Wider Lazard Group with respect to the Company.
 - (d) The Company and UKPG Holdings have entered into reciprocal obligations to use all reasonable endeavours to ensure that: (i) the FSA does not apply "consolidated supervision" (as defined in the FSA handbook or any other relevant rules and regulations) to the combination of the Company and the LFCM Group, the combination of the Company and the Lazard Group or the combination of the Company and the Wider Lazard Group; (ii) neither the Wider Lazard Group nor the Group are treated as "acting in concert" (as defined in the City Code) with the other's clients as a result of either the Wider Lazard Group's shareholding in the Company or any other arrangements between the Wider Lazard Group and the Group.
 - (e) For so long as Wider Lazard Group owns 10 per cent. or more of the Ordinary Shares (including the Restricted Voting Ordinary Shares) in issue from time to time, UKPG Holdings shall be entitled to appoint one non-executive director (the "Appointed Director") to the Board and (without prejudice to its rights as a member to vote on the appointment and/or removal of Directors at a general meeting of the Company) to remove and replace such director from office. The Appointed Director will not be permitted to vote on, or be counted in the quorum in relation to any resolution to approve any transaction, agreement, arrangement or other relationship involving the Wider Lazard Group or in which any member of the Wider Lazard Group may otherwise be interested. The Appointed Director shall be entitled to communicate any information excluding any confidential or price sensitive client related or client specific information gained through his office to UKPG Holdings or any member of the Wider Lazard Group who properly requires such information for the purpose of monitoring UKPG's Investment in the Company subject to such information being treated as confidential. In the event that the Wider Lazard Group holds less than 10 per cent. of the Ordinary Shares (including the Restricted Voting Ordinary Shares) in issue from time to time such Appointed Director shall resign forthwith.
 - (f) UKPG Holdings has undertaken to the Company that during a period of 365 days from Admission it will not, without prior written consent of the Company, dispose of any of its shareholding in the Company or enter into any derivative transaction in respect of, or in reference to its shareholding in the Company. The restriction does not prevent UKPG Holdings from transferring its shareholding to any other member of the Wider Lazard Group, from accepting a takeover offer recommended by the Board or in the event that the Company announces a pre-emptive share issue from selling shares or rights to enable it to subscribe for shares or take up its rights as it may decide, in each case without the consent of the Company. UKPG Holdings shall notify the Company of any proposed disposal and consult, where practicable, with the Company prior to any disposal. Where appropriate, the Company has agreed to prepare an offering circular in relation to any relevant disposals and UKPG Holdings has agreed to reimburse the Company for documented third party costs, legal fees and other reasonable expenses properly incurred in this respect.
 - (g) For so long as the Wider Lazard Group owns 10 per cent. or more of the Ordinary Shares (including the Restricted Voting Ordinary Shares) in issue from time to time, the Company undertakes to provide, within 7 days of request, copies of monthly management accounts and any information necessary for the Wider Lazard Group to comply with its regulatory obligations.
- 8.1.4 An agreement dated 8 August 2003 between the Company and Charles Stanley Group plc ("CS") for the sale and purchase of part of the Company's private client stock broking business and assets (the "Business"). The agreement completed on 26 September 2003. Pursuant to the terms of this agreement, the Company sold the Business to CS for a maximum consideration of £3,500,000 payable in cash. Under the terms of this agreement, £250,000 was paid on completion. The balance of the consideration payable is to be an amount equal to the average gross annual income receivable by CS from the Business for the two financial years following completion and is payable within 14 days of such determination. The Company gave certain standard business sale warranties relating to the business and assets being sold as to, *inter alia*, ownership, taxation, capacity, regulatory matters, accounts and record keeping, limited in amount to the consideration received from CS by the Company and limited to a period of two years from completion.
- 8.1.5 An agreement dated 8 August 2003 between Durlacher Limited and CS for the sale and purchase of the business and certain assets of Durlacher Limited's on-line stock broking division known as Nothing

Ventured (the “NV Business”) and the grant to CS of a perpetual, non-exclusive, non-transferable licence to use certain software in connection with the operation of the NV Business. The agreement completed on 17 October 2003. Pursuant to the terms of this agreement, Durlacher Limited sold the NV Business to CS for a maximum consideration of £1 million payable in cash. Under the terms of this agreement £100,000 was paid on completion. The balance of the consideration payable is to be an amount equal to 30 per cent. of the annual net income receivable by CS from the NV Business for each of the four financial years following completion and is payable within 14 days of such determination for each of those years. Durlacher Limited gave certain warranties to CS in relation to the NV Business which are standard for this type of transaction, limited in amount to the consideration received from CS by Durlacher Limited and limited to a period of four years from completion.

