THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take you should seek your own financial advice immediately from a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. You should be aware that an investment in Nasstar plc involves a high degree of risk and prospective investors should carefully consider this document before taking any action. All statements regarding the Enlarged Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred some of your Ordinary Shares, you should consult with the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document comprises an AIM admission document and has been drawn up in accordance with the requirements of the AIM Rules for Companies. This document contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA or the Act or otherwise and is not a prospectus as defined in the Prospectus Rules. Accordingly, neither the contents nor the issue of this document have been approved by the FCA pursuant to section 85 of FSMA or any other competent authority.

The Company, the Directors and the Proposed Directors, whose names appear on page 8 of this document, accept responsibility individually and collectively in accordance with the AIM Rules for Companies for the information contained in this document. To the best of the knowledge and belief of the Directors, the Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on AIM on 10 January 2014.

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 of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than the listing rules of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority. The Existing Ordinary Shares are not dealt in on any other recognised investment exchange.

Prospective investors should read this document in its entirety. An investment into the Company includes a significant degree of risk and prospective investors should consider carefully the risk factors set out in Part II of this document.

Nasstar plc

(A company incorporated and registered in England & Wales with registered number 5623736)

Proposed Acquisition of Denara Holdings Limited
Proposed Placing of 210,000,000 new Ordinary Shares at 5p per Ordinary Share
Proposed Capital Reduction
Proposed adoption of New Articles of Association
Proposed authorities to allot relevant securities and disapply pre-emption rights
Admission of the Enlarged Issued Share Capital to trading on AIM
and Notice of General Meeting

Nominated Adviser and Broker:

finnCap

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finnCap Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to Nasstar for the purposes of the AIM Rules for Companies and no one else in connection with the Fundraising and Admission and will not be responsible to any person other than Nasstar for providing the regulatory and legal protections afforded to customers of finnCap nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of finnCap, as nominated adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to Nasstar or any Director or any Proposed Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance of any part of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted by finnCap Nasstar or any Director or Proposed Director in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by finnCap as to the contents of this document. No liability whatsoever is accepted by finnCap for the accuracy of any information or opinions contained in this document, for which the Directors and Proposed Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

Notice convening a general meeting of Nasstar plc to be held at the offices of Marriott Harrison LLP at 11 Staple Inn, London WC1V 7QH at 9:30 a.m. on 9 January 2014 is set out at the end of this document. The accompanying Form of Proxy for use at the General Meeting should be completed and returned to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible and to be valid must arrive by no later than 9:30 a.m. on 7 January 2014.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of finnCap at 60 New Broad Street, London, EC2M 1JJ, from the date of this document and for a period of one month from the date of Admission. This document will be available to download from Nasstar's website at www.nasstar.com.

IMPORTANT NOTICE

The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Admission, the Ordinary Shares, the Placing and the distribution of this document. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. This document should not be copied or distributed by recipients and, in particular should not be distributed, published, reproduced or otherwise made available by any means, including electronic transmission, in, into or from the United Stated of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan or any other jurisdiction where to do so would be in breach of any other law and/or regulation. The Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the ''Securities Act'') or under the securities laws of any state of the United States of America or under the securities laws of any of Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan and, subject to certain exemptions, may not be offered or sold, directly or indirectly, within or into the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan. Neither this document nor any copy of it may be distributed in or sent to or taken into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful. Persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

No person has been authorised to give any information or to make any representation about the Enlarged Group and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in any member of the Enlarged Group's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

FORWARD LOOKING STATEMENTS

This document includes ''forward looking statements'' which include all statements other than statements of historical facts, including, without limitation, those regarding the Enlarged Group's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words ''targets'', ''believes'', ''expects'', ''aims'', ''intends'', ''will'', ''may'', ''anticipates'', ''would'', ''could'' or similar expressions or negatives thereof. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Enlarged Group to be materially different from future results, performance or achievements expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Enlarged Group's present and future business strategies and the environment in which the Enlarged Group will operate in the future. These forward looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.

BASIS ON WHICH INFORMATION IS PRESENTED

The report on financial information included in Part IV of this document has been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to its inclusion in this document appearing in Part IV of this document has been included as required by the AIM Rules for Companies and solely for that purpose.

Various figures and percentages in tables in this document, including financial information, have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

THIRD PARTY INFORMATION

Where third party information has been used in this document, the source of such information has been identified. The Company takes responsibility for compiling and extracting, but has not independently verified, market data provided by third parties or industry or general publications and takes no further responsibility for such data.

REFERENCES TO DEFINED TERMS

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading ''Definitions''.

All times referred to in this document are, unless otherwise stated, references to London time.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	17 December 2013
Latest time and date for receipt of Forms of Proxy	9.30 a.m. on 7 January 2014
General Meeting	9.30 a.m. on 9 January 2014
Completion of the Acquisition	10 January 2014
Admission effective and dealings in the Enlarged Issued Share Capital expected to commence on AIM	10 January 2014
CREST accounts expected to be credited with the New Ordinary Shares	10 January 2014
Definitive share certificates for the New Ordinary Shares to be dispatched by	30 January 2014

Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service.

ADMISSION AND ACQUISITION STATISTICS

Number of Existing Ordinary Shares	61,960,053
Number of Placing Shares	210,000,000
Placing Shares expressed as a percentage of the Enlarged Issued Share Capital	59.4%
Number of Vendor Consideration Shares	80,000,000
Vendor Consideration Shares expressed as a percentage of the Enlarged Issued Share Capital	22.6%
Issue Price (in respect of the Placing Shares and Vendor Consideration Shares)	5 pence
Enlarged Issued Share Capital	353,660,053
Net proceeds receivable by the Company pursuant to the Placing	£0.3m
Market capitalisation of the Company at Admission at the Issue Price	£17.7m
ISIN on Admission	GB00B0T1S097
TIDM	NASA
SEDOL	B0T1S09

DEFINITIONS

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

"Act"	the Companies Act 2006, as amended
"Accountants' Report"	the report on the historical financial information relating to the Denara Group prepared by KPMG LLP which is set out in Part IV of this document
"Acquisition"	the Company's proposed acquisition of the entire issued and to be issued share capital of Denara pursuant to the terms of the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement between the Company, the Directors (other than Tony Eve and Angus McCaffery) and the Vendors relating to the Acquisition, further details of which are set out in paragraph 12.1.1 of Part VI of this document
"Admission"	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	together, the AIM Rules for Companies and, where the context requires, the AIM Rules for Nominated Advisers
"AIM Rules for Companies"	the rules for companies whose securities are admitted to trading on AIM published by the London Stock Exchange
"AIM Rules for Nominated Advisers"	the rules for nominated advisers setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange
"applicable employee"	as defined in the AIM Rules for Companies
"Articles"	the articles of association of the Company in force as at the date hereof
"Audit Committee"	the audit committee of the Company as constituted from time to time
"Capital Reduction"	the proposed reduction of the Company's share capital pursuant to Resolution 4, details of which are set out in paragraph 12 of Part I of this document
"certificated" or "in certificated form"	a share or other security which is not in uncertificated form (i.e. not in CREST)
"Charles Black Exit Shares"	1,700,000 new Ordinary Shares to be issued to Charles Black at the Issue Price on Admission as part of his exit arrangements as chief executive officer of the Company
"City Code" or "Takeover Code"	the City Code on Takeovers and Mergers
"Company" or "Nasstar"	Nasstar plc, a company registered in England and Wales with company number 5623736
"Completion"	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
"Consequential Proposals"	together the proposed adoption of the New Articles and the Capital Reduction
"Corporate Governance Code"	the UK Corporate Governance Code issued from time to time by the Financial Reporting Council
"Court"	the High Court of Justice of England and Wales
"CREST"	the electronic system for the holding and transferring of shares and other securities in paperless form operated by Euroclear UK & Ireland Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755)

"Denara"	Denara Holdings Limited, being the parent company of e-know.net
"Denara Group"	Denara and its wholly owned subsidiaries e-know.net and Denara Technologies Limited
"Directors" or "Board"	the directors of the Company at the date of this document, whose names are set out on page 8 of this document (each being a "Director")
"Disclosure and Transparency Rules"	the disclosure and transparency rules issued by the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"EIS"	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007
"Enlarged Group"	the Company and its subsidiaries on Admission
"Enlarged Issued Share Capital"	the issued ordinary share capital of the Company on Admission, being the Existing Issued Share Capital together with the New Ordinary Shares
"equity securities"	as defined in section 560 of the Act
"EU"	European Union
"e-know.net"	e-know.net Limited, being the wholly owned operating subsidiary of Denara
"Existing Issued Share Capital"	the issued ordinary share capital of the Company as at the date of this document
"Existing Ordinary Shares"	the existing 61,960,053 Ordinary Shares in issue
"finnCap"	finnCap Ltd, nominated adviser and broker to the Company
"Form of Proxy" or "Proxy Form"	the form of proxy accompanying this document for use in connection with the General Meeting
"FCA"	the Financial Conduct Authority
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Fundraising"	the Placing
"General Meeting" or "GM"	the general meeting of the Company to be held at the offices of Marriott Harrison LLP, 11 Staple Inn, London WC1V 7QH at 9:30 a.m on 9 January 2014, notice of which is set out at the end of this document
"Group" or "Nasstar Group"	the Company and its subsidiary prior to Admission
"HMRC"	HM Revenue & Customs
"IFRS"	International Financial Reporting Standards as adopted by the EU
"IP"	intellectual property
"ISIN"	International Securities Identification Number
"Issue Price"	5 pence per New Ordinary Share
"London Stock Exchange"	London Stock Exchange plc
"New Articles"	the proposed articles of association of the Company on Admission, a summary of which is set out in paragraph 5 of Part VI of this document
"New Ordinary Shares"	together, the Placing Shares, the Charles Black Exit Shares and the Vendor Consideration Shares
"Notice"	the notice convening the General Meeting, which is set out at the end of this document
"Official List"	the Official List of the UK Listing Authority
"Option"	an option over Ordinary Shares granted by the Company

"Ordinary Shares"	ordinary shares of one penny each in the capital of the Company
"Placees"	the persons who have confirmed their agreement to participate in the Placing and to subscribe for the Placing Shares
"Placing"	the conditional placing by finnCap of the Placing Shares at the Issue Price pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 17 December 2013 between the Company, the Directors, (other than Tony Eve) the Proposed Directors and finnCap, relating to *inter alia*, the Placing, details of which are set out at paragraph 12.1.3 of Part VI of this document
"Placing Shares"	the 210,000,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
"Proposals"	together, the Acquisition, the Fundraising and the Consequential Proposals
"Proposed Directors"	the directors of the Enlarged Group to be appointed at Completion, being David Redwood, Nigel Redwood, Niki Redwood, Nicholas Bate and Michael Read
"QCA Guidelines"	the Quoted Companies Alliance's Corporate Governance Guidelines for Smaller Quoted Companies
"Prospectus Rules"	the rules published by the FCA under section 73A FSMA
"Remuneration Committee"	the remuneration committee of the Company as constituted from time to time
"Resolutions"	the resolutions to be proposed at the General Meeting (and each a "Resolution")
"Share Option Scheme"	The Nasstar 2005 Unapproved Share Option Scheme, approved and adopted by the Nasstar board of directors on 8 December 2005
"Shareholders"	holders of Existing Ordinary Shares
"Subsidiaries"	Nasstar (UK) Limited and with effect from Admission, Denara Holdings Limited, Denara Technologies Limited and e-know.net
"subsidiary"	a subsidiary undertaking (as defined by section 1162 of the Act) of the Company and "subsidiaries" shall be construed accordingly
"substantial shareholder"	as defined in the AIM Rules for Companies
"Takeover Panel" or "Panel"	the Panel on Takeovers and Mergers
"Transaction"	together, the Fundraising and the Acquisition
"UK" or "United Kingdom"	United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Conduct Authority acting in its capacity of competent authority for the purposes of Part IV of FSMA
"uncertificated"	an Ordinary Share recorded on the Company's register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"VCT" or "VCT Scheme"	Venture Capital Trust scheme under the provisions of Part 6 of the Income Tax Act 2007
"Vendors"	the sellers of the share capital of Denara under the Acquisition Agreement
"Vendor Consideration Shares"	the 80,000,000 new Ordinary Shares to be issued to the Vendors at the Issue Price pursuant to the Acquisition Agreement
"£" or "sterling"	UK pounds sterling

DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Lord Peter Daresbury Charles Michael Andrew Black Maurice Anthony (Tony) Eve Angus John McCaffery
Proposed Directors	Nicholas John Bate Michael David Read David Thomas Arthur Redwood Nigel Redwood Niki Jane Redwood
Company Secretary and Registered Office	Tony Eve (until Admission) Niki Redwood (effective from Admission) 14 – 18 Old Street London EC1V 9BH
Website on Admission	www.nasstar.com
Nominated Adviser & Broker	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Auditors to the Company	Gerald Edelman (until Admission) 25 Harley Street London W1G 9BR KPMG LLP (effective from Admission) One Snowhill Snow Hill Queensway Birmingham B4 6GH
Reporting Accountants	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Solicitors to the Company	Marriott Harrison LLP 11 Staple Inn London WC1V 7QH
Solicitors to finnCap	McClure Naismith 4th Floor Equitable House 47 King William Street London EC4R 9AF
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Financial Public Relations advisers to Nasstar	Gresham PR Ltd 9 Moreton Street London SW1V 2PW

PART I

LETTER FROM THE CHAIRMAN OF NASSTAR PLC

(Incorporated and registered in England and Wales with registered number 5623736)

Directors:
Peter Daresbury *(Non-Executive Chairman)*
Charles Black *(Chief Executive Officer)*
Tony Eve *(Finance Director)*
Angus McCaffery *(Non-Executive Director)*

Registered Office
14-18 Old Street
London
EC1V 9BH

17 December 2013

To Shareholders and, for information only, to holders of Options

Dear Shareholder,

Proposed Acquisition of Denara Holdings Limited
Proposed placing of 210,000,000 new Ordinary Shares at 5p per Ordinary Share
Proposed Capital Reduction
Proposed adoption of New Articles of Association
Proposed authorities to allot relevant securities and disapply pre-emption rights
Admission of the Enlarged Issued Share Capital to trading on AIM
and Notice of General Meeting

1. INTRODUCTION

On 17 December 2013, the Company announced that it had conditionally agreed to purchase the entire issued and to be issued share capital of Denara for an aggregate consideration of £13.0m. In order to fund the cash element of the total consideration payable pursuant to the Acquisition, as well as Transaction costs and ongoing working capital requirements, the Company has also today announced the conditional placing of 210,000,000 new Ordinary Shares at 5 pence per share to raise £10.5m (£9.3m net of costs). The Acquisition constitutes a reverse takeover of the Company for the purposes of the AIM Rules for Companies and accordingly requires Shareholder approval. Based on an expected net cash balance within e-know.net at Completion of £650,000, the Denara purchase price represents an enterprise value of £12.3m.

At the same time as the Acquisition and the Placing, the Directors are now making other consequential proposals, comprising a reorganisation of the Company's share capital and the adoption of new articles of association.