- 8.1.6 An agreement dated 17 October 2003 between Durlacher Limited and On Bourse Limited (“OB”) for the sale and purchase of assets (the “Assets”) relating to the NV business which had remained with Durlacher Limited following the completion of the agreement described in paragraph 8.1.4 of this Part VIII and the grant to OB of a non-exclusive, non-transferable, perpetual licence to use certain software of Durlacher Limited (the “Licence”). The consideration payable under this agreement was £1. Pursuant to the terms of this agreement, the parties agreed to treat their respective obligations under a structured framework agreement, a transition management agreement and a service provision agreement entered into on 23 December 2002 in relation to Nothing Ventured (the “Original Agreements”) as having been terminated and irrevocably waive all and any rights and/or claims they had or may have against the other under the Original Agreements. Under the terms of this agreement Durlacher Limited gave certain warranties to OB which are standard for this type of transaction as to the title to the assets being sold and that the software which was the subject of the Licence did not infringe third party intellectual property rights or another agreement Durlacher Limited had entered into, limited to a maximum amount of £250,000 and limited to a period of two years from completion.
- 8.1.7 An offer document and listing particulars dated 23 June 2003 pursuant to the terms of which Nabarro Wells & Co. Limited on behalf of Durlacher made a recommended share for share offer (the “Offer”) to the shareholders of web-angel plc for the entire issued and to be issued share capital of web-angel plc. The Offer valued the entire issued share capital of web-angel plc at approximately £4.0 million and the consideration for the Offer was satisfied by the issue of 3,248,798 new Ordinary Shares representing 39.9 per cent. of the issued ordinary share capital before the Offer and 28.5 per cent. of the issued ordinary share capital as enlarged by the Offer. The Offer was declared unconditional in all respects on 23 July 2003.
- 8.1.8 An agreement dated 17 March 2003 between Durlacher and Zoe Appleyard pursuant to the terms of which, Durlacher acquired the entire issued share capital of Life Capital Limited, the private equity fund raising company. The initial consideration was £59,200 which was paid by issuing 74,000 Ordinary Shares to Zoe Appleyard and granting her warrants over 100,000 Ordinary Shares at an exercise price of £1 per share. Subject to certain performance criteria being met, deferred consideration could be payable to Zoe Appleyard of an amount up to £1,548,515 in a mixture of cash and, where relevant, shares in third party client companies over a two year period following completion. As at the date of this document, no deferred consideration has been paid by Durlacher under the terms described above. Furthermore, the Directors are of the opinion that no such deferred consideration is likely to become payable.
- 8.2 Save as disclosed below, there are no contracts (not being contracts entered into in the ordinary course of business) which have been entered into at any time by Panmure Gordon & Co. within the period of two years immediately preceding the date of this document and which are, or may be, material and there are no other contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Panmure Gordon & Co. which contain any provision under which Panmure Gordon & Co. has any obligation or entitlement which is material to the Panmure Gordon & Co. as at the date of this document:
- 8.2.1 The Sale of Business Agreement dated 11 March 2005 between Lazard, Lazard & Co., Services Limited and Panmure Gordon & Co. for the sale and purchase of the Panmure Gordon Business. The key terms of the Sale of Business Agreement, are as follows:
- (a) Lazard transferred the trading book, goodwill attaching to and intellectual property rights associated with the Panmure Gordon Business, the benefit of certain contracts relating to the Panmure Gordon Business (including supply contracts, software licences, corporate broking retainers and corporate finance engagements) and certain other residual assets (including IT equipment, furniture, business information and employment records) to Panmure Gordon & Co. with effect from close of business on 11 March 2005.
 - (b) Lazard & Co., Services Limited transferred to Panmure Gordon & Co. the services of those employees wholly or mainly engaged in the Panmure Gordon Business with effect from close of business on 11 March 2005. Subject to certain exceptions, liability for such employees is being assumed by Panmure Gordon & Co.
 - (c) Panmure Gordon & Co. acquired the long positions forming part of the trading book at market value and acquired the other assets at book value from Lazard. Panmure Gordon & Co. agreed to perform, assume and pay and discharge when due certain liabilities relating to the Panmure Gordon Business, including the liabilities relating to certain contracts entered into by the Panmure Gordon Business and to the employees transferred from Lazard & Co., Services Limited. Panmure

Gordon & Co. agreed to indemnify and hold Lazard harmless against all and any losses suffered as a result of its neglect, default or omission to properly or promptly discharge these assumed liabilities.

- (d) No warranties were given by Lazard in relation to the Panmure Gordon Business or by Lazard & Co., Services Limited in relation to the transferring employees.
 - (e) With effect from close of business on 11 March 2005, Lazard agreed to grant a licence to occupy the second floor of 50 Stratton Street to Panmure Gordon & Co. for so long as it remains a member of the Wider Lazard Group and Lazard & Co., Services Limited agreed to provide certain business and administrative services to Panmure Gordon & Co. to enable it to carry on its business in the ordinary course.
 - (f) The parties to the Sale of Business Agreement have agreed to vary its terms in certain non-material respects in relation to the liabilities to be assumed and not to be assumed in relation to the Panmure Gordon Business by Panmure Gordon & Co. prior to Admission pursuant to the terms of an agreed form deed of variation to be executed by them prior to such time.
- 8.2.2 A long-term subordinated loan agreement dated 17 February 2005 between UKPG Holdings and Panmure Gordon & Co. pursuant to which UKPG Holdings agreed to make a loan of £3,000,000 to Panmure Gordon & Co. in one advance. Interest is to be charged on the loan at a fixed annual rate of 6.4 per cent. payable in quarterly instalments in arrears. The loan is repayable in full on 17 February 2011. The loan is subordinated to all other liabilities of UKPG Holdings other than liabilities which are expressed to be and, is the opinion of an insolvency officer of UKPG Holdings, do, rank junior to the loan in any insolvency proceedings involving UKPG Holdings.

9. Litigation

- 9.1 Save as set out below, there are no, nor have there been any, legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against the Group of which the Company is aware) which may have, or have had in the 12 months preceding the date of this document, a significant effect on the Group's financial position.
- 9.1.1 An ex-employee of Durlacher Limited, Ms Stella Murray, issued proceedings against Durlacher Limited and the Company on 9 January 2003 for losses suffered as a result of alleged failures to exercise share options and execute share disposals under her contract of employment and in breach of the rules (as allegedly varied) of a former share option scheme of the Company. The loss suffered was alleged to be £252,461.10 plus interest and costs.
- 9.1.2 The same employee wrote to Durlacher Limited on 21 November 2002 concerning alleged irregularities in the exercise of share options and subsequent share disposals by certain former directors of the Company and Durlacher Limited in September 2000. They related solely to matters which occurred prior to the appointment of any of the Directors. The matters raised were investigated by the solicitors to the Company and were deemed to be unsubstantiated. In view of this, the employee was dismissed for raising serious allegations in bad faith. The employee issued proceedings in the employment tribunal alleging unfair and wrongful dismissal. The employee's alleged loss was approximately £50,000. Both of these claims were settled by Durlacher Limited on 28 May 2004 by the payment of £150,000 in two instalments, one of £105,500 and the other of £44,500. Interest totalling £822.95 was also paid on the second instalment. Durlacher Limited also provided the employee with an indemnity against tax, limited in value to £39,333. No call has been made against Durlacher Limited under this indemnity at the date of these particulars.
- 9.1.3 A British Virgin Islands ("BVI") company, Wellsbridge Consultants Limited, incorporated for the purposes of a Contract for Differences ("CFD") trade on behalf of its principal, Unifina Holding AG ("Unifina") based in Switzerland, issued proceedings together with Unifina, against Durlacher Limited and Cantor Fitzgerald Europe ("Cantor"), who were to be the counterparty to the CFD. Durlacher Limited does not undertake CFDs and has an agreement to introduce clients to Cantor for this purpose. Discussions between the parties took place as to the size of the margins payable on the trade and the BVI company believed agreement had been reached. Cantor confirmed the trade as completed to Durlacher Limited, but subsequently withdrew. Proceedings were issued by the BVI company and Unifina in July 2003 for recovery of commission and losses that failure to perform the trade may have caused. It was confirmed in negotiations in August 2003 by solicitors for the BVI company and Unifina that no losses were suffered except for the commission lost by the BVI company (estimated to be €919,938) and the continuing loss of interest thereon (approximately €11,730 per week). Durlacher Limited does not believe it is liable for any of this sum. The BVI company and Cantor have agreed a compromise of the claims as between themselves following the administration of Unifina. To Durlacher Limited's knowledge, no settlement has been agreed between Cantor and Unifina. Durlacher Limited has indicated to the BVI company and Unifina that it will settle the matter with both parties on the basis of all parties incurring their own costs, but with no payment from Durlacher Limited. This would include Durlacher Limited waiving its own potential counterclaim for approximately €90,000 of commission. This offer has been open for acceptance since 8 January 2004, but not responded to. On 22 March 2004, solicitors ceased to act for Unifina and Durlacher Limited is unaware of any other solicitors having been appointed by the administrators of Unifina. Technically the proceedings remain active as between Durlacher Limited, the BVI company and Unifina, but no steps have been taken by any of the parties since the time of the offer. Durlacher Limited has not sought to establish what has happened by

contacting the administrators of Unifina in Switzerland. The estimated total liability is €919,938 plus loss of interest thereon (approximately €11,730 per week).

9.1.4 In respect of the Group's private client stockbroker business which was sold in September 2003, the Group has received a small number of complaints regarding the management of certain investments portfolios. Legal action has been served against subsidiaries of the Company in respect of certain complaints while others have been referred to the Financial Ombudsman Service ("FOS"), some of which have subsequently been rejected by the FOS. Some have been resolved with payments made or to be made by Durlacher. Having carefully considered the Group's position and after taking legal advice on specific complaints, the Directors have established a provision of £570,000 which represents their best estimate of the liabilities likely to arise in respect of these complaints. Such amounts have been reflected in the audited accounts for the period ended 31 December 2004.

9.1.5 AIM Regulation has asserted that Durlacher Limited in its capacity as NOMAD for an AIM listed company in May 2004 breached Rule 37 of the AIM Rules in a) failing to advise such company of its reporting obligations under the AIM Rules generally, but with particular reference to Rule 10 concerning announcements in relation to market expectations; and b) failing to advise such company to issue an announcement in May 2004 following a fall in the relevant company's share price. AIM Regulation has noted that Durlacher Limited has co-operated fully with it in relation to this matter. However, AIM Regulation is seeking to publicly censure Durlacher Limited in relation to these matters.