The Proposals are conditional, *inter alia*, upon the passing of the Resolutions at a General Meeting to be held at the offices of the Company's solicitors, Marriott Harrison LLP, at 11 Staple Inn, London WC1V 7QH at 9:30 a.m on 9 January 2014, and Admission taking place. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on AIM on 10 January 2014.

This document contains detailed information about Denara, the Acquisition, the Fundraising and the Consequential Proposals and explains why the Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole, and recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

2. E-KNOW.NET

e-know.net is the sole operating subsidiary of Denara, which acts solely as its holding company. e-know.net is a Hosted Desktop and managed services provider which was founded in 1999 by David Redwood. e-know.net supplies a robust, secure and stable hosted Information Technology ("IT") service to businesses, providing them with enhanced IT performance and greater cost control over their IT function. e-know.net is an accredited Microsoft Gold Partner, officially certified against the Cloud Industry Forum Code of Practice and is certified to ISO 27001.

David Redwood's son and daughter, Nigel Redwood and Niki Redwood, also work in the e-know.net business as its managing director and finance director respectively. It is proposed that, in addition to David Redwood, they join the Enlarged Group's board of directors on Admission. Further details of their backgrounds are set out in paragraph 9 of this Part I.

3. BACKGROUND ON NASSTAR

Nasstar was founded in 1998 by Charles Black, initially providing web site development and hosting services. Nasstar launched a hosted email service in 2003 and then in 2004 launched its Hosted Desktop service and Hosted Exchange email. Nasstar was admitted to trading on AIM on 29 December 2005.

Hosted Desktop is a cloud computing solution enabling clients to access their desktops, business applications and files from anywhere with internet connectivity, using various devices.

Since the launch of Nasstar's Hosted Desktop in 2004 it has continued to invest in the infrastructure designed for scalability and to seek to deliver the best possible user experience. Nasstar currently serves approximately 160 organisations on its Hosted Desktop platform, with such organisations varying in size from very small organisations (fewer than 5 users), to comparatively bigger businesses (80 – 100 users). Nasstar sells its service both directly to customers and through resellers who 'white label' Nasstar's Hosted Desktop service. Under this structure resellers market Nasstar Hosted Desktop and management portal – known as the "App Portal" – as their own branded service. As at the end of September 2013 Nasstar had over 2,400 users on its Hosted Desktop platform.

As well as Hosted Desktop, Nasstar also provides Hosted Exchange, which is a hosted version of Microsoft Exchange email, providing each user with a mailbox which can be accessed from anywhere with internet connectivity, using various devices.

Nasstar has earned accreditations including ISO 27001 certification, Microsoft Gold Partner status, and European Service Provider of the Year for 2012-2013 from Citrix. Nasstar is now most accurately described as being a Cloud Service Provider with a specialist focus and experience around Hosted Desktop.

4. BACKGROUND ON E-KNOW.NET

e-know.net provides a comprehensive cloud service package, offering Hosted Desktop and Hosted Exchange services, with the ability to host a wide variety of software applications on behalf of clients. e-know.net additionally hosts internet based telephony systems (known as Voice Over Internet Protocol ("VoIP")), provides managed networks and an extensive user support service. e-know.net has approximately 103 managed service clients, ranging in size from 1 to approximately 1,500 users.

e-know.net has focused principally on direct sales to the legal, financial services and recruitment sectors. The regulated nature of these industry sectors makes them particularly suitable for outsourced IT solutions of the type provided by e-know.net. e-know.net's services provide high levels of functionality and regulatory compliance to businesses in such sectors alleviating them of the immediate burden of IT compliance as well as providing them with access to evolving software solutions. As a result of e-know.net's disciplined sector focus, and complemented by the comprehensive e-know.net product and services portfolio, e-know.net is able to demonstrate proven capability to prospective clients and has moved away from the lower to the mid range of the SME market place. As a consequence e-know.net has been able to attract larger clients with larger user numbers, and higher recurring revenues per user.

The three principal target sectors now account for approximately 51 per cent. of e-know.net's clients by number and 79 per cent. of e-know.net's recurring revenue per month. e-know.net's top ten customers currently account for approximately 60 per cent. of total revenue.

e-know.net delivers a number of services including:

- Hosted desktop, the outsourcing of a client's IT department and desktop environment to e-know.net, forming the central delivery mechanism on which a client can use a customised and flexible solution for its technological needs.

- Managed networks, a comprehensive network package with solutions including point-to-point connectivity, private networks, and the full design of a client's wide area network and in-house network. e-know.net aims to increase the performance and resilience of its clients' networks, whilst also reducing the clients' associated costs.
- Managed telephony, an extension to e-know.net's managed desktop service. Clients can opt to add mobile and internet protocol telephony to their e-know.net service to increase cost efficiency, integration and ease of IT management.
- Business solutions, e-know.net can provide companies with access to software at more affordable rates, whilst also increasing a company's functionality and business agility. This is facilitated by billing per user per month. These solutions appear as an 'app' within a client's managed desktop; e-know.net currently hosts and manages approximately 300 separate software applications on behalf of its clients.
- Software-as-a-Service (''SaaS''), enables a client to purchase individual applications from e-know.net on a per user per month basis without taking on the whole e-know.net managed desktop service. This allows clients to move away from the need to purchase often expensive packaged software licenses, providing them with access to up to date products they may not otherwise be able to afford.
- People and projects, this refers to e-know.net's comprehensive support function, from basic software queries, to in-depth technical support. The service may also include IT consultancy and project management.

A critical limb to e-know.net's strategy has been the clear focus on creating long-standing and loyal clients. Whilst the cost of switching providers has been a factor in retaining clients and typical contract durations range from 3 to 5 years, the directors of e-know.net have not relied on these factors alone to foster longevity and low customer churn. This has been achieved more effectively through a concerted focus on excellent customer service and staff development/retention. Staff development and retention within e-know.net has engendered very low staff turnover which has in turn been instrumental in providing continuity for clients, thereby helping to develop and retain client relationships.

5. FINANCIAL INFORMATION ON DENARA

The following financial information relating to Denara has been extracted from the Accountants' Report set out in Part IV of this document:

	Year ended 31 December 2010 £'000	Year ended 31 December 2011 £'000	Year ended 31 December 2012 £'000	Unaudited six months ended 30 June 2013 £'000
Revenue	4,482	5,117	5,756	3,319
Gross Profit	2,852	3,334	4,022	2,332
PBT	127	246	408	332
Adjusted PBT*	170	289	472	355
Net cash from operating activities	619	538	996	690
Capital Expenditure	484	266	468	110

*Profit before tax and amortisation

Other information:				
Employees	35	41	46	53
Average revenue per user per month	£163	£159	£140	£135

e-know.net's growth during the period referred to above has been driven by its clear focus upon clients in its three key target vertical sectors. This strategy was facilitated in particular by e-know.net's move into its own data centre in January 2010 which enabled e-know.net to provide improved levels of data security as well as legal and regulatory compliance; these features are of particular value to the legal, financial and recruitment sectors. Since then e-know.net has steadily built its customer and user numbers, whilst also expanding the overall levels of contracted recurring revenue. Active control of costs, combined with operational cost savings following the opening of the data centre in January 2010 has seen e-know.net's gross margin rise from 63.6 per cent. during 2010 to 70.2 per cent. during 2013.

Key client wins during the period referred to above have included four legal firms, each with in excess of 150 managed desktop users; a recruitment company of approximately 90 users; a distribution company supporting multiple distribution centres; as well as a variety of other legal firms with 50-100 users each. At the start of e-know.net's year to 31 December 2010 the business supported 2,144 managed desktop users. By 1 December 2013 this number had grown to 4,470.

Pricing strategies are based upon fixed fees per user per month with typical payment terms on an in-advance basis, either quarterly or monthly. Consequently e-know.net has experienced strong cash generation, with cash generation post capital expenditure growing year on year.

6. BACKGROUND TO AND REASONS FOR THE ACQUISITION

Nasstar has, over the last 10 years, invested heavily in innovation to create a powerful Hosted Desktop solution, combining a quick and easy to use customer offering with an efficient web based administration system providing billing and the ability for customers to manage certain aspects of their Hosted Desktop and Hosted Exchange services.

e-know.net has likewise developed a powerful Hosted Desktop proposition for its customers, though has focused more so than Nasstar on developing a sustainable and profitable sales function, incorporating sector focus (as referred to above); a clear marketing strategy to address chosen sectors; a comprehensive IT support function for customers comprising proactive and reactive support; and provision of an increased portfolio of products and services to its client base.

The Directors and Proposed Directors believe that the combination of the respective strengths of e-know.net and Nasstar will provide the Enlarged Group with a product and service range capable of providing Hosted Desktop to a wide range of business types and sizes. Combining e-know.net's marketing approach with Nasstar's technology, the Directors and Proposed Directors believe that a range of synergies will be available to the Enlarged Group, both in terms of cost savings and revenues.

Cost synergies are expected to arise from the amalgamation of certain key resources such as data centres (where clear scope exists to migrate some of Nasstar's servers from outsourced data centres to e-know.net's own data centre in Telford, where spare capacity currently exists). In addition, the finance functions of the two businesses will be consolidated in Telford under the direct control of Niki Redwood. The management of sales, marketing, and technical support, will all be consolidated as appropriate.

The Directors and Proposed Directors believe that in the region of £0.5m can be saved on an annualised basis as a result of the above cost synergies. The Directors and Proposed Directors anticipate that approximately £0.4m of such cost synergies will be available to the Enlarged Group during the financial year to 31 December 2014. Costs in respect of achieving such synergies are estimated to be in the region of £0.5m.

As well as the above cost synergies, the Directors and Proposed Directors believe that a range of operational synergies will accrue to the Enlarged Group in terms of:

- Imposing e-know.net's marketing and pricing disciplines on the Enlarged Group;
- Increased buying power (of, for example, user licenses) arising from the amalgamated higher user numbers;
- Enabling e-know.net to capitalise on smaller opportunities which it may not currently be able to service economically, by using Nasstar's multi-tenanted Hosted Desktop platform;
- Up-selling e-know.net functionality to Nasstar customers;
- Pooling of technical know-how and experience.

7. MARKET OPPORTUNITY AND COMPETITIVE ENVIRONMENT

There are a variety of reasons as to why an organisation might move to a Hosted Desktop solution, including the following:

- Cost effectiveness: Capital costs of hardware are predominantly borne by the Hosted Desktop provider; clients can save costs by not having to purchase, maintain and upgrade expensive IT equipment and pay for unused software licenses. Additionally, clients may be able to mitigate their insurance costs by outsourcing their data housing, thereby reducing their risk in respect of data security and compliance.
- Cost control: Outsourcing IT functions to a third party providing a contracted price per user per month should enable an organisation to more accurately budget and control its IT costs, which thereby become profit and loss as opposed to balance sheet items. Adopting Hosted Desktop means a customer pays for the IT resource it uses based on the quantified variables such as the number of users, software licenses and data storage. This transforms payment of IT into a utility based approach which is more transparent and predictable than a traditional IT function. Paying on a per user per month basis enables companies with large staff turnover or fluctuating demand to 'turn on and off' Hosted Desktop users and software on a highly flexible basis and avoid being contracted to paying for unused software licenses.
- Ease of management: Large, multi-centered companies can manage their day-to-day IT tasks and multiple users from one central location. The Directors and Proposed Directors believe that hosting eliminates many of the day to day IT related issues for a client's management.
- Specification: Hosted Desktops are typically run on some of the best and most up to date software and hardware available. To build a Hosted Desktop business, the provider must continually improve its system architecture to meet the speed, capacity and reliability demands of its customers. These systems will typically be far superior to anything an SME could deliver or afford itself.
- Flexibility of location: A Hosted Desktop user can access their Hosted Desktop from any internet enabled device in any location with internet connectivity. This allows the user to access their desktop and all files/applications contained within it from any location using a variety of devices including mobile phones and tablet computers.
- Resilience and security: Hosted Desktops are highly-resilient compared to even the highest-end IT infrastructure with multiple layers of back-up, resilience and defence built in to systems to guard against service disruption, whatever its cause, be it cyber-crime, fires, floods or vandalism.
- 24/7 remote support.
- Scalability. The solutions of e-know.net and Nasstar enable their clients to match accurately their IT needs to the size of their operation. As a client expands, it is usually as simple as notifying e-know.net or Nasstar of the planned expansion and the new users that need to be created.

These market drivers are now contributing to a Hosted Desktop market which is currently estimated to be growing at a compound annual growth rate of 86 per cent. between 2011 to 2016 (Source: 'Workspace-as-a-Service (''Waas'') 2012-2016 Forecast of the Emerging WaaS Market'; IDC Worldwide, December 2012) with approximately 77 million Hosted Desktop users expected by 2016 (Source: Forecast: Hosted Virtual Desktops, Worldwide, 2012-2016, 2012 Update; Gartner Inc.; 29 June 2012).

The Directors and Proposed Directors believe that, whilst hosting capabilities are well advanced, the extent to which it has been adopted is still relatively low with recent survey data of 2,000 UK companies ranging in size from 2 to 250 users indicating that just 2 per cent. of such companies use Desktop as a Service (''DaaS'') (Source: EDGE_Microsoft SMB Research – 2012). At the same time, there is clear survey evidence to suggest that businesses are now more cognisant of the benefits of DaaS and as a consequence, their likely propensity to adopt it (Source: Gartner Forecast Hosted Virtual Desktops, Worldwide, 2012-2016, 2012 Update). The Enlarged Group will seek to establish itself as a leading Hosted Desktop provider, most prominently in the key sectors it has identified, taking advantage of the fragmentation of competition within the market.

The Directors and Proposed Directors have identified three direct routes via which they will seek to gain market share for the Enlarged Group; consultants, authors and governing bodies. It is the Directors' and Proposed Directors' belief that a majority of mid-size companies use consultants to assist them in defining their IT needs and to advise them on appropriate providers. The Enlarged Group intends to broaden and strengthen its relationships with such consultants. e-know.net also holds agreements with a number of software application authors to host their software for their client base (where hosting is more appropriate to a capital software sale). The Directors and Proposed Directors intend to expand these relationships.

The key sectors to which the Enlarged Group will seek to provide Hosted Desktop solutions are regulated sectors. It is the Directors' and Proposed Directors' belief that companies within these sectors may look to their governing bodies and societies for 'approved' IT outsourcing companies. The Enlarged Group will seek to capitalise and add to the partnerships e-know.net has already established with certain governing or professional bodies and societies (including the regionalised Law Societies).

In addition to the three direct routes, the Enlarged Group will further develop the Nasstar reseller and distribution channel with a new pricing and marketing strategy.

8. CURRENT TRADING AND PROSPECTS

Nasstar

The Directors have today resolved, conditional upon Admission, to change Nasstar's accounting reference date from 30 September to 31 December in order to bring Nasstar's accounting year end in line with that of e-know.net. Accordingly, Nasstar has today published its second interim results for the six month period to 30 September 2013. The Group's next financial statements will therefore be in respect of the 15 months ending 31 December 2013.