9.1.6 Durlacher Limited entered into a lease of business assets on 7 February 2003 with Avenue Management Services Limited for the lease of various business assets. Under the terms of the lease, Durlacher Limited was required to pay the sum of £25,000 per annum from the first anniversary of the date of the lease. Under the terms of the lease, if any payment of £25,000 is not made within 21 days of the due date for payment, all payments under the lease become due and payable in full. Durlacher Limited failed to make the payment which fell due on 19 February 2005. Durlacher Limited have received a statutory demand on behalf of Avenue Management Services Limited for the sum of £175,113. The demand states that this is the remainder of the sum payable by Durlacher Limited under the lease, plus interest.

9.2 There are no, nor have there been any, legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against Panmure Gordon & Co. of which the Directors and Proposed Directors are aware) which may have, or have had in the 12 months preceding the date of this document, a significant effect on the financial position of Panmure Gordon & Co.

10. Principal subsidiaries and subsidiary undertakings

On Admission, Durlacher will be the principal holding company of the Enlarged Group. On Admission, the subsidiaries and subsidiary undertakings of Durlacher will be as follows (each of which will be a wholly owned subsidiary, unless otherwise stated):

<i>Company</i>	<i>Registered office</i>	<i>Percentage of shares held directly or indirectly by the Company</i>	<i>Nature of business</i>
Durlacher Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Stockbroking, corporate finance, market making and financial publishing
Panmure Gordon & Co., Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Stockbroking, corporate finance, market making and financial publishing
Durlacher Research Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Origination of research reports and consultancy
Durlacher Research S.L.	c/o Serrano 63, Esc 3 6.izda, 23006 Madrid	100 per cent.	Origination of research reports and consultancy
Durlacher bmp Life Sciences Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	50 per cent.	UK Life Sciences investment vehicle
Durlacher Corporate Finance Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Dormant
Durlacher Ventures Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Dormant
Durlacher Fund Management Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Dormant
Rotherfield Nominees Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Dormant

<i>Company</i>	<i>Registered office</i>	<i>Percentage of shares held directly or indirectly by the Company</i>	<i>Nature of business</i>
Life Capital Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Private equity fundraising
web-angel plc	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Dormant
web-angel Services Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Dormant
United Energy Plc	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Dormant
United Energy Properties Limited	Moorgate Hall 155 Moorgate London EC2M 6XB	100 per cent.	Dormant

11. Principal establishments

The Enlarged Group's principal establishments (both of which are leased and are used for business purposes) are as follows:

<i>Location*</i>	<i>Tenure</i>	<i>Annual Rent</i>	<i>Size</i>
155 Moorgate	1st floor leasehold	£478,140**	13,174 sq. ft.
4 Chiswell Street	2nd floor leasehold	£222,165	5,700 sq. ft.

*Note: The Company has signed non-binding heads of terms to lease additional space amounting to approximately 9,100 sq. ft. in 45 Moorfields, adjacent to the Company's existing premises in Moorgate. The Company has also sub-let the premises in Chiswell Street and such arrangement makes a contribution to the Company's financial obligation under its lease at those premises.

**Note: Rent on 155 Moorgate is only payable from November 2006.

12. United Kingdom taxation

The following commentary is intended as a general guide to the position under current United Kingdom tax law and what is understood to be Inland Revenue practice and interpretation in the areas referred to below. It applies only to persons who are resident or ordinarily resident in the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold shares as investments and who are the absolute beneficial owners of them. It may not apply to certain classes of person, such as dealers in securities, insurance companies and collective investment vehicles. Investors who are in doubt as to their position should consult their professional tax advisers. Taxation law and the practices of fiscal authorities are liable to change and therefore the tax treatment outlined in this document will not necessarily apply in the future.

12.1 Taxation of dividends

12.1.1 Individuals

There is no United Kingdom withholding tax on dividends and, accordingly, Durlacher is not required to withhold tax at source from dividend payments it makes. An individual Shareholder resident in the UK for tax purposes will be taxable on the total of any dividend received and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income. Individuals who are not liable to income tax at the higher rate will have no further liability to tax. For higher rate taxpayers, the higher rate is 32.5 per cent., rather than 40 per cent.

The tax credit on dividends paid by Durlacher is one-ninth of the dividend paid (or 10 per cent. of the gross dividend). This means that a higher rate Shareholder receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability to income tax, which is equal to 25 per cent. of the net dividend.

12.1.2 Trustees of Discretionary Trusts

For dividends paid to trustees of UK resident discretionary or accumulation trusts, the gross dividend will be subject to UK income tax at a rate of 32.5 per cent. with a tax credit equal to 10 per cent. of the gross dividend.

12.1.3 UK Companies

Subject to certain exceptions for traders in securities and certain insurance companies, a Shareholder which is a company resident for tax purposes in the United Kingdom will not be chargeable to tax on dividends paid by Durlacher.

12.1.4 Other Shareholders

UK pension funds and charities are not entitled to reclaim any part of the tax credit associated with dividends paid by Durlacher.

Entitlement to claim repayment of any tax credit for Shareholders not resident in the UK for tax purposes will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident. Generally, most Shareholders who had previously been able to claim repayment of any part of the tax credit have either ceased to be able to obtain such repayment or the amounts repayable are less than one per cent. of the dividend. Shareholders who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liability on dividends received, whether they are entitled to claim repayment of any part of the tax credit and, if so, the procedure for so doing.

The paragraph is intended only as a guide to the general United Kingdom tax position as at the date of this document. A Qualifying Shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser.

12.2 ISAs and PEPs

As a result of the proposed transfer to AIM, the Existing Ordinary Shares will no longer constitute qualifying investments for the purposes of an Individual Savings Account ("ISA"). According to current Revenue practice, an ISA manager must either sell such investments within 30 calendar days of the date they become non-qualifying investments, in which case the proceeds can remain in the stocks and shares component of the relevant ISA, or transfer them to the investor to be held outside the ISA. Shareholders are advised to take independent professional advice on the consequences of the proposed admission of the Company to AIM on any ISA investment.

In addition, on admission to AIM, the Existing Ordinary Shares will cease to be qualifying investments if held directly by individual investors in a Personal Equity Plan ("PEP"), although as AIM securities they can count towards unit trusts' and investment trusts' own qualifying investments for PEP purposes. According to current Revenue practice, a PEP manager must either sell such investments within 30 calendar days of the date of Admission or transfer them to the investor to be held outside the PEP. Shareholders are advised to take independent professional advice on the consequences of the proposed admission of the Company to AIM on any PEP investment.

13. Significant change and material change

13.1 There has been no significant change in the financial or trading position of the Group since 31 December 2004 (the date to which the last published audited consolidated accounts of the Group were prepared).

13.2 The Directors of Durlacher are aware of no material change in the financial or trading position of the Group since 31 December 2004 (the date to which the last published audited consolidated accounts of the Group were prepared).

13.3 Save in respect of the transfer of the Panmure Gordon Business to Panmure Gordon & Co. (as described in Note 8 of Part A of Part VI and Note 18 of Part B of Part VI and paragraph 8.2.1 of Part VIII of this document), there has been no significant change in the financial or trading position of the Panmure Gordon Business or Panmure Gordon & Co. since 31 December 2004 (the date to which the accountant's report contained in Part VI of this document was prepared).

14. Letters of consent

14.1 Hawkpoint has given and not withdrawn its written consent to the inclusion of its name in the form and context in which it is included.

14.2 KPMG Audit Plc has given and not withdrawn its written consent to the inclusion in this document of its report and name in the form and context in which it is included for the purposes of Regulation 6(1)(e) of The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 and paragraph 45(1)(a)(iii) of Schedule 1 to the POS Regulations and for the purposes of the City Code.

14.3 Deloitte & Touche LLP has given and not withdrawn its written consent to the inclusion in this document of its report and name in the form and context in which they are included for the purposes of Regulation 6(1)(e) of The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 and paragraphs 45(1)(b)(iii) and 45(8)(b) of Schedule 1 to the POS Regulations and for the purposes of the City Code.

15. General

15.1 Expenses and proceeds

The total amount payable by Durlacher (including irrecoverable VAT where applicable) in connection with the Proposals, is estimated at approximately £1.6 million.

15.2 Auditors

KPMG Audit Plc, Chartered Accountants and Registered Auditors of 8 Salisbury Square, London EC4Y 8BB made a report under Section 235 of the Act in the set of statutory accounts for the Group for each of the financial years ended 30 June 2002 and 30 June 2003 and the 18 month period ended 31 December 2004. Each such report was unqualified and did not contain a statement under sections 237(2) or (3) of the Act.

15.3 *Working capital*

The Company, the Directors and the Proposed Directors are of the opinion that, taking into account existing cash resources, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

15.4 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

15.5 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

15.5.1 received, directly or indirectly, from the Company, within the 12 months preceding the date of application for Admission; or

15.5.2 entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

- (a) fees totalling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the expected opening price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

16. Documents available for inspection

Copies of the following documents are available for inspection during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from Durlacher's registered office, Moorgate Hall, 155 Moorgate, London EC2M 6XB and from the offices of Hawkpoint Partners, 4 Great St Helens, London EC3A 6HA from the date of this document until the date of the Extraordinary General Meeting:

16.1 the memorandum and articles of association of Durlacher;

16.2 the memorandum and articles of association of Panmure Gordon & Co.;

16.3 the audited consolidated accounts of Durlacher for the two years ended 30 June 2003 and the eighteen months ended 31 December 2004;

16.4 the accountants' reports on Panmure Gordon & Co. and the Panmure Gordon Business set out in Part VI of this document;

16.5 the material contracts referred to in paragraph 8 of this Part VIII;

16.6 the consent letters referred to in paragraphs 14.1, 14.2 and 14.3 of this Part VIII;

16.7 the form of the Directors' and Proposed Directors' service contracts and letters of appointment referred to in paragraphs 6.1 to 6.4 of this Part VIII;

16.8 the rules of the Existing Share Option Plans (marked up to show the proposed amendments pursuant to the Proposals), the form of ESOP and the form of Performance Share Option Plan;

16.9 the trust deed constituting the Durlacher Corporation Plc Employee Benefit Trust 2003;

16.10 the draft trust deed constituting the Durlacher Corporation Plc No. 2 Employee Benefit Trust 2005;

16.11 the irrevocable undertakings referred to in paragraph 15 of Part I;

16.12 the constitutional document and material contracts referred to in paragraph 7 of Part IV of this document; and

16.13 this document.