Since the start of the current financial year, the number of live users of Hosted Desktop has risen by approximately 33 per cent. to over 2,400. These Hosted Desktop subscriber additions came against the loss of a substantial number of users as a result of the end of a fixed term contract with Allied Healthcare in September last year, as previously announced.

For the six months to 30 September 2013 Nasstar reported a turnover for the period of £1m (six months to 31 March 2013: £1m) and an adjusted EBITDA[1] loss for the period of £241,000 (six months to 31 March 2013: loss of £190,000).

e-know.net

Since 30 June 2013 e-know.net has continued to renew existing contracts and win new business. e-know.net has won three major new contracts adding approximately £30,000 of recurring revenue per month with contract durations ranging from 36 to 60 months, and has renewed contracts with three major customers securing over £20,000 of recurring revenue per month for a further 36 months. Out of these six contracts, five fall within the sectors targeted by e-know.net, as referred to above.

These recent contract wins and renewals further support the Directors' and Proposed Directors' opinion that the mid-market of the SME sector is the correct focus for the e-know.net offering. During the economic downturn, the switch to an e-know.net service offered clients fixed cost IT in line with industry specific regulatory requirements. It is the Directors' and Proposed Directors' view that as the economic outlook continues to improve, the switch to an e-know.net service will not only be made for financial reasons, but for reasons of agility and scalability.

Enlarged Group

The Directors and Proposed Directors are encouraged by trading conditions generally across the Enlarged Group's chosen markets and the wider sectors in which their clients operate. The Directors and Proposed Directors expect that the combined sales, technical and operational resources available to the Enlarged Group following Completion will enable it to grow organically and capitalise on the accelerating growth now being experienced in the Hosted Desktop and managed applications market. The Directors and Proposed Directors would also anticipate using the Enlarged Group as a platform to undertake further consolidation in the sector.

9. DIRECTORS, PROPOSED DIRECTORS AND SENIOR MANAGEMENT

Details of the current Directors of Nasstar are as follows:

1 earnings before interest, taxation, depreciation, amortisation and share-based payments

Lord Daresbury (Peter) – Chairman (age 60)

Peter Daresbury has held numerous executive positions, including CEO from 1993 to 2000 of the Greenalls Group. In 2000 the company was re-named The De Vere Group plc, and Peter became Non-Executive Chairman, until he stood down in 2006. Peter is currently Chairman of AIM listed Nasstar PLC, Stellar Diamonds PLC, Mallett PLC and is a Non-Executive Director of Bespoke Hotels Ltd. Peter will become Chairman of the Enlarged Group on Admission.

Charles Black – Chief Executive Officer (age 42)

Charles founded Nasstar in January 1998. His interest in the Internet began in 1994 when he chose to study the legal issues surrounding the distribution of information on the Internet for a University research paper, later published by Tolley's Communications Law. Before setting up Nasstar, Charles completed his legal training, qualifying as a barrister in 1997 having trained in both media and company law. On Admission Mr Black will resign as Chief Executive Officer and will provide his services to the Enlarged Group as a consultant on a remunerated basis until 30 June 2014 and thereafter will remain available on an ad-hoc basis to provide advice and assistance to the Enlarged Group for a further six months.

Tony Eve – Finance Director (age 59)

Tony Eve FCA qualified as a chartered accountant in 1981. Tony established his own practice in 1992 to provide business and taxation advice. In 1996 and as part of his practice, Tony advised on the AIM flotation and joined the board of Highams Systems Services Group plc, an IT contractor and recruitment agency. Tony subsequently sold the practice in 2003 although he remained on the board of Highams Systems Services Group plc until May 2007. Tony joined the Board of Nasstar in December 2007. Tony will resign from Nasstar with effect from Completion.

Angus McCaffery – Non-Executive Director (age 47)

Angus McCaffery has over 20 years' experience in the telecommunications market having been a co-founder and sales director of Maintel Holdings plc (LSE AIM: MAI). He co-founded Maintel Europe in 1991 and was appointed sales director of Maintel Holdings plc in 1996. His role with Maintel has been to develop its sales, marketing and product strategy. Angus will remain as a non-executive director on Admission.

Proposed Directors

On Completion, it is proposed that the following will be appointed to the Board of the Enlarged Group, each of whom has significant experience in technology and growth markets:

David Redwood – Proposed Non-Executive Deputy Chairman (age 70)

David's career in the IT industry began at the age of 19 as a salesman. He then moved into product promotion and finally sales management. In 1979 he formed Largotim Holdings Limited which he sold in 1997 as a 600 employee strong Enterprise Resource Planning solutions business with revenues of £45m and offices in 10 countries. He founded e-know.net in 1999 and has been responsible for all aspects of its strategic development.

Mike Read – Proposed Non-Executive Director (age 66)

Mike Read has over 30 years' experience in the telecommunications and internet space. He has held board and senior management level positions within a number of organisations both within the US and UK. He served as Board member and CEO of AIM listed Pipex Communications Plc (now Daisy Group Plc) and President and Board member of Onemain.com, a NASDAQ listed company. He has significant experience in Mergers and Acquisitions, raising funds and growing shareholder value. He is also a Chartered Engineer with an MBA.

Nick Bate – Proposed Non-Executive Director (age 47)

Nick was a founding director of SSP, a global IT provider to the general insurance sector which grew to be a £75m revenue listed company and ultimately was bought in a public-to-private transaction for £198m by a major US private equity firm. Nick has been a successful leader in the manufacturing, IT and service sectors and has a proven track record in delivering successful growth through the application of his financial, commercial and operational skills and strong experience in corporate M&A transactions. Nick qualified as a Chartered Management Accountant in 1989.

Nigel Redwood – Proposed Chief Executive Officer (age 38)

Having achieved a 1st class BA Hons Degree in Business Studies from the University of Staffordshire, Nigel took up a Business Analyst position within the computer services department of Bass Brewers. He joined QAD Inc. in 1997 advising European clients on how to gain business advantage through the deployment of enterprise and material resource planning systems. Nigel joined e-know.net in 2002, heading up the sales department, he was then appointed as Managing Director in September 2003.

Niki Redwood – Proposed Finance Director and Company Secretary (age 42)

Having obtained a BSc in Mathematical Sciences at Bath University, Niki qualified as an ACA in 1995 with KPMG, becoming an FCA in 2008. Niki worked in KPMG's small business division from 1993 to 1996 before joining e-know.net in 1999, initially as Financial Controller, before becoming Finance Director in 2006.

Senior Management

On Completion, the following will be considered senior management:

Steve Brown – Technical Director (age 35)

Steve achieved a BSc in Computing Science at Staffordshire University. Initially, he worked in Germany for Eurocopter GmbH in IT services later working within the software development team on helicopter systems. Back in the UK, he took up an IT role with Datel Design & Development early in 2000 (now Datel UK) before joining e-know.net in January 2001 in the technical team. He was appointed Technical Director to e-know.net in 2006.

10. PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION

On 17 December 2013, the Company entered into the Acquisition Agreement with (*inter alios*) the Vendors pursuant to which the Company has conditionally agreed to acquire the entire issued and to be issued share capital of Denara. The consideration for the Acquisition is £13.0m, to be satisfied as to £9.0m in cash and £4.0m in Vendor Consideration Shares at the Issue Price. Based on an expected net cash balance within e-know.net at Completion of £650,000, the Denara purchase price represents an enterprise value of £12.3m.

Completion of the Acquisition Agreement is conditional, amongst other things, upon:

- Shareholder approval of the Resolutions; and
- Admission.

Additional information relating to the Acquisition Agreement is set out in paragraph 12.1.1 of Part VI of this document.

Certain of the Directors, Proposed Directors and Vendors have also agreed to certain lock in and orderly marketing arrangements as set out in paragraphs 12.1.4 and 12.1.5 of Part VI of this document.

11. THE FUNDRAISING

In order to fund the cash element of the Acquisition consideration, the related costs of the Proposals and ongoing working capital requirements, the Company is seeking to raise £10.5m (gross) (£9.3m net of expenses) pursuant to the Fundraising through the issue of the Placing Shares at the Issue Price. The Placing Shares will represent approximately 59.4 per cent. of the Enlarged Issued Share Capital immediately following Admission. Lord Daresbury has agreed to subscribe for 500,000 shares under the terms of the Placing. Further details of the Placing Agreement which contains the terms upon which the Placing is being undertaken are described in paragraph 12.1.3 of Part VI of this document.

The Fundraising is not being underwritten. Following Admission the Placing Shares will rank *pari passu* with the Existing Ordinary Shares. Application will be made for the admission of the Enlarged Issued Share Capital to trading on AIM which is expected to take place on 10 January 2014.

12. DETAILS ON THE CONSEQUENTIAL PROPOSALS

Proposed New Articles of Association

At the same time as approving the Acquisition the Company is taking advantage of this opportunity to adopt the New Articles. The Directors believe that the Company's Articles should be updated to reflect and take full benefit of some of the new provisions of the Act which have now been brought in to full effect. Accordingly, the Board considers it prudent to replace the Company's existing Articles with new articles of association which take account of those developments. A summary of the principal changes arising from the adoption of the New Articles, other than changes which are of a minor, technical or clarifying nature, is set out in paragraph 5 of Part VI of this document and the New Articles are available for review at the Company's website at www.nasstar.com/investors.

Proposed Capital Reduction

In view of the retained deficit on Nasstar's profit and loss account for the year ended 30 September 2012 the Directors are now proposing to implement the Capital Reduction with a view to restoring the Enlarged Group's dividend capacity sooner than might have otherwise been achieved without taking such measure. The deficit as at that date was £2.825m and there was a balance of £3.957m standing to the credit of the Company's share premium account. Shortly after Admission and subject to the passing of Resolution 4, the Company will seek the confirmation of the Court to reduce its capital to create distributable reserves by reducing the relevant balance on the share premium account and the above deficit on the profit and loss account in its entirety. The reserves created by this capital reduction will be available at the discretion of the Directors of the Company following Admission for the purpose of supporting the payment of future dividends. The Court's approval of the Capital Reduction will be sought after Admission. Shareholders will be asked to confirm their approval for the Capital Reduction in a special resolution at the General Meeting further details of which are set out in paragraph 15 below. The Capital Reduction will also require the confirmation of the Court. If both are obtained, the Capital Reduction is expected to be effected in January or February 2014. The Capital Reduction should not affect in itself the total market capitalisation of the Company or the value of individual shareholdings.

13. INCENTIVISATION ARRANGEMENTS

In connection with the Proposals it has been determined that, conditional on Admission, new Options over Ordinary Shares will be granted at the Issue Price under the terms of the Share Option Scheme (as amended) to the following Directors and Proposed Directors:

	Number of Options held at today's date	Number of new Options over Ordinary Shares	Total Options held from Admission
Peter Daresbury	890,000	750,000	1,640,000
Nigel Redwood	Nil	6,500,000	6,500,000
Niki Redwood	Nil	6,500,000	6,500,000
Angus McCaffery	1,000,000	750,000	1,750,000
David Redwood	Nil	2,000,000	2,000,000
Nick Bate	Nil	750,000	750,000
Mike Read	Nil	750,000	750,000
	1,890,000	18,000,000	19,890,000

Further information in relation to the vesting conditions in respect of the above Options are set out in Part VI of this document though in summary, the above new Options will be exercisable in tranches of one third each, subject to the share price of Nasstar achieving levels of no less than 10 pence per Ordinary Share, 15 pence per Ordinary Share and 20 pence per Ordinary Share, in each case for a continuous three month period.

On Admission and in connection with the terms of the compromise arrangements negotiated between the Company and Charles Black, it is proposed that Mr Black will be issued at Admission with 1,700,000 New Ordinary Shares at the Issue Price (the "Charles Black Exit Shares"), credited as fully paid, partly in lieu of 1,750,000 of the Options he currently holds, with such existing

1,750,000 Options being cancelled. The remaining Options currently held by Mr Black (amounting to 950,000 Options in total) will remain in place on Admission, and will be amended such that they will be subject to no vesting conditions and the period during which they are capable of exercise will be extended to a period of ten years from the date of their original grant (the "Charles Black Option Amendments"). Charles Black will also receive a severance payment of £91,000 in cash.

14. RELATED PARTY TRANSACTIONS

The Charles Black Option Amendments referred to above are deemed to be a related party transaction for the purposes of the AIM Rules. The Directors, excluding Charles Black, having consulted with finnCap, consider that the Charles Black Option Amendments are fair and reasonable insofar as Shareholders are concerned.

The participation of The Kestrel Opportunities Fund in the Placing is also deemed to be a related party transaction for the purposes of the AIM Rules. The Directors, having consulted with finnCap, consider such participation to be fair and reasonable insofar as Shareholders are concerned.

15. DIVIDEND POLICY

Any future dividends will naturally be proposed or declared taking account of the Enlarged Group's profitability, current cash position and prospects, whilst also having regard to the future cash demands of the business. The Directors and Proposed Directors do not anticipate the proposal or any payment of any dividends during the next full financial year to 31 December 2014, though they will review the Enlarged Group's dividend policy and update shareholders accordingly at the time of the Enlarged Group's preliminary results for the year ended 31 December 2014.

16. CORPORATE GOVERNANCE

The Directors and Proposed Directors support high standards of corporate governance. Accordingly, the Board will meet regularly throughout the year and all necessary information will be supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings will take place or other arrangements will be made when Board decisions are required in advance of regular meetings.

The Directors have established financial controls and reporting procedures which are considered appropriate given the size and structure of the Enlarged Group. It is the intention of the Directors and Proposed Directors that these controls will be reviewed regularly in light of the future growth and development of the Enlarged Group and adjusted accordingly.

Share dealing code

The Directors comply with Rule 21 of the AIM Rules for Companies relating to Directors' and applicable employees' dealings in the Company's securities. Accordingly, the Company has adopted a share dealing code for directors and applicable employees and the Company will take all reasonable steps to ensure compliance by its directors and applicable employees with the provisions of the AIM Rules for Companies relating to dealing in securities.

Compliance with the Corporate Governance Code

The Board recognises the importance of, and is committed to, good corporate governance and intends, following Admission, so far as is practicable and appropriate for a company of its size, stage of development and nature as a company whose securities are traded on AIM to follow the provisions of the UK Corporate Governance Code. In any event, the Board intends to comply with the provisions of the QCA Guidelines.

On Admission, the Board will comprise 7 Directors consisting of 2 Executive Directors and 5 Non-Executive Directors. The Corporate Governance Code states that the board should determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

The Board considers that Angus McCaffery, Mike Read and Nick Bate are independent within the meaning of the QCA Guidelines. Whilst Angus McCaffery, Mike Read and Nick Bate all participate in or are intended to participate in the Share Option Scheme, the Board is of the view that their option entitlements (set out in paragraph 13 above) are not significant.

The Directors have formed, and have adopted terms of reference for, an audit committee and a remuneration committee, further details of which are set out below.

Committees of the directors

Audit Committee

The audit committee will, on Admission, comprise Angus McCaffery and Mike Read and will be chaired by Nick Bate. It will meet at least once a year. The audit committee will receive and review reports from management and from the Company's auditors relating to the interim and annual accounts and to the internal control procedures that will be in use throughout the Enlarged Group. It will be responsible for ensuring that the financial performance of the Enlarged Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules for Companies. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

Remuneration Committee

The remuneration committee will, on Admission, comprise Peter Daresbury, Nick Bate and Mike Read and will be chaired by Angus McCaffery. It will meet at least once a year. It will be responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of executive directors and senior employees and the grant of options under any share option scheme of the Company implemented from time to time.

17. GENERAL MEETING

Set out at the end of this document is a notice convening the General Meeting to be held on 9 January 2014 at the offices of Marriott Harrison LLP, 11 Staple Inn, London WC1V 7QH at 9:30 a.m. at which the Resolutions will be proposed for the purposes of implementing the Proposals.

Ordinary Resolutions

Resolution 1

Approval of the Acquisition

As the Acquisition constitutes a reverse takeover of Nasstar, Shareholder approval of the Acquisition is required under the AIM Rules.

Resolution 2

Authority to allot relevant securities

It is proposed to give the directors of the Company from time to time authority to allot relevant securities up to a nominal amount of £2,900,000 in connection with the Placing and the Acquisition and a further nominal amount of £1,180,000 generally (to include allotment of the Charles Black Exit Shares). The authority will expire on the date of the Annual General Meeting in 2014 or, if earlier, the date 18 months after the date of the passing of the resolution.

After the allotment of the New Ordinary Shares, the Directors and Proposed Directors will have authority to allot up to 116,300,000 Ordinary Shares representing approximately 32.9 per cent. of the Enlarged Issued Share Capital.

Special Resolutions

Resolution 3

Authority to disapply statutory pre-emption rights

The provisions of section 570 of the Act, to the extent that they have not been disapplied, 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. It is proposed that the provisions of section 570 of the Act will be generally disapplied in connection with the Acquisition, the Placing, the allotment of the Charles Black Exit Shares, a rights or other pre-emptive issue and any other issue of equity securities for cash up to an aggregate nominal amount of £176,830 (representing 5 per cent. of the Enlarged Issued Share Capital). The authority will expire on the date of the Annual General Meeting in 2014 or, if earlier, the date falling 18 months after the date of the passing of the resolution.

Save as otherwise disclosed in this document, the Directors and Proposed Directors have no present intention of issuing further Ordinary Shares save pursuant to the Proposals.

Resolution 4

Authority to reduce share premium account

This resolution is to permit the Directors and Proposed Directors in accordance with Part 17 of the Act to reduce its share capital by reducing its share premium account, subject to subsequent confirmation by the Court.

Resolution 5

To adopt the New Articles

It is proposed to adopt the New Articles, whose principal provisions are summarised in Part VI of this document where they materially depart from the existing Articles. A copy of the New Articles is available for inspection at www.nasstar.com/investors.

18. ADMISSION AND CREST SETTLEMENT

As the Acquisition constitutes a reverse takeover of the Company under the AIM Rules for Companies, Shareholder consent to the Acquisition is required at the General Meeting. If the Resolutions are duly passed at the General Meeting and subsequent to the Acquisition Agreement and Placing Agreement each becoming unconditional, the admission of the Company's Existing Ordinary Shares to trading on AIM will be cancelled (immediately prior to Admission) and the Enlarged Issued Share Capital will be admitted to trading on AIM.

Application will be made to London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. Admission is expected to take place at 8.00 a.m. on 10 January 2014.

The New Ordinary Shares are eligible for CREST settlement. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the requirements of CREST. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the requirement of CREST. Accordingly, following Admission, settlement of transactions in Ordinary Shares may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

19. TAXATION

Information regarding United Kingdom taxation is set out in paragraph 17 of Part VI of this document. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.

Clearance has been obtained from HMRC that the Company is a qualifying company for the purposes of EIS and, that they would be able to authorise certificates on receipt of an EIS1 and that the New Ordinary Shares would be qualifying holdings for the purpose of VCT. No guarantee is given that the qualifying conditions will continue to be met such as to retain any qualifying status for VCT and EIS purposes and no assurance is given as to the investors' qualifying status.

20. RISK FACTORS

Your attention is drawn to the Risk Factors set out in Part II of this document.

21. ADDITIONAL INFORMATION

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

22. ACTION TO BE TAKEN

You will find accompanying this document a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Neville Registrars Limited, as soon as possible but in any event not later than 9.30 a.m. on 7 January 2014. Completion of the Form of Proxy will not preclude you from attending and voting at the General Meeting should you so wish.

23. RECOMMENDATION

The Directors consider, for the reasons set out above, that the Proposals are in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the Resolutions at the General Meeting as they intend to do in respect of their own beneficial holdings amounting, in aggregate, to 14,228,771 Existing Ordinary Shares, representing 23.0 per cent. of the Existing Ordinary Shares.

Yours faithfully

Lord Daresbury (Peter)
Non-Executive Chairman

PART II

RISK FACTORS

This document contains forward looking statements, which have been made after due and careful enquiry and are based on the Directors' and Proposed Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward looking statements are subject to, *inter alia*, the risk factors described in this Part II. The Directors and Proposed Directors believe that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those set out in this Part II. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in the document to reflect future events or developments.

Prior to making an investment decision in respect of the Ordinary Shares, prospective investors should consider carefully all of the information within this document, including the risk factors set out in this Part II. The Directors and Proposed Directors believe these risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority.

If any of the following risks were to materialise, the Enlarged Group's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Directors and Proposed Directors, or which they currently deem immaterial, may also have an adverse effect upon the Enlarged Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Enlarged Group.

1. The Acquisition may not complete

Completion of the Acquisition is subject to the satisfaction (or waiver) of a number of conditions contained in the Acquisition Agreement including the approval of the Acquisition by the Shareholders at the General Meeting and Admission. If Shareholders do not approve the Acquisition at the General Meeting, the Acquisition will not complete.

There is no guarantee that these (or other) conditions will be satisfied (or waived) in which case the Acquisition will not be completed and in those circumstances the Placing will also not complete.

2. The Enlarged Group may not be able fully to realise the benefits of the Acquisition

The Enlarged Group's success will partially depend upon the Directors' and Proposed Directors' ability following the Acquisition to integrate the e-know.net and Nasstar businesses without significant disruption to either. This integration process may divert management's attention from the ordinary course operation of the business and raise unexpected issues and may take longer or prove more costly than anticipated. Although the Directors and Proposed Directors believe that such disruption is unlikely, issues may come to light during the course of integrating e-know.net and Nasstar that may have an adverse effect on the financial condition and results of operations of the Enlarged Group. There is no assurance that the Company will realise the potential benefits of the Acquisition including, without limitation, potential synergies and cost savings (to the extent and within the time frame contemplated). If the Company is unable to integrate the e-know.net and Nasstar businesses successfully into the Enlarged Group then this could have a significantly negative impact on the results of operations and/or financial condition of the Enlarged Group. Whilst the Directors and Proposed Directors do not expect the Acquisition to lead to any loss of customers, there is no certainty that customers of the Group (including e-know.net's customers) will continue to be customers of the Enlarged Group following the Acquisition, particularly if customer service is affected whether before or after completion of the Acquisition or in the event that strategic decisions taken by the Directors and Proposed Directors after completion of the Acquisition cause customers to terminate contractual relations.

The Enlarged Group's success will partially depend on there being no adverse change in e-know.net between the date of this document and the date of the completion of the proposed Acquisition.

3. The Enlarged Group may not realise the desired synergy benefits from the Acquisition

The Enlarged Group is targeting synergies from the Acquisition and the Enlarged Group's financial planning and funding strategies are based in part on realising these synergies. Achieving the advantages of the Acquisition will depend partly on the rapid and efficient management and co-ordination of the activities of e-know.net and Nasstar, two businesses that currently function independently of each other. There is a risk that synergy benefits from the Acquisition may fail to materialise or they may be lower than have been estimated. In addition, the cost of funding these synergies may exceed expectations. Such eventualities may have a material adverse effect on the financial position of the Enlarged Group.

4. Market Competition

The market in which the Enlarged Group operates is fragmented and competitive and may become more competitive. It is possible that developments by others will render the Enlarged Group's current and proposed products and services obsolete.

The Enlarged Group's competitors may announce or develop new products, services or enhancements that better meet the needs of customers or changing industry standards. Further, new competitors, or alliances among competitors, could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Competitors and potential competitors of the Enlarged Group may have significantly greater financial, technical, marketing, service or resources than the Enlarged Group and have access to a larger base of products, longer operating histories or greater name recognition. The Enlarged Group's relatively smaller size may therefore be considered negatively by prospective customers. In addition, the Enlarged Group's competitors may be able to respond more quickly than the Enlarged Group can to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products/services and to their development.

Although the Directors and Proposed Directors believe that the Enlarged Group will compete favourably in its targeted markets, there can be no assurance that the Enlarged Group can maintain its competitive position against current and any potential competitors, especially those with greater financial, marketing, service, support, technical and other resources.

The Directors and Proposed Directors believe that the market for the Enlarged Group's products and services will continue to grow, however, there can be no assurance that growth in the market for its products and services will occur, or occur at the rate envisaged by the Directors and Proposed Directors.

5. Customers with key applications

The Enlarged Group's services are fundamental to many of its customers' business operations and to their own financial and trading positions. If there were to be any material outage or downtime in the services provided then this may lead to loss of profits or other indirect or consequential loss to its customers. Whilst the Enlarged Group's terms of business contain limitations on its liability in such circumstances, it cannot be assured that such terms would be upheld by a Court were action to be brought against the Enlarged Group in these circumstances. If this were to be the case then any award of damages against the Enlarged Group may not be entirely covered by its liability insurance, or the insurance may for some reason not respond, in which case there may be a material adverse effect on the financial position of the Enlarged Group.

6. Achievement of strategic aims

The value of an investment in the Enlarged Group is dependent on the Enlarged Group achieving its strategic aims. The Enlarged Group's strategy is to invest and grow the business through the development of its products and software. While the Directors and Proposed Directors are optimistic about the prospects for the Enlarged Group, there is no certainty that it will be capable of achieving its strategy or the anticipated revenues or growth or be profitable. The Enlarged Group's future operating results will be highly dependent upon how well it manages its planned strategy.

7. Technological change

The markets for the Enlarged Group's products/services are characterised by rapidly changing technology, and increasingly sophisticated customer requirements. Changing customer requirements and the introduction of products/services embodying new technology may render the Enlarged Group's existing products/services obsolete and unmarketable and may exert downward pressures on the pricing of existing products/services. It is critical to the success of the Enlarged Group to be able to anticipate changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products/services on a timely basis. The Enlarged Group cannot give assurances that it will successfully develop new products/services or enhance and improve its existing products/services, that new products/services and enhanced and improved existing products/services will achieve market acceptance or that the introduction of new products/services or enhancing existing products/services by others, or changing customer requirements, will not render the Enlarged Group's products/services obsolete. The Enlarged Group's inability to develop products/services that are competitive in technology and price and that meet customer needs could have a material adverse effect on the Enlarged Group's business, financial condition or results of operations.

8. Breach of confidence or security

The Enlarged Group's data centres hold and transmit significant amounts of confidential, commercially sensitive and sometimes price sensitive information. If there were to occur any unauthorised network access, virus, damage or some other act or event which compromised the integrity of the Enlarged Group's data systems and infrastructure, resulting in such information becoming available to unauthorised third parties, this may lead in itself to claims against the Enlarged Group from its customers and/or a cessation in or delay to the Enlarged Group's services.

9. Infrastructure failure

The Enlarged Group relies on the integrity of its data centres and on its networks. Any failure in the physical infrastructure of the Enlarged Group, whether arising from equipment failure, power loss, physical or electronic security breach, natural disaster or human event (including viruses and malware), could result in a cessation in or compromise to the level of service provided to its customers. The Enlarged Group's inability to meet its service level obligations to its customers may impair its commercial reputation and may require the Enlarged Group to compensate its customers who are affected by any such failure.

10. Data centres ownership

The Enlarged Group does not own the buildings in which its data centres are situated. Any non-renewal of leases or inability to renew leases on terms acceptable to the Enlarged Group would present the Enlarged Group with the issue of having to relocate one or more of its data centres which may involve service down time, and additional cost having to be paid by the Enlarged Group, which may result in loss of business for the Enlarged Group and a material adverse effect on its financial condition.

11. Fail over dependency

The Enlarged Group relies on third parties to an extent for the provision of its fail over services, such as the provision of electricity supply and fuel to supply an emergency generator for electrical power production. If for some reason any third party failed to provide the level of fail over back up necessary to enable the Enlarged Group to continue its service provisioning, this could interrupt the services provided to the Enlarged Group's customers which might harm the Enlarged Group's reputation and business and result in a material adverse financial effect on the Enlarged Group.

12. Third party provisioning

The Enlarged Group relies on hardware acquired from or leased from third parties in order to enable it to offer and to provide its services. If such hardware ceases to be available on commercially acceptable terms, or at all, or on bases necessary to meet the needs of the business of the Enlarged Group then this could adversely affect the Enlarged Group's ability to provide its services as presently provided or at all.

13. An impairment of goodwill or other intangible assets would adversely affect the Enlarged Group's financial condition and result of operations

Upon completion of the Acquisition, a portion of the difference between the purchase price, e-know.net's net assets at that date and the allocation of costs of the combination of assets acquisition and the liabilities assumed, will be recorded as goodwill. Under IFRS, goodwill and intangible assets with indefinite lives are not amortised but are tested for impairment annually, or more often if any event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In particular, if the combination of the businesses meets with unexpected difficulties, or if the business of the Enlarged Group does not develop as expected, impairment charges may be incurred in the future which could be significant and which could have an adverse effect on the Enlarged Group's results of operations and financial condition.

14. Financial resources

In the opinion of the Directors and Proposed Directors, having made due and careful enquiry, taking into account the net proceeds of the Fundraising and taking into account existing cash resources and the bank facilities available to the Enlarged Group the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

The Enlarged Group's future capital requirements will, however, depend on many factors, including its ability to maintain and expand its customer base, its sales, cash flow and control of costs and the execution of any material acquisitions. In the future, the Enlarged Group may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of Ordinary Shares and any debt financing, if available, may require restrictions to be placed on the Enlarged Group's future financing and operating activities. The Enlarged Group may be unable to obtain additional financing on acceptable terms or at all if market and economic conditions, the financial condition or operating performance of the Enlarged Group or investor sentiment (whether towards the Enlarged Group in particular or towards the market sector in which the Enlarged Group operates) are unfavourable. The Enlarged Group's inability to raise additional funding may hinder its ability to grow in the future or to maintain its existing levels of operation.

15. Venture Capital Trust Status and EIS

The Company has obtained assurance from HMRC that the Company qualifies as a qualifying company/holding for the purposes of EIS and that the New Ordinary Shares will comprise part of a qualifying holding for VCT purposes. The actual availability of EIS relief and qualifying status for VCT purposes will be contingent upon certain conditions being met by both the Company and the relevant investors. Neither the Company nor the Company's advisors give any warranties or undertakings that EIS relief or VCT qualifying status will be available or that, if initially available, such relief or status will not be withdrawn. Should the law regarding EIS or VCT change then any reliefs or qualifying status previously obtained may be lost.