Dated: 30 March 2005

Durlacher Corporation Plc

(the “Company”)

(Incorporated in England and Wales under the Companies Act 1985
with registered number 2700769)

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 10.00am on 22 April 2005 at Moorgate Hall, 155 Moorgate, London EC2M 6XB (the “Meeting”) for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 9 inclusive will be proposed as ordinary resolutions (resolutions 3 and 4 being taken on a poll of Independent Shareholders (as such term is defined in the circular (the “Circular”) issued by the Company to its shareholders on 30 March 2005 (a copy of which document has been produced to the Meeting and signed for identification purposes by the Chairman of the Meeting)) and resolutions 10 to 12 inclusive as special resolutions:

ORDINARY RESOLUTIONS

1. THAT subject to, and conditional upon, resolutions 2 to 9 inclusive being passed, the acquisition of Panmure Gordon & Co., Limited by the Company pursuant to the Acquisition Agreement (as such term is defined in the Circular) be and is hereby approved and the Directors be and are hereby authorised to do all such things, attend to all such matters and effect all such acts (including, but not limited to, the signing and/or execution of any documents and the approval of the terms of, or any variations to, the Acquisition Agreement provided that such amendments or variations are not material) as they may consider necessary, expedient or desirable to complete or give effect to, or otherwise in connection with, the Acquisition Agreement and any matters incidental thereto.
2. THAT subject to, and conditional upon, resolutions 1 and 3 to 9 inclusive being passed, the Relationship Agreement (as such term is defined in the Circular) be and is hereby approved and the Directors be and are hereby authorised to do all such things, attend to all such matters and effect all such acts (including but limited to, the signing and/or execution of any documents and the approval of the terms of, or any variations to, the Relationship Agreement provided that such amendments or variations are not material) as they may consider necessary, expedient or desirable to give effect to, or otherwise in connection with, the Relationship Agreement and any matters incidental thereto.
3. THAT subject to, and conditional upon, resolutions 1, 2 and 4 to 9 inclusive being passed, the waiver (on the terms described in the Circular) by the Panel on Takeovers and Mergers of any requirement under Rule 9 of the City Code on Takeovers and Mergers (the “Code”) for any member of the EBT Concert Party (as such term is defined in the Circular) or any party acting in concert with it individually or collectively to make a general offer to shareholders of the Company as a result of (i) the allotment and issue by the Company to the New Employee Benefit Trust (as such term is defined in the Circular) of 18,521,295 new ordinary shares of 4 pence each in the capital of the Company (“Ordinary Shares”) or (ii) the grant to Richard Wyatt of an option over 2,472,738 Ordinary Shares by the New Employee Benefit Trust on the terms of the ESOP (as such term is defined in the Circular) and the subsequent exercise of such option or (iii) the grant to Richard Wyatt of an option over 872,731 Ordinary Shares pursuant to the terms of the Performance Options (as such term is defined in the Circular) and the subsequent exercise of such option or (iv) the issue of new Ordinary Shares to satisfy the exercise by Tony Caplin of his existing options over 25,000 Ordinary Shares or (v) the issue of new Ordinary Shares to satisfy the exercise of any options held by the Existing Employee Benefit Trust (as such term is defined in the Circular) (including the exercise of the existing options over 203,000 Ordinary Shares which have been allocated by the Existing Employee Benefit Trust for the potential benefit of Tony Caplin or his beneficiaries), all as more particularly described in the Circular be and is hereby approved.
4. THAT subject to, and conditional upon, resolutions 1 to 3 inclusive and 5 to 9 inclusive being passed, the waiver (on the terms described in the Circular) by the Panel on Takeovers and Mergers of any requirement under Rule 9 of the Code for UKPG Holdings LLC or any party acting in concert with it individually or collectively to make a general offer to shareholders of the Company as a result of (i) the allotment and issue by the Company to UKPG Holdings LLC of the Consideration Shares (as such term is defined in the Circular) (representing 32.8 per cent. of the Enlarged Share Capital (as such term is defined in the Circular)) or (ii) the grant to UKPG Holdings LLC of an option over 1,745,462 new Ordinary Shares pursuant to the terms of the UKPG Option (as such term is defined in the Circular) and the subsequent exercise of such option be and is hereby approved.
5. THAT subject to, and conditional upon, resolutions 1 to 4 inclusive and 6 to 9 inclusive being passed, the authorised share capital of the Company be and is hereby increased from £29,550,000 to £32,350,000 by the creation of 70,000,000 new Ordinary Shares, such shares to rank *pari passu* with the existing issued Ordinary Shares, save that the right to vote at general meetings of the Company (“Voting Rights”) conferred by the articles of association of the Company on 9,260,648 of the 70,000,000 new Ordinary Shares shall be suspended and shall not be exercisable over or in respect of any of such Ordinary Shares, until satisfaction of any one or more of the conditions set out below (the “Conditions”), pending which each of such 9,260,648 Ordinary Shares shall be designated as a Restricted Voting Ordinary Share (as defined in the Circular). In the event of any of the Conditions being satisfied in relation to a Restricted Voting Ordinary Share that share shall

immediately cease to be a Restricted Voting Ordinary Share and shall thenceforth rank *pari passu* in all respects with the Voting Ordinary Shares then in issue including as regards Voting Rights.