If the Company ceases to carry on the business outlined in this document, changes the manner in which the business is undertaken or acquires or commences a business which is not insubstantial to the Company's activities at any time this could prejudice the status of the New Ordinary Shares under the VCT provisions. If these changes are made during the three year period from the last allotment of Ordinary Shares, this could prejudice the qualifying status of the Company (as referred to above) under the EIS provisions. Circumstances may arise where the Directors and Proposed Directors believe that the interests of the Company are not best served by acting in a way that preserves the EIS or VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any shareholder.

If the Company does not employ all of the proceeds of an EIS share issue for qualifying trading purposes within 24 months of the date of issue of the New Ordinary Shares, the Company will not be a qualifying company and as such EIS relief will be withdrawn.

In respect of subscriptions for New Ordinary Shares made by a VCT if the Company does not employ the funds invested by the VCT for qualifying purposes within 24 months, the funds invested by the VCT would be apportioned *pro rata* and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trade purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holding.

The above information is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

Any person who is in any doubt as to their taxation position should consult their professional taxation adviser.

16. Dependence upon key management personnel and executives

The Enlarged Group will be dependent on a small number of key management personnel. The loss of the services of one or more of such key management personnel may have an adverse effect on the Enlarged Group. The Enlarged Group's ability to manage its financing and development activities will depend in large part on the efforts of these individuals. The Company has entered into incentivised employment agreements with its identified key executives and managers, as detailed further in Part I and Part VI.

17. Ability to attract and retain employees

The Enlarged Group depends on qualified and experienced employees to enable it to generate and retain business. Should the Enlarged Group be unable to attract new employees or retain existing employees this could have a material adverse effect on the Enlarged Group's ability to grow or maintain its business.

18. The Enlarged Group will be dependent on UK, continental and other global economic conditions

The Enlarged Group's performance depends to a significant extent on a number of macroeconomic factors which impact business confidence and thus levels of business activity and investment generally, all of which are outside its control and difficult to predict. Factors which impact on business confidence, activity levels and investment include, among other things, GDP growth, unemployment rates, consumer confidence, social and industrial unrest, the availability and cost of credit, interest rates, taxation, regulatory changes, commodity and utility prices and terrorist attacks. Each of these factors could have a material adverse effect on the Enlarged Group's business, financial condition and future prospects. Since the start of the global financial crisis in 2008, the global economy has been experiencing a period of significant turbulence. Although a number of economies have enjoyed and continue to enjoy a degree of recovery, there can be no certainty that national or international growth rates are sustainable nor that macroeconomic data will always provide a favourable operating environment for the Enlarged Group. Accordingly, the demand for the Enlarged Group's products/services may be adversely affected by a period of slow economic growth, which could have a material adverse effect on the future growth prospects, profitability and financial condition of the Enlarged Group's business.

19. The occurrence of major operational problems could have a material adverse effect on the Enlarged Group

The revenues of the Enlarged Group will depend to some extent on the continued operations of e-know.net's data centre facilities. Operational risks include fire, floods or other natural disasters, equipment failure, failure to comply with applicable regulations and industry standards, and events impeding or increasing the cost of supporting the Enlarged Group's products.

If the Enlarged Group is unable to obtain timely replacement for damaged inventory or equipment, then major disruptions to their offered Hosted Desktop service would result which would have significant adverse effects on the operations and financial results of the Enlarged Group. The insurance cover that the Enlarged Group has in place may not be sufficient to cover certain damages or lost profits as a result of the disruption to its production. In addition, any disruption to the Enlarged Group's provision of services could have a materially adverse impact on its relations with customers which may impact the Enlarged Group's business, financial condition and results of operations.

20. Commercial Contracts

Members of the Enlarged Group have and will continue to engage with customers and suppliers with more negotiating leverage than is available to the Enlarged Group. The standard commercial terms of such entities may not be subject to negotiation and the Enlarged Group may tolerate terms which are less than favourable than might be anticipated. If for any reason the Enlarged Group comes to breach such terms the financial and operational penalties could be severe and have a material adverse impact on the operations, financial condition and outlook of the Enlarged Group.

Whilst both Nasstar and e-know.net currently contract with customers for service delivery over protracted periods, typically ranging from three to five years and terminable with notice, there can be no guarantee that customers will renew contracts. Furthermore certain customers are either out of contract or nearing the end of their contracts, or have contracts subject to unusually short notice periods. Whilst the Enlarged Group takes significant measures to mitigate the risk of losing such clients there can be no guarantee that it will not do so.

The Enlarged Group has not experienced any product liability claims to date. However, the sale and support of the Enlarged Group's products/services may entail the risk of such claims. A successful claim could result in significant monetary liability and could seriously harm the Enlarged Group's business, operating results or financial condition.

21. Litigation risks

All industries are subject to legal claims, with and without merit. The Enlarged Group may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Enlarged Group's financial position or results of operations.

22. Investment in AIM securities

Although the Company is applying for the admission of its share capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. Investment in shares traded on AIM is perceived to involve a higher degree of risk than investment in a company whose shares are listed on the Official List of the UK Listing Authority. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group. Investors may therefore realise less than, or lose all of, their investment.

23. Volatility of share price

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of or new services by the Enlarged Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company and news reports relating to trends in the Enlarged Group's markets. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Enlarged Group's performance.

24. Estimates in financial statements

Preparation of consolidated financial statements requires the Enlarged Group to use estimates and assumptions. Accounting for estimates requires the Enlarged Group to use its judgement to determine the amount to be recorded on its financial statements in connection with these estimates. The Enlarged Group's accounting policies require management to make certain estimates and assumptions as to future events and circumstances. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Enlarged Group could be required to write down the value of certain assets. On an ongoing basis, the Enlarged Group re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

25. Holding company structure and restrictions on dividends

The Company's operating results and its financial condition are dependent on the trading performance of members of the Enlarged Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from the Company's subsidiaries. Members of the Enlarged Group may from time to time be subject to restrictions on their ability to make distributions to the Company, as a result of factors such as restrictive covenants contained within loan agreements, foreign exchange limitations, regulatory, fiscal or other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on the Enlarged Group's business, operating results and financial condition.

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and Proposed Directors of the Company, and will depend on, among other things, the Company's earnings, financial position, cash requirements and availability of profits.

26. Possible conflicts of interest of Directors, Proposed Directors and officers of the Company

The Company expects that any decision made by its Directors, Proposed Directors and officers involving the Company will be made in accordance with their duty to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill which a reasonably prudent person would exercise in comparable circumstances but there can be no assurance in this regard. In addition, each of the Directors and Proposed Directors is required to declare any matter in which they are interested as required by the Act.

27. Investment Risk

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time.

28. Ordinary Shares available for future sale

The Company is unable to predict whether substantial amounts of Ordinary Shares will be available in the open market following Admission. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

29. Suitability

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors who are in any doubt are advised to consult their stockbroker, bank manager, solicitor or accountant or other professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom.

The risks listed above do not necessarily comprise all those faced by the Enlarged Group and are not intended to be presented in any order of priority.

PART III

HISTORICAL FINANCIAL INFORMATION ON NASSTAR PLC

Published report and accounts for each of the three financial years ended 30 September 2010, 30 September 2011 and 30 September 2012 and interim statements for the two interim periods ended 31 March 2013 and 30 September 2013.

Historical financial information

1. Pursuant to Rule 28 of the AIM Rules for Companies, the published Annual Report and Accounts of Nasstar plc for each of the three financial years ended 30 September 2012 and the two unaudited 6 month periods ending 31 March 2013 and 30 September 2013 are not reproduced in this document and have been incorporated into this document by reference.
2. The accounts for each of the three financial years ended 30 September 2012 and the two unaudited 6 month periods ending 31 March 2013 and 30 September 2013 were prepared under International Financial Reporting Standards, as adopted by the EU ("IFRS").
3. The Annual Report and Accounts for each of the three financial years ended 30 September 2012 and the two unaudited 6 month periods ending 31 March 2013 and 30 September 2013 include, on the pages specified in the table below, the following information:

Nature of information	Year ended 30 September 2010 Page	Year ended 30 September 2011 Page	Year ended 30 September 2012 Page	6 month period ending 31 March 2013 Page	6 month period ending 30 September 2013 Page
Independent auditors' report	13	12	17	N/A	N/A
Consolidated statement of comprehensive income	15	14	19	3	3
Consolidated statement of changes in equity	17	16	21	N/A	N/A
Consolidated statement of financial position	16	15	20	4	4
Consolidated cash flow statement	18	17	22	5	5
Accounting policies	19	18	23	N/A	N/A
Notes to the financial statements	19	18	23	6	6

4. Gerald Edelman is a member of the Institute of Chartered Accountants in England and Wales and has issued unqualified audit opinions on the consolidated financial statements of Nasstar and its subsidiaries included in the Annual Report and Accounts of Nasstar for each of the three financial years ended 30 September 2012.
5. The published accounts referred to above can be viewed on the Company's website at: http://www.nasstar.com/investors/financialreports

PART IV

HISTORICAL FINANCIAL INFORMATION ON DENARA GROUP

PART A: ACCOUNTANTS' REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF DENARA GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2011, 31 DECEMBER 2012 AND FOR THE SIX MONTHS ENDED 30 JUNE 2013

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Private & confidential
The Directors and Proposed Directors
Nasstar Plc
14-18 Old Street
London
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17 December 2013

Dear Sirs

Denara Limited group (the 'Group')

We report on the financial information set out on pages 32 to 73 for the financial years ended 31 December 2010, 31 December 2011, 31 December 2012 and the period ended 30 June 2013. This financial information has been prepared for inclusion in the AIM Admission Document dated 17 December 2013 of Nasstar Plc on the basis of the accounting policies set out in note 1. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the 6 months ended 30 June 2012 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Group are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union (collectively Adopted IFRSs).

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

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

Basis of opinion

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

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

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 17 December 2013, a true and fair view of the state of affairs of the Group as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 and of its profits, cash flows and recognised gains and losses for the financial years ended 31 December 2010, 31 December 2011, 31 December 2012 and the period ended 30 June 2013 in accordance with the basis of preparation set out in note 1 and in accordance with Adopted IFRSs.

Declaration

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

Yours faithfully

KPMG LLP

PART B: FINANCIAL INFORMATION ON DENARA GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2011 AND 31 DECEMBER 2012

Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December

	Note	2010 £000	2011 £000	2012 £000
Revenue	2	4,482	5,117	5,756
Cost of sales		(1,630)	(1,783)	(1,734)
Gross profit		2,852	3,334	4,022
Administrative expenses		(2,669)	(3,046)	(3,561)
Operating profit		183	288	461
Financial income	6	7	7	8
Financial expenses	6	(63)	(49)	(61)
Net financing expense		(56)	(42)	(53)
Profit before tax	3	127	246	408
Taxation	7	543	(78)	(85)
Profit for the year		670	168	323
Total comprehensive income attributable to equity shareholders of the parent		670	168	323

Consolidated Statement of Financial Position
at 31 December

	Note	2010 £000	2011 £000	2012 £000
Non-current assets				
Property, plant and equipment	8	2,008	2,002	2,480
Intangible assets	9	857	973	920
Deferred tax assets	10	543	465	415
		3,408	3,440	3,815
Current assets				
Inventories	11	1	2	41
Trade and other receivables	12	459	767	651
Cash and cash equivalents	13	556	614	763
		1,016	1,383	1,455
Total assets		4,424	4,823	5,270
Current liabilities				
Interest-bearing loans and borrowings	14	(80)	(80)	(80)
Trade and other payables	15	(860)	(1,072)	(1,192)
		(940)	(1,152)	(1,272)
Non-current liabilities				
Interest-bearing loans and borrowings	14	(723)	(742)	(711)
Total liabilities		(1,663)	(1,894)	(1,983)
Net assets		2,761	2,929	3,287
Equity attributable to equity holders of the parent				
Share capital	17	613	613	613
Share premium		1,158	1,158	1,158
Retained earnings		990	1,158	1,516
Total equity		2,761	2,929	3,287

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2010	613	1,158	320	2,091
Total comprehensive income for the year				
Profit for the year	—	—	670	670
Other comprehensive income	—	—	—	—
Total comprehensive income for the year	—	—	670	670
Balance at 31 December 2010	613	1,158	990	2,761
Balance at 1 January 2011	613	1,158	990	2,761
Total comprehensive income for the year				
Profit for the year	—	—	168	168
Other comprehensive income	—	—	—	—
Total comprehensive income for the year	—	—	168	168
Balance at 31 December 2011	613	1,158	1,158	2,929
Balance at 1 January 2012	613	1,158	1,158	2,929
Total comprehensive income for the year				
Profit for the year	—	—	323	323
Other comprehensive income	—	—	—	—
Total comprehensive income for the year	—	—	323	323
Transactions recorded directly in equity:				
Tax credit in respect of share options	—	—	35	35
Balance at 31 December 2012	613	1,158	1,516	3,287

Consolidated Statement of Cash Flows

for year ended 31 December

	Note	2010 £000	2011 £000	2012 £000
Cash flows from operating activities				
Profit for the year		670	168	323
Adjustments for:				
Depreciation, amortisation and impairment		400	425	487
Financial income	6	(7)	(7)	(8)
Financial expense	6	63	49	61
Gain on sale of property, plant and equipment		—	—	(34)
Taxation	7	(543)	78	85
		583	713	914
(Increase)/decrease in trade and other receivables		(46)	(308)	116
(Decrease)/increase in inventories		9	(1)	(39)
Increase in trade and other payables		73	134	5
		36	(175)	82
Tax paid		—	—	—
Net cash from operating activities		619	538	996
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		—	—	—
Interest received	6	7	7	8
Acquisition of property, plant and equipment		(484)	(266)	(468)
Net cash from investing activities		(477)	(259)	(460)
Cash flows from financing activities				
Interest paid	6	(63)	(49)	(61)
Repayment of borrowings	14	(80)	(80)	(80)
Payment of finance lease liabilities		(173)	(92)	(246)
Net cash from financing activities		(316)	(221)	(387)
Net (decrease)/increase in cash and cash equivalents		(174)	58	149
Cash and cash equivalents at 1 January		730	556	614
Cash and cash equivalents at 31 December	13	556	614	763

Notes

(forming part of the financial statements)

1 Basis of preparation and significant accounting policies

Denara Holdings Limited (the 'Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the provision of managed hosted services.

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively Adopted IFRSs) as adopted for use in the European Union and as issued by the International Accounting Standards Board.

The financial statements have been prepared on the assumption that the Group is a going concern. On the basis of detailed working capital projections, in the opinion of the Directors, the financial statements have been properly prepared on the assumption that the Group is a going concern.

Transition to Adopted IFRSs

The Company is preparing their financial statements in accordance with Adopted IFRSs for the first time and, consequently, have applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 23.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2010, the transition date, have not been restated.

Standards and interpretations issued but not yet applied

Any standards and interpretations that have been issued but are not yet effective have not been applied by the group in these financial statements. Application of such Standards and Interpretations are not expected to have a material effect on the financial statements in future periods.

Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Neither the Company nor the Group have any interests in special purpose corporate entities which are not consolidated. There have been no changes to the control or ownership of the Group's subsidiary undertakings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The results of subsidiaries have been included from the date of acquisition using the acquisition method of accounting.

The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. All subsidiaries have a co-terminous year-end.

Business combinations and goodwill

The consolidated financial statements incorporate the results of business combinations using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at the acquisition date fair-value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair-value or at the proportionate share of the acquiree's identifiable net assets. Subsequent changes in the proportion of the non-controlling interests, which do not result in derecognition of the subsidiary, are accounted for in equity.

Acquisition costs are expensed when incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. If the business combination is achieved in stages, the acquisition date fair-value of the Group's previously-held equity interest in the acquiree is re-measured to fair-value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair-value on the acquisition date. Subsequent changes to the fair-value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised in accordance with IAS39 either in profit or loss or as change in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled in equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any recognised impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to either the acquired business or to each of the Group's cash generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms a part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising from business combinations is assessed for impairment annually.

The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Computer software intangible assets are amortised over a period of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Property, plant and equipment

Plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful economic life as follows:

Data centre	4 per cent. on a straight line basis
Plant and equipment	20 per cent. on a straight line basis
Fixtures & fittings	20 per cent. on a straight line basis

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment losses previously recognised in respect of goodwill are not reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first in-first out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

Financial instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Trade and other receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents: These include cash in hand, deposits held at call with banks and similar financial institutions. Bank overdrafts are not offset unless permitted by a specific agreement with the provider of the overdraft.

Financial liabilities

The Group classifies its financial liabilities as:

Interest-bearing borrowings and bank loans: The Group's financial liabilities at amortised cost comprise lease finance arrangements from financial institutions and bank loans. These are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Trade and other payables: These are initially recognised at fair-value and then carried at amortised cost. They arise principally from the receipt of goods and services.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Group's revenues are derived from direct sales and are billed according to terms of any specific agreement with the relevant customer, normally quarterly in advance. Revenue is recognised on a daily basis in accordance with the provision of service, such that a straight line basis is adopted in respect of periods invoiced, with appropriate adjustments into accrued or deferred income at a period end.

Revenue arising from other contracted services provided to customers is recognised when and to the extent that the Group obtains the right to consideration in exchange for the performance of its contractual obligations.

Segmental analysis

During the periods presented, the Group operated in one segment, being the provision of managed hosted services and from one location, the United Kingdom. The disclosures required by IFRS 8: Operating Segments relating to profits, losses, assets and liabilities of the segment are, therefore, shown by the financial statements as a whole. The Board (which comprises the Chief Operating Decision Maker) receives financial reports and other related business information prepared on this basis.

Share-based payment transactions

The Group issued a small number of share options in February 2005 upon investment from funds managed by NVM Private Equity Limited in the Group. The options are ''exit only'' options and, therefore, only exercisable in connection with a sale or flotation of the Group.

The Directors have performed a Black-Scholes valuation exercise of these options and, on the basis of materiality, have chosen not to reflect the charge in the financial statements.

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards relating to the ownership of the leased asset. These are classified as finance leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation on a straight line basis. Finance charges are charged directly against income. Depreciation on the relevant assets is charged to the statement of comprehensive income.

All other leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Pensions

The Group only operates defined contribution pension schemes. Contributions are charged to profit and loss on an accruals basis for the relevant accounting period.

Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pounds sterling which is the presentation currency for the consolidated and Company financial statements. The functional currency of the Company is pounds sterling.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

The Group has no foreign operations.

Taxation

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company or different Group entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2 Revenue

An analysis of the Group's revenue by destination market is as follows:

	2010 £000	2011 £000	2012 £000
United Kingdom	4,150	4,747	5,390
Rest of the World	332	370	366
Total revenues	4,482	5,117	5,756

The Group has two customers representing a significant proportion of revenue during the period:

	2010 £000	2011 £000	2012 £000
Customer (A)	1,075	1,198	1,090
Customer (B)	469	554	487
Others	2,938	3,365	4,179
Total revenues	4,482	5,117	5,756

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2010 £000	2011 £000	2012 £000
Depreciation	357	383	423
Amortisation	43	43	64
Gain on sale of property, plant and equipment	—	—	(34)
Operating lease payments	121	124	124

Auditor's remuneration:

	2010 £000	2011 £000	2012 £000
Audit of these financial statements	1	1	1
Amounts receivable by the company's auditor and its associates in respect of:			
Audit of financial statements of subsidiaries of the company	4	4	4
Other services	2	2	2

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £Nil *(2011: £Nil; 2010: £Nil)*.

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees		
	2010	2011	2012
Technical	11	14	15
Support	12	13	16
Sales and marketing	4	6	7
Directors	4	4	4
Administration	4	4	4
	35	41	46

The aggregate payroll costs of these persons were as follows:

	2010 £000	2011 £000	2012 £000
Wages and salaries	1,402	1,639	1,947
Social security costs	157	197	220
Contributions to defined contribution plans	43	65	84
	1,602	1,901	2,251

5 Directors' remuneration

	2010 £000	2011 £000	2012 £000
Key management emoluments including social security costs	446	521	557
Company contributions to money purchase pension plans	10	22	39

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £156,000 *(2011: £145,000; 2010: £126,000)* and company pension contributions of £17,000 *(2011: £9,000; 2010: £4,000)* were made to a money purchase scheme on his behalf.

	Number of directors		
	2010	**2011**	**2012**
Retirement benefits are accruing to the following number of directors under:			
Money purchase schemes	3	3	3

6 Finance income and expense

Recognised in profit or loss

	2010 £000	**2011 £000**	**2012 £000**
Finance income			
Bank interest receivable	7	7	8
Total finance income	7	7	8
Finance expense			
Finance lease interest payable	34	18	33
Bank interest payable	29	31	28
Total finance expense	63	49	61

7 Taxation

Recognised in the income statement

	2010 £000	**2011 £000**	**2012 £000**
Current tax expense:			
Current year	—	—	—
Adjustments for prior years	—	—	—
Current tax expense	—	—	—
Deferred tax expense:			
Origination and reversal of temporary differences	29	53	85
Reduction in tax rate	—	25	—
Recognition of previously unrecognised tax losses	(572)	—	—
Deferred tax expense	(543)	78	85
Total tax expense	(543)	78	85

Reconciliation of effective tax rate

	2010 £000	**2011 £000**	**2012 £000**
Profit before taxation	127	246	408
Tax using the applicable UK corporation tax rate of 20 per cent. *(2011:20 per cent.; 2010:21 per cent.)*	27	49	82
Non-deductible expenses	2	2	3
Recognition of previously unrecognised tax losses	(572)	—	—
Current year losses for which no deferred tax asset was recognised	—	2	—
Changes in tax rate	—	25	—
Total tax (credit)/expense	(543)	78	85

The tax credit in the year ended 31 December 2010 is primarily a result of the initial recognition of a deferred tax asset in respect of expected future recovery of tax losses.

8 Property, plant and equipment

	Data centre £000	Plant and equipment £000	Fixtures & fittings £000	Total £000
Cost				
Balance at 1 January 2010	697	2,381	403	3,481
Additions	221	189	32	442
Balance at 31 December 2010	918	2,570	435	3,923
Balance at 1 January 2011	918	2,570	435	3,923
Additions	—	372	4	376
Balance at 31 December 2011	918	2,942	439	4,299
Balance at 1 January 2012	918	2,942	439	4,299
Additions	—	990	5	995
Disposals	—	(894)	(85)	(979)
Balance at 31 December 2012	918	3,038	359	4,315
Depreciation				
Balance at 1 January 2010	—	1,432	126	1,558
Depreciation charge for the year	26	314	17	357
Balance at 31 December 2010	26	1,746	143	1,915
Balance at 1 January 2011	26	1,746	143	1,915
Depreciation charge for the year	33	331	18	382
Balance at 31 December 2011	59	2,077	161	2,297
Balance at 1 January 2012	59	2,077	161	2,297
Depreciation charge for the year	37	368	18	423
Disposals	—	(800)	(85)	(885)
Balance at 31 December 2012	96	1,645	94	1,835
Net book value				
At 31 December 2010	892	824	292	2,008
At 31 December 2011	859	865	278	2,002
At 31 December 2012	822	1,393	265	2,480

Leased plant and machinery

At 31 December 2012 the net carrying amount of leased plant and machinery was £720,000 *(2011: £383,000; 2010: £233,000)*.

9 Intangible assets

	Goodwill £000	Computer software £000	Total £000
Cost			
Balance at 1 January 2010	760	435	1,195
Other acquisitions – externally purchased	—	42	42
Balance at 31 December 2010	760	477	1,237
Balance at 1 January 2011	760	477	1,237
Other acquisitions – externally purchased	—	159	159
Balance at 31 December 2011	760	636	1,396
Balance at 1 January 2012	760	636	1,396
Other acquisitions – externally purchased	—	9	9
Disposals	—	(194)	(194)
Balance at 31 December 2012	760	451	1,211
Amortisation and impairment			
Balance at 1 January 2010	—	337	337
Amortisation for the year	—	43	43
Balance at 31 December 2010	—	380	380
Balance at 1 January 2011	—	380	380
Amortisation for the year	—	43	43
Balance at 31 December 2011	—	423	423
Balance at 1 January 2012	—	423	423
Amortisation for the year	—	64	64
Disposals	—	(196)	(196)
Balance at 31 December 2012	—	291	291
Net book value			
At 31 December 2010	760	97	857
At 31 December 2011	760	213	973
At 31 December 2012	760	160	920

Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

		Goodwill	
	2010 £000	2011 £000	2012 £000
The Group's sole business	760	760	760

The recoverable amount of the business has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2012
Period on which management approved forecasts are based	2013-2015
Growth rate applied beyond approved forecast period	3 per cent.
Discount rate	10 per cent.

The Board believes that, even in the current economic conditions, any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities		
	2010 £000	2011 £000	2012 £000	2010 £000	2011 £000	2012 £000
Property, plant and equipment	—	—	—	(138)	(131)	(116)
Tax value of loss carry forwards	681	596	496	—	—	—
Equity settled share based payment transactions	—	—	35	—	—	—
Tax assets/(liabilities)	681	596	531	(138)	(131)	(116)
Net of tax liabilities	(138)	(131)	(116)	138	131	116
Net tax assets	543	465	415	—	—	—

	1 January 2010 £000	Recognised in income £000	Recognised in equity £000	31 December 2010 £000
Property, plant and equipment	—	(138)	—	(138)
Tax value of loss carry-forwards utilised	—	681	—	681
	—	543	—	543

	1 January 2011 £000	Recognised in income £000	Recognised in equity £000	31 December 2011 £000
Property, plant and equipment	(138)	7	—	(131)
Tax value of loss carry-forwards utilised	681	(85)	—	596
	543	(78)	—	465

Movement in deferred tax during the current year

	1 January 2012 £000	Recognised in income £000	Recognised in equity £000	31 December 2012 £000
Property, plant and equipment	(131)	15	—	(116)
Tax value of loss carry-forwards utilised	596	(100)	—	496
Equity settled share based payment transactions	—	—	35	35
	465	(85)	35	415

There are no unrecognised deferred tax amounts.

11 Inventories

	2010 £000	2011 £000	2012 £000
Finished goods	1	2	41

Included within inventories is £Nil *(2011: £Nil; 2010: £Nil)* which is expected to be recovered in more than 12 months.

Finished goods recognised as cost of sales in the year amounted to £151,000 *(2011: £184,000; 2010: £87,000)*.

12 Trade and other receivables

	2010 £000	2011 £000	2012 £000
Trade receivables	282	469	411
Prepayments and accrued income	177	298	240
	459	767	651

Included within trade and other receivables is £Nil *(2011: £Nil, 2010: £Nil)* expected to be recovered in more than 12 months.

13 Cash and cash equivalents/ bank overdrafts

	2010 £000	2011 £000	2012 £000
Cash and cash equivalents per balance sheet	556	614	763
Cash and cash equivalents per cash flow statements	556	614	763

14 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 18.

	2010 £000	2011 £000	2012 £000
Non-current liabilities			
Secured bank loans	613	533	453
Finance lease liabilities	110	209	258
	723	742	711
Current liabilities			
Current portion of secured bank loans	80	80	80
Current portion of finance lease liabilities (note 15)	77	156	271

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Bank loans	GBP	2.25 per cent. above base rate	2019

Finance lease liabilities

Finance lease liabilities are payable as follows:

2012

	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	303	32	271
Between one and five years	283	25	258
	586	57	529

2011

	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	181	25	156
Between one and five years	236	28	208
	417	53	364

2010

	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	93	16	77
Between one and five years	136	25	111
	229	41	188

15 Trade and other payables

	2010 £000	2011 £000	2012 £000
Current			
Trade payables	258	509	408
Other tax and social security	207	165	201
Accruals and deferred income	318	242	312
Finance lease creditor	77	156	271
	860	1,072	1,192

16 Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £84,000 *(2011: £65,000; 2010: £43,000)*.

Share-based payments

At each of the balance sheet dates presented, the number of share options in issue for ordinary £1 shares was 75,894.

These options can only be exercised on the sale or flotation of the company and expire after a period of 10 years. The fair value of the options of the grant date was assessed using a Black-Scholes model and the in the opinion of the directors is not material to these financial statements.

17 Capital and reserves

	2010 £000	2011 £000	2012 £000
Allotted, called up and fully paid			
360,491 ordinary shares of £1 each	360	360	360
252,533 ‘‘A’’ ordinary shares of £1 each	253	253	253
	613	613	613

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18 Financial instruments

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair values

In the opinion of the directors there is no material difference between the fair value and carrying value of the Group's financial instruments.

(b) Credit risk

General risk management plan and policies

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for then, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk

The maximum exposure to credit risk at the balance sheet date is the carrying value of trade and other receivables, there are no particular credit risk concentrations.

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	2010 Gross £000	**2011 Gross £000**	**2012 Gross £000**
Not past due	213	367	164
Past due 0-30 days	38	95	247
Past due 31-120 days	30	—	—
More than 120 days	1	7	—
	282	469	411

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity risk

Liquidity risk arises principally from the Group's management of working capital and the amount of funding committed to its software and hardware platforms. It is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of the operational and administrative expenditure, trade and other payables and the servicing of interest-bearing debt which comprise lease finance and bank borrowing obligations. Trade and other payables are all payable within four months.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

			2010			
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	693	693	80	80	240	293
Trade and other payables	860	860	860	—	—	—
	1,553	1,553	940	80	240	293

			2011			
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	613	613	80	80	453	
Trade and other payables	1,072	1,072	1,072	—	—	—
	1,685	1,685	1,152	80	453	—

			2012			
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	533	533	80	80	373	—
Trade and other payables	1,192	1,192	1,192	—	—	—
	1,725	1,725	1,272	80	373	—

(e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

Foreign currency risk

The Group is not exposed to significant foreign currency risk. In 2013, the Group started to pay a supplier in USD. However, no significant exchange rate fluctuations had an impact in the period.

Interest rate risk

Sensitivity analysis

A change of 3 per cent. basis points in interest rates at each balance sheet date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps.

	2010 £'000	2011 £'000	2012 £'000
Equity			
Increase	—	—	7
Decrease	(4)	—	—
Profit or loss			
Increase	—	—	7
Decrease	(4)	—	—

(f) Capital management

Group

The Group considers its capital to comprise its ordinary share capital, share premium and the retained earnings as its capital reserves. In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital needs.

Details of the Group capital are disclosed in the Group statements of changes in equity.

There have been no other significant changes to the Group's management objectives, policies and processes in the year nor has there been any change in what the Group considers to be capital.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2010 £000	2011 £000	2012 £000
Less than one year	124	124	124
Between one and five years	462	456	443
More than five years	606	495	496
	1,192	1,075	1,063

During the year, £124,000 was recognised as an expense in the income statement in respect of operating leases *(2011: £124,000; 2010: £121,000)*.

20 Commitments

Capital commitments

Group

During the year, the Group entered into a contract to purchase property, plant and equipment for £1,005,000 *(2011: £535,000; 2010: £484,000)*.

21 Related parties

Identity of related parties with which the Group has transacted

During the year, the following companies are considered to be related parties – Autoville Limited and Intec Management SA as DTA Redwood has an interest and is a director of both companies;

Redwood Motor Sport as N Redwood has an interest in the company; and Brownwood LLP as S Brown, DTA Redwood, N Redwood and NJ Redwood are all members.

During the year, Brownwood LLP made sales of £163,000 *(2011: £170,000, 2010: £158,000)* to e-know.net Limited. At 31 December 2012, e-know.net Limited owed a purchase ledger balance of £Nil *(2011: £Nil, 2010: £Nil)* to Brownwood LLP.

Also during the year, e-know.net Limited made sales of £1,000 to Brownwood LLP *(2011: £Nil, 2010: £Nil)*. At 31 December 2012, Brownwood LLP owed a balance of £1,000 *(2011: £Nil, 2010: £Nil)* to e-know.net Limited.

Mr M Green, a director of Denara Holdings Limited is also a director of NVM Private Equity Limited. During the year, NVM Private Equity Limited charged management fees to the Group of £23,000 *(2011: £24,000, 2010: £23,000)* and owed a balance of £Nil (*2011: £Nil, 2010: £Nil).*

22 Accounting estimates and judgements

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(i) Valuation of goodwill and other intangible assets

The value of the Group's goodwill and other intangible assets is dependent upon the success of the Group in exploiting its current technology and business base. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition and potential new regulatory legislation and related requirements.

(ii) Revenue recognition

In order to calculate the revenue recognised, the Group makes estimates of the value of services performed for customers and therefore of its right to the consideration for those services.

(iii) Deferred tax

The Group has recognised deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses. This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary differences might be recognised, the value of the deferred tax asset will need to be revised in a future period.

(iv) Current asset provisions

In the course of normal business activities, judgement is used to establish the net realisable value of various elements of working capital, principally inventory and trade receivables. Provisions are established for net realisable value and bad and doubtful debt risks. Provisions are based on the facts available at the time and may also be determined by using profiles, based upon past practice, applied to inventory and aged receivables.

In estimating the net realisable value of inventory, judgement is required in assessing their likely value on realisation taking into account market and technological changes.

In estimating the collectability of trade receivables, judgement is required in assessing their likely realisation, including the current credit-worthiness of each customer and related ageing of past due balances. Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition, credit ratings or bankruptcy.

Judgements

In the process of applying the Group's accounting policies, management makes various judgements which can significantly affect the amounts recognised in the financial statements. The critical judgements are considered to be the following:

- Whether the Group acts as a principal or agent in recognising revenue; and
- Whether the Group capitalises development expenditure.

23 Explanation of transition to Adopted IFRSs

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2012, the comparative information presented in these financial statements for the years ended 31 December 2011 and 31 December 2010 and in the preparation of an opening IFRS balance sheet at 1 January 2010 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has considered amounts previously reported in the individual financial statements prepared in accordance with its old basis of accounting (UK GAAP). The transition from UK GAAP to Adopted IFRSs has had an immaterial effect on the Group's financial position, financial performance and cash flows and as such, no reconciliations have been presented.

PART C: FINANCIAL INFORMATION ON DENARA GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2013

Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the 6 months ended 30 June

	Note	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Revenue	2	3,319	2,812
Cost of sales		(987)	(890)
Gross profit		2,332	1,922
Administrative expenses		(1,969)	(1,718)
Operating profit		363	204
Financial income	6	3	3
Financial expenses	6	(34)	(29)
Net financing expense		(31)	(26)
Profit before tax	3	332	178
Taxation	7	(68)	(38)
Profit for the period		264	140
Total comprehensive income attributable to equity shareholders of the parent		264	140

Consolidated Statement of Financial Position
at 30 June 2013

	Note	30 June 2013 £000
Non-current assets		
Property, plant and equipment	8	2,349
Intangible assets	9	900
Deferred tax assets	10	382
		3,631
Current assets		
Inventories	11	20
Trade and other receivables	12	671
Cash and cash equivalents	13	1,318
		2,009
Total assets		5,640
Current liabilities		
Interest-bearing loans and borrowings	14	(80)
Trade and other payables	15	(1,312)
		(1,392)
Non-current liabilities		
Interest-bearing loans and borrowings	14	(662)
Total liabilities		(2,054)
Net assets		3,586
Equity attributable to equity holders of the parent		
Share capital	17	613
Share premium		1,158
Retained earnings		1,815
Total equity		3,586

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2013	613	1,158	1,516	3,287
Total comprehensive income for the period				
Profit for the period	—	—	264	264
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	264	264
Transactions recorded directly in equity:				
Tax credit in respect of share options	—	—	35	35
Balance at 30 June 2013	613	1,158	1,815	3,586

Consolidated Statement of Cash Flows
for 6 months ended 30 June 2013

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Cash flows from operating activities		
Profit for the period	264	140
Adjustments for:		
Depreciation, amortisation and impairment	262	243
Financial income	(3)	(3)
Financial expense	34	29
Gain on sale of property, plant and equipment	—	(34)
Taxation	68	38
	625	413
Increase in trade and other receivables	(21)	(1)
Decrease in inventories	21	25
Increase in trade and other payables	65	(73)
	65	(49)
Tax paid	—	—
Net cash from operating activities	690	364
Cash flows from investing activities		
Interest received	3	3
Acquisition of property, plant and equipment	(110)	(160)
Net cash used in investing activities	(107)	(157)
Cash flows from financing activities		
Interest paid	(34)	(29)
Repayment of borrowings	(40)	(40)
Inception of hire purchase	267	—
Payment of finance lease liabilities	(221)	(91)
Net cash used in financing activities	(28)	(160)
Net increase in cash and cash equivalents	555	47
Cash and cash equivalents at 1 January	763	614
Cash and cash equivalents at 30 June	1,318	661

Notes
(forming part of the financial statements)

1 Basis of preparation and significant accounting policies

Denara Holdings Limited (the 'Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the provision of managed hosted services.

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively IFRSs) as adopted for use in the European Union and as issued by the International Accounting Standards Board.

The financial statements have been prepared on the assumption that the Group is a going concern. On the basis of detailed working capital projections, in the opinion of the Directors, the financial statements have been properly prepared on the assumption that the Group is a going concern.

Standards and interpretations issued but not yet applied

Any standards and interpretations that have been issued but are not yet effective have not been applied by the group in these financial statements. Application of such Standards and Interpretations are not expected to have a material effect on the financial statements in future periods.

Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Neither the Company nor the Group have any interests in special purpose corporate entities which are not consolidated. There have been no changes to the control or ownership of the Group's subsidiary undertakings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The results of subsidiaries have been included from the date of acquisition using the acquisition method of accounting.

The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. All subsidiaries have a co-terminous year-end.

Business combinations and goodwill

The consolidated financial statements incorporate the results of business combinations using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at the acquisition date fair-value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair-value or at the proportionate share of the acquiree's identifiable net assets. Subsequent changes in the proportion of the non-controlling interests, which do not result in derecognition of the subsidiary, are accounted for in equity.

Acquisition costs are expensed when incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. If the business combination is achieved in stages, the acquisition date fair-value of the Group's previously-held equity interest in the acquiree is re-measured to fair-value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair-value on the acquisition date. Subsequent changes to the fair-value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised in accordance with IAS39 either in profit or loss or as change in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled in equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any recognised impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to either the acquired business or to each of the Group's cash generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms a part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising from business combinations is assessed for impairment annually.

The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Computer software intangible assets are amortised over a period of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Property plant and equipment

Plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful economic life as follows:

Data centre	4 per cent. on a straight line basis
Property and equipment	20 per cent. on a straight line basis
Fixtures & fittings	20 per cent. on a straight line basis

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment losses previously recognised in respect of goodwill are not reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first in-first out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

Financial instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Trade and other receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents: These include cash in hand, deposits held at call with banks and similar financial institutions. Bank overdrafts are not offset unless permitted by a specific agreement with the provider of the overdraft.

Financial liabilities

The Group classifies its financial liabilities as:

Interest-bearing borrowings and bank loans: The Group's financial liabilities at amortised cost comprise lease finance arrangements from financial institutions and bank loans. These are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Trade and other payables: These are initially recognised at fair-value and then carried at amortised cost. They arise principally from the receipt of goods and services.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Group's revenues are derived from direct sales and are billed according to terms of any specific agreement with the relevant customer, normally quarterly in advance. Revenue is recognised on a daily basis in accordance with the provision of service, such that a straight line basis is adopted in respect of periods invoiced, with appropriate adjustments into accrued or deferred income at a period end.

Revenue arising from other contracted services provided to customers is recognised when and to the extent that the Group obtains the right to consideration in exchange for the performance of its contractual obligations.

Segmental analysis

During the periods presented, the Group operated in one segment, being the provision of managed hosted services and from one location, the United Kingdom. The disclosures required by IFRS 8: Operating Segments relating to profits, losses, assets and liabilities of the segment are, therefore, shown by the financial statements as a whole. The Board (which comprises the Chief Operating Decision Maker) receives financial reports and other related business information prepared on this basis.

Share-based payment transactions

The Group issued a small number of share options in February 2005 upon investment from funds managed by NVM Private Equity Limited in the Group. The options are "exit only" options and, therefore, only exercisable in connection with a sale or flotation of the Group.

The Directors have performed a Black-Scholes valuation exercise of these options and, on the basis of materiality, have chosen not to reflect the charge in the financial statements.

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards relating to the ownership of the leased asset. These are classified as finance leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation on a straight line basis. Finance charges are charged directly against income. Depreciation on the relevant assets is charged to the statement of comprehensive income.

All other leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Pensions

The Group only operates defined contribution pension schemes. Contributions are charged to profit and loss on an accruals basis for the relevant accounting period.

Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pounds sterling which is the presentation currency for the consolidated and Company financial statements. The functional currency of the Company is pounds sterling.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

The Group has no foreign operations.

Taxation

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company or different Group entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2 Revenue

An analysis of the Group's revenue by destination market is as follows:

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
United Kingdom	3,154	2,624
Rest of the World	165	188
Total revenues	3,319	2,812

The Group has three customers representing a significant proportion of revenue during the period:

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Customer (A)	640	532
Customer (B)	232	265
Customer (C)	238	160
Others	2,209	1,855
Total revenues	3,319	2,812

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Depreciation and amortisation	262	243
Operating lease payments	62	62

Auditor's remuneration:

	£000	£000
Audit of these financial statements		
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	2	2
Other services	1	1

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £Nil (30 June 2012: £Nil).

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees 2013	(Unaudited) Number of employees 2012
Technical	16	15
Support	20	15
Sales and marketing	7	7
Directors	4	4
Administration	6	5
	53	46

The aggregate payroll costs of these persons were as follows:

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Wages and salaries	981	873
Social security costs	107	98
Contributions to defined contribution plans	46	22
	1,134	993

5 Directors' remuneration

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Key management emoluments including social security costs	224	193
Company contributions to money purchase pension plans	20	19

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £64,000 (30 June 2012: £62,000), and company pension contributions of £8,000 (30 June 2012: £7,500) were made to a money purchase scheme on his behalf.

	Number of directors 6 months ended 2013	(Unaudited) Number of directors 6 months ended 2012
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	3

6 Finance income and expense

Recognised in profit or loss

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Finance income		
Bank interest receivable	3	3
Total finance income	3	3
Finance expense		
Finance lease interest payable	21	15
Bank interest payable	13	14
Total finance expense	34	29

7 Taxation

Recognised in the income statement

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Current tax expense:		
Current period	—	—
Adjustments for prior years	—	—
Current tax expense	—	—
Deferred tax expense:		
Origination and reversal of temporary differences	68	38
Reduction in tax rate	—	—
Recognition of previously unrecognised tax losses	—	—
Deferred tax expense	68	38
Total tax expense	68	38

Reconciliation of effective tax rate

	6 months ended 30 June 2013 £000	(Unaudited) 6 months ended 30 June 2012 £000
Profit before taxation	332	178
Tax using the applicable UK corporation tax rate of 20 per cent. (30 June 2012: 20%)	66	36
Non-deductible expenses	2	2
Recognition of previously unrecognised tax losses	—	—
Current period losses for which no deferred tax asset was recognised	—	—
Changes in tax rate	—	—
Total tax expense	68	38

8 Property, plant and equipment

	Data centre £000	Plant and equipment £000	Fixtures & fittings £000	Total £000
Cost				
Balance at 1 January 2013	918	3,038	359	4,315
Additions	—	108	—	108
Balance at 30 June 2013	918	3,146	359	4,423
Depreciation				
Balance at 1 January 2013	96	1,645	94	1,835
Depreciation charge for the period	18	213	8	239
Balance at 30 June 2013	114	1,858	102	2,074
Net book value				
At 31 December 2012	822	1,393	265	2,480
At 30 June 2013	804	1,288	257	2,349

Leased plant and machinery

At 30 June 2013 the net carrying amount of leased plant and machinery was £863,000.

9 Intangible assets

	Goodwill £000	Computer software £000	Total £000
Cost			
Balance at 1 January 2013	760	451	1,211
Other acquisitions – externally purchased	—	3	3
Balance at 30 June 2013	760	454	1,214
Amortisation and impairment			
Balance at 1 January 2013	—	291	291
Amortisation for the period	—	23	23
Balance at 30 June 2013	—	314	314
Net book value			
At 31 December 2012	760	160	920
At 30 June 2013	760	140	900

Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill 2013 £000
The Group's sole business	760

The recoverable amount of the business has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2013
Period on which management approved forecasts are based	2013-2015
Growth rate applied beyond approved forecast period	3 per cent.
Discount rate	10 per cent.