The Conditions are:

- 5.1. the Restricted Voting Ordinary Share is transferred to a person who is not a Restricted Holder (as defined below) and for these purposes the transfer is deemed to take effect upon the registration of the name of such person in the register of members of the Company as the registered holder of such share or (if later) the receipt by the Company of a written notice from Lazard, UKPG or the transferring member certifying that the transferee is not a Restricted Holder; or
- 5.2. the member holding the Restricted Voting Ordinary Share ceases to be a Restricted Holder. The Company shall accept as sufficient evidence of this fact a written notice by such member certifying that it is no longer a Restricted Holder; or
- 5.3. the relevant Ordinary Share ceases to be a Restricted Voting Ordinary Share in accordance with this sub-clause. Any member holding a Restricted Voting Ordinary Share may at any time when the aggregate of all the Voting Ordinary Shares (as defined below) held by Restricted Holders (the "Current Holding") is less than the Threshold (as defined below) serve a written notice on the Company (a "Top-Up Notice") certifying that fact, whereupon Voting Rights shall automatically and immediately be restored to the Specific Number (as defined below) of Restricted Voting Ordinary Shares held by Restricted Holders (subject only to rounding down of fractional entitlements as provided below) and the number of Restricted Voting Ordinary Shares held by each such Restricted Holder to which Voting Rights will be restored in accordance with this sub-clause shall be that number of such shares which is equal to the proportion of the Specific Number, which is the same as the proportion which the Restricted Voting Ordinary Shares held by such member bears to the aggregate of all the Restricted Voting Ordinary Shares then in issue, with fractional entitlements rounded down to the nearest whole number of shares.

For the avoidance of doubt, share certificates in respect of Restricted Voting Ordinary Shares shall be in identical form to certificates for Voting Ordinary Shares. Any Ordinary Share which has ceased to be a Restricted Voting Ordinary Share pursuant to the terms of this Resolution shall become and be treated as a Voting Ordinary Share with immediate effect following the satisfaction of the relevant Condition, and the Company shall take such steps as are necessary to ensure that the restoration of Voting Rights to such Ordinary Shares is reflected in the register of members of the Company and is given effect for all other relevant purposes.

For the purposes of this resolution 5, the following words and expressions shall have the following meanings:

"Lazard"	means Lazard & Co., Limited a company incorporated in England (registered number 162175) and whose registered office is at 50 Stratton Street, London W1J 8LL;
"Lazard Group"	means Lazard and each of its parent undertakings and subsidiary undertakings and each subsidiary undertaking of its parent undertakings (each as defined in the Companies Act 1985 (as amended));
"LFCM Group"	means UKPG and each of its parent undertakings and subsidiary undertakings and each subsidiary undertaking of its parent undertakings (each as defined in the Companies Act 1985 (as amended));
"Restricted Holder"	means a member of the Wider Lazard Group;
"Specific Number"	means the number of Restricted Voting Ordinary Shares which, when aggregated with the number of shares representing the Current Holding, equals the Threshold;
"Threshold"	means the number of Voting Ordinary Shares which equals the lower of (i) 19.9 per cent. (as nearly as possible, but rounding down any fraction of a share) of the total of all Voting Ordinary Shares in issue from time to time or (ii) the percentage which all the Ordinary Shares (including for the avoidance of doubt Restricted Voting Ordinary Shares) held by the Wider Lazard Group bears to the total number of Ordinary Shares (including for the avoidance of doubt Restricted Voting Ordinary Shares) in issue from time to time;
"UKPG"	means UKPG Holdings LLC a Delaware limited liability company whose registered office is at c/o National Registered Agents, Inc., 9 East Lookerman Street, Suite 1B, Dover, Kent County, Delaware 19901, United States;
"Voting Ordinary Shares"	means the Ordinary Shares excluding the Restricted Voting Ordinary Shares in issue from time to time but including, for the avoidance of doubt, Ordinary Shares which were Restricted Voting Ordinary Shares but in respect of which Voting Rights have been restored; and
"Wider Lazard Group"	means the Lazard Group and the LFCM Group.

6. THAT subject to, and conditional upon, resolutions 1 to 5 inclusive and 7 to 9 inclusive being passed, the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the “Act”) (in addition to the existing authority to allot relevant securities conferred on the Directors pursuant to an ordinary resolution passed on 14 March 2005), to:
- 6.1 allot the Consideration Shares on the terms and conditions and on the basis set out in the Circular; and
- 6.2 allot other relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £563,719,
- such authority to expire on 21 April 2010 (unless and to the extent that such authority is revoked, varied, renewed or extended prior to such date), but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such a period and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired.
7. THAT subject to, and conditional upon, resolutions 1 to 6 inclusive, 8 and 9 being passed, (i) the Directors be authorised to amend the rules of the Durlacher Corporation Plc 2002 Unapproved Share Option Plan (the “Unapproved Plan”) and, subject to the approval of the Inland Revenue, the rules of the Durlacher Corporation Plc 2002 Approved Share Option Plan as shown on the amended copies of the rules produced to the meeting and signed for identification purposes by the Chairman of the Meeting; and (ii) the grant of options pursuant to the Unapproved Plan to each of Simon Hirst, David Liddell and Julian Hirst to subscribe for 500,000 Ordinary Shares at an exercise price of 120p per share be and is hereby approved.
8. THAT subject to, and conditional upon, resolutions 1 to 7 inclusive and 9 being passed:
- 8.1 the Directors be authorised to adopt the Durlacher Corporation Plc 2005 Employee Share Option Plan and the Durlacher Corporation Plc No. 2 Employee Benefit Trust (the “Employee Plan”) (the principal features of which are summarised in the Circular and the rules and trust deed of which are produced to the meeting and signed for the purposes of identification by the Chairman) and the Directors be and are hereby authorised to do all such acts and things as may be necessary or expedient to carry the same into effect, including making such modifications to the rules as may be necessary to ensure compliance with any statutory, fiscal or securities regulations as may apply to the Employee Plan or any participant therein; and
- 8.2 the Directors be and are hereby authorised to vote and be counted in the quorum on any matter connected with the Employee Plan, notwithstanding that they may be interested in the same (except that no Director may be counted in a quorum or vote in respect of his own participation in the Employee Plan) and the prohibition on voting by interested Directors contained in the articles of association of the Company be and is hereby relaxed accordingly.
9. THAT subject to, and conditional upon, resolutions 1 to 8 inclusive being passed:
- 9.1 the Directors be authorised to adopt the Durlacher Corporation Plc Performance Share Option Plan (the “Performance Option Plan”) (the principal features of which are summarised in the Circular and the rules of which are produced to the meeting and signed for the purposes of identification by the Chairman) and the Directors be and are hereby authorised to do all such acts and things as may be necessary or expedient to carry the same into effect, including making such modifications to the rules as may be necessary to ensure compliance with any statutory, fiscal or securities regulations as may apply to the Performance Option Plan or any participant therein;
- 9.2 the Directors be and are hereby authorised to vote and be counted in the quorum on any matter connected with the Performance Option Plan, notwithstanding that they may be interested in the same (except that no Director may be counted in a quorum or vote in respect of his own participation in the Performance Option Plan) and the prohibition on voting by interested Directors contained in the Articles of Association of the Company be and is hereby relaxed accordingly; and
- 9.3 the grant of the UKPG Option be and is hereby approved.

SPECIAL RESOLUTIONS

10. THAT subject to, and conditional upon, resolutions 1 to 9 inclusive being passed, the Directors be and are hereby empowered pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in resolution 6 above (in addition to existing power conferred on the Directors pursuant to a special resolution passed on 14 March 2005) as if section 89(1) of the Act did not apply to that allotment, such power being limited to:
- 10.1 the allotment of equity securities wholly cash in connection with a rights issue; and
- 10.2 the allotment (otherwise than pursuant to paragraph 10.1 above) of equity securities up to a maximum aggregate nominal amount of £217,988.04;
- such power to expire on 21 April 2010 (unless and to the extent that such power is revoked, varied, renewed or extended prior to such date), but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require equity securities to be allotted after the expiry of such a period and the Directors may allot equity securities pursuant to such an offer or agreement as if the power conferred hereby had not expired.

For the purposes of this resolution 10, "rights issue" means an offer of equity securities (as defined in section 94(2) of the Act) open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlement or with any legal or practical difficulties under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory.

11. THAT subject to and conditional upon, resolutions 1 to 9 inclusive being passed, the name of the Company be and is hereby changed to Panmure Gordon & Co. plc.
12. THAT:
 - 12.1 the share premium account of the Company be and hereby is cancelled and extinguished; and
 - 12.2 the capital of the Company be and hereby is reduced by cancelling and extinguishing all of the deferred shares of 4 pence each in the capital of the Company.

By Order of the Board
Mark D Tubby
Secretary

Registered Office:
Moorgate Hall
155 Moorgate
London EC2M 6XB

Dated 30 March 2005

NOTES:

1. A member entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company. Completion and return of a form of proxy does not preclude a member from attending and voting at the Meeting or any adjournment thereof in person.
2. The form of proxy and power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited at the offices of the Company's Registrars, Computershare Investor Services PLC, PO Box 82, Bridgwater Road, Bristol BS99 7NH not less than 48 hours before the time appointed for the meeting.
3. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the Register of Members will be accepted to the exclusion of other joint holders.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company as at 10.00am on 20 April 2005 shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of share registered in their name at that time. Changes to entries on the register after 10.00am on 20 April 2005 shall be disregarded in determining the rights of any persons to attend or vote at the EGM.