The Board believes that, even in the current economic conditions, any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2013 £000	Liabilities 2013 £000
Property, plant and equipment	—	(109)
Tax value of loss carry forwards	421	—
Equity settled share based payment transactions	70	—
Tax assets/(liabilities)	491	(109)
Net of tax liabilities	(109)	109
Net tax assets	382	—

Movement in deferred tax during the current period

	1 January 2013 £000	Recognised in income £000	Recognised in equity £000	30 June 2013 £000
Property, plant and equipment	(116)	7	—	(109)
Tax value of loss carry-forwards utilised	496	(75)	—	421
Equity settled share based payment transactions	35	—	35	70
	415	(68)	35	382

There are no unrecognised deferred tax amounts.

11 Inventories

	2013 £000
Finished goods	20

Included within inventories is £Nil which is expected to be recovered in more than 12 months.

Finished goods recognised as cost of sales in the period amounted to £143,000.

12 Trade and other receivables

	2013 £000
Trade receivables	385
Prepayments and accrued income	286
	671

Included within trade and other receivables is £Nil expected to be recovered in more than 12 months.

13 Cash and cash equivalents/ bank overdrafts

	2013 £000
Cash and cash equivalents per balance sheet	1,318
Cash and cash equivalents per cash flow statements	1,318

14 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 18.

	2013 £000
Non-current liabilities	
Secured bank loans	413
Finance lease liabilities	249
	662
Current liabilities	
Current portion of secured bank loans	80
Current portion of finance lease liabilities (note 15)	326

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Bank loans	GBP	2.25 per cent. above base rate	2019

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2013 £000	Interest 2013 £000	Principal 2013 £000
Less than one year	359	33	326
Between one and five years	275	26	249
	634	59	575

15 Trade and other payables

	2013 £000
Current	
Trade payables	299
Other tax and social security	263
Accruals and deferred income	424
Finance lease creditor	326
	1,312

16 Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current period was £46,000 (30 June 2012: £22,000).

Share-based payments

At the balance sheet date, the number of share options in issue for ordinary £1 shares was 75,894.

These options can only be exercised on the sale or flotation of the company and expire after a period of 10 years. The fair value of the options of the grant date was assessed using a Black-Scholes model and in the opinion of the directors is not material to these financial statements.

17 Capital and reserves

	2013 £000
Allotted, called up and fully paid 360,491 ordinary shares of £1 each	360
252,533 ''A'' ordinary shares of £1 each	253
	613

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18 Financial instruments

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair values

In the opinion of the directors there is no material difference between the fair value and carrying value of the Group's financial instruments.

(b) Credit risk

General risk management plan and policies

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for then, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk

The maximum exposure to credit risk at the balance sheet date is the carrying value of trade and other receivables, there are no particular credit risk concentrations.

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	2013 Gross £000
Not past due	168
Past due (0-30 days)	210
Past due (31-120 days)	7
More than 120 days	—
	385

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity risk

Liquidity risk arises principally from the Group's management of working capital and the amount of funding committed to its software and hardware platforms. It is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of the operational and administrative expenditure, trade and other payables and the servicing of interest-bearing debt which comprise lease finance and bank borrowing obligations. Trade and other payables are all payable within four months.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	493	493	80	80	333	—
Trade and other payables	1,312	1,312	1,312	—	—	—
	1,805	1,805	1,392	80	333	—

(e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

Foreign currency risk

The Group is not exposed to significant foreign currency risk. In 2013, the Group started to pay a supplier in USD. However, no significant exchange rate fluctuations had an impact in the period.

Interest rate risk

Sensitivity analysis

A change of 3 per cent. basis points in interest rates at each balance sheet date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps.

	2013 £'000
Equity	
Increase	25
Decrease	—
Profit or loss	
Increase	25
Decrease	—

(f) Capital management

Group

The Group considers its capital to comprise its ordinary share capital, share premium and the retained earnings as its capital reserves. In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital needs.

Details of the Group capital are disclosed in the Group statements of changes in equity.

There have been no other significant changes to the Group's management objectives, policies and processes in the period nor has there been any change in what the Group considers to be capital.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2013
	£000
Less than one year	118
Between one and five years	441
More than five years	441
	1,000

During the period £62,000 (30 June 2012: £62,000) was recognised as an expense in the income statement in respect of operating leases.

20 Commitments

Capital commitments

Group

During the period, the Group entered into a contract to purchase property, plant and equipment for £110,000.

21 Related parties

Identity of related parties with which the Group has transacted

During the period, the following companies are considered to be related parties – Autoville Limited and Intec Management SA as DTA Redwood has an interest and is a director of both companies; Redwood Motor Sport as N Redwood has an interest in the company; and Brownwood LLP as S Brown, DTA Redwood, N Redwood and NJ Redwood are all members.

During the period, Brownwood LLP made sales of £72,000 (30 June 2012: £68,000) to e-know.net Limited. At 30 June 2013, e-know.net Limited owed a purchase ledger balance of £Nil to Brownwood LLP.

Also during the period, e-know.net Limited made sales of £3,000 (30 June 2012: £Nil) to Brownwood LLP. At 30 June 2013, Brownwood LLP owed a balance of £1,000 to e-know.net Limited.

Mr M Green, a director of Denara Holdings Limited is also a director of NVM Private Equity Limited. During the period, NVM Private Equity Limited charged management fees to the Group of £13,000 (30 June 2012: £12,000) and owed a balance of £Nil.

22 Accounting estimates and judgements

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(i) Valuation of goodwill and other intangible assets

The value of the Group's goodwill and other intangible assets is dependent upon the success of the Group in exploiting its current technology and business base. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition and potential new regulatory legislation and related requirements.

(ii) Revenue recognition

In order to calculate the revenue recognised, the Group makes estimates of the value of services performed for customers and therefore of its right to the consideration for those services.

(iii) Deferred tax

The Group has recognised deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses. This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary differences might be recognised, the value of the deferred tax asset will need to be revised in a future period.

(iv) Current asset provisions

In the course of normal business activities, judgement is used to establish the net realisable value of various elements of working capital, principally inventory and trade receivables. Provisions are established for net realisable value and bad and doubtful debt risks. Provisions are based on the facts available at the time and may also be determined by using profiles, based upon past practice, applied to inventory and aged receivables.

In estimating the net realisable value of inventory, judgement is required in assessing their likely value on realisation taking into account market and technological changes.

In estimating the collectability of trade receivables, judgement is required in assessing their likely realisation, including the current credit-worthiness of each customer and related ageing of past due balances. Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition, credit ratings or bankruptcy.

Judgements

In the process of applying the Group's accounting policies, management makes various judgements which can significantly affect the amounts recognised in the financial statements. The critical judgements are considered to be the following:

- Whether the Group acts as a principal or agent in recognising revenue; and
- Whether the Group capitalises development expenditure.

PART V

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The unaudited *pro forma* statement of net assets set out below has been prepared to illustrate the effect of the acquisition of Denara Holdings Limited on the net assets of Nasstar plc as if it had occurred on 31 March 2013. It has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent Nasstar plc's or the Enlarged Group's actual financial position or results. The unaudited *pro forma* statement of net assets has been prepared on the basis set out in the notes below.

Pro forma net assets statement for the Enlarged Group as at 31 March 2013

	Note	Unadjusted Nasstar plc Net assets at 31 March 2013 (2) Unaudited £000	Denara Holdings Limited Net assets at 30 June 2013 (3) Unaudited £000	Adjustments Acquisition accounting (4) Unaudited £000	Net proceeds of Placing (5) Unaudited £000	Pro forma Unaudited £000
Non-current assets						
Goodwill		—	760	8,654	—	9,414
Other intangibles		346	140	—	—	486
Property, plant and equipment		663	2,349	—	—	3,012
Deferred tax		—	382	—	—	382
		1,009	3,631	8,654	—	13,294
Current assets						
Inventories		—	20	—	—	20
Trade and other receivables		425	671	—	—	1,096
Cash at bank and in hand		880	1,318	—	300	2,498
		1,305	2,009	—	300	3,614
Total assets		**2,314**	**5,640**	**8,654**	**300**	**16,908**
Current liabilities						
Interest bearing loans and borrowings		(169)	(80)	—	—	(249)
Trade and other payables		(323)	(1,312)	—	—	(1,635)
		(492)	(1,392)	—	—	(1,884)
Non-current liabilities						
Interest bearing loans and borrowings		(141)	(662)	—	—	(803)
Total liabilities		**(633)**	**(2,054)**	**—**	**—**	**(2,687)**
Total Net Assets		**1,681**	**3,586**	**8,654**	**300**	**14,221**

Notes:

1 The *pro forma* statement of combined assets and liabilities has been prepared in a manner consistent with the accounting policies adopted by the Company for the year ended 30 September 2012.

2 Financial information in respect of the Company has been extracted without material adjustment from Nasstar plc's 31 March 2013 Interim Results. No account has been taken of the performance of Nasstar since 31 March 2013.

3 The financial information in respect of Denara Holdings Limited and its subsidiaries (the 'Denara Group') has been extracted without material adjustment from the consolidated financial information set out in Part IV of the Admission Document. No account has been taken of the activities of the Denara Group since 30 June 2013.

4 For the purposes of the *pro forma* statement of net assets, the difference between the consideration payable, consisting of 80,000,000 new Nasstar shares of 1 pence each and £9.0m in cash paid by Nasstar plc to Denara Holdings Limited shareholders, and the consolidated net assets of Denara Holdings Limited is shown as goodwill within intangible assets.

	£'000
Purchase consideration	13,000
Net assets of Denara Holdings Limited as at 31 June 2013	(3,586)
Goodwill	9,414
Less: pre-existing goodwill in Denara Holdings Limited	(760)
Acquisition accounting adjustment	8,654

5 The Company raised £10.5m from the Placing, of which proceeds of £9.0m have been used as part of the cash consideration of the acquisition and £1.5m is to remain in the company for working capital requirements. Costs associated with the Placing were approximately £1.2m. Therefore, the net proceeds from the Placing remaining in the business are £0.3m.

6 The transaction will be accounted for as an acquisition in accordance with IFRS 3 Business Combinations. The *pro forma* net assets statement does not give effect to fair value adjustments to either net assets or intangibles arising from the purchase price. The fair value adjustments, when finalised post-acquisition, may be material.

PART VI

ADDITIONAL INFORMATION

1 RESPONSIBILITY

1.1 The Company (whose registered number and office appears on page 8), the Directors and the Proposed Directors, whose names and functions appear on page 9, accept responsibility for the information contained in this Document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company, the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document for which they are responsible is in accordance with the facts and there are no other facts the omission of which is likely to affect the import of such information.

2 THE COMPANY, INCORPORATION AND GENERAL

2.1 The Company's legal and commercial name is Nasstar Plc. The Company was incorporated in England and Wales on 15 November 2005 as a public limited company under the name Nasstar Plc with registered number 05623736 and is domiciled in the United Kingdom. The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the members of the Company is limited.

2.2 The Company's registered office is at 14-18 Old Street, London, EC1V 9BH and its telephone number is: +44 20 7148 5000. The Company's principal place of business is at 14-18 Old Street, London, EC1V 9BH. The Company's website is www.nasstar.com.

2.3 On 29 December 2005, the Company's entire issued share capital was admitted to trading on AIM.

2.4 The Company's UK auditors during the period covered by the historical financial information referred to in Part III of this Document were Gerald Edelman of 25 Harley Street, London W1G 9BR, a member of the Institute of Chartered Accountants in England and Wales.

2.5 The Company's principal activity following Admission will be to act as the holding company of its Subsidiaries and the Company's group following Admission will be the Company and the Subsidiaries.

3 SUBSIDIARIES, CURRENT AND PROPOSED

3.1 The Company has the following wholly-owned subsidiary:

Nasstar (UK) Limited

3.2 Following completion of the Acquisition at Admission the Company will in addition have the following wholly-owned subsidiaries:

Denara Holdings Limited

Denara Technologies Limited

e-know.net Limited

3.3 Save as disclosed in paragraphs 3.1 and 3.2, there are no undertakings in which the Company has a capital interest.

3.4 Details of current subsidiary and proposed subsidiaries:

Each of the Subsidiaries has been in continuous and unbroken existence since the date of its incorporation and is not in liquidation or subject to an administration order and no receiver or manager of any of its property has been appointed.

3.4.1 Nasstar (UK) Limited was incorporated in England and Wales on 21 January 1998 as a private limited company with registered number 03499514 and its registered office is at 14-18 Old Street, London, EC1V 9BH. The principal legislation under which it operates is the Act and the regulations made thereunder. The liability of its members is limited. The principal activity of Nasstar (UK) Limited is the provision of remote hosting desktop IT services. It has an issued share capital of £103,000 divided into 10,300,000 ordinary shares of 1p each. It was acquired by Nasstar pursuant to a share exchange agreement dated 2 December 2005 in consideration of the allotment and issue of 10,300,000 Ordinary Shares, credited and fully paid, at 1p per share.

3.4.2 Denara Holdings Limited was incorporated in England and Wales on 06 July 2003 as a private limited company with registered number 04822804 and its registered office is at AGS Accountants and Business Advisors Limited, Castle Court, 2 Castle Gate Way, Dudley, West Midlands, DY1 4RH. The principal legislation under which it operates is the Act and the regulations made thereunder. The liability of its members is limited. The principal activity of Denara Holdings Limited is a holding company. It has an issued share capital of £613,024 divided into 360,491 ordinary shares of £1 each and 252,533 ordinary A shares of £1 each.

3.4.3 e-know.net Limited was incorporated in England and Wales on 25 November 1999 as a private limited company with registered number 03883933 and its registered office is at Datapoint House, 400 Queensway Business Park, Queensway, Telford, Shropshire, TF1 7UL. The principal legislation under which it operates is the Act and the regulations made thereunder. The liability of its members is limited. The principal activity of e-know.net Limited is an application service provider providing hosted IT services to businesses. It has an issued share capital of £748,217.70 divided into 375,000 ordinary shares of £1 each, 256,353 ordinary A shares of £1 each and 1,168,647 preference shares of 10p each. It was acquired by Denara Holdings Limited pursuant to a share exchange agreement and a share sale agreement, both dated 4 February 2005 in consideration of the allotment and issue of 360,491 ordinary shares in aggregate, credited and fully paid, at £1 per share and £977,886.07 in consideration for 14,509 ordinary shares, 256,353 A ordinary shares and 1,168,647 preference shares.

3.4.4 Denara Technologies Limited was incorporated in England and Wales on 06 July 2003 as a private limited company with registered number 04822803 and its registered office is at AGS Accountants and Business Advisors Limited, Castle Court, 2 Castle Gate Way, Dudley, West Midlands, DY1 4RH. The principal legislation under which it operates is the Act and the regulations made thereunder. The liability of its members is limited. It has an issued share capital of £100 divided into 100 ordinary shares of £1 each. Denara Technologies Limited is dormant and has never traded.

4 SHARE CAPITAL OF THE COMPANY

4.1 The issued and fully paid up share capital of the Company as at the date of this document is as follows:

Issued and fully paid up share capital

Aggregate nominal value (£)	**Number of Ordinary Shares of one penny each**
619,600.53	61,960,053

and as at Admission will be (as enlarged by the issue of the New Ordinary Shares):

Issued and fully paid up share capital

Aggregate nominal value (£)	**Number of Ordinary Shares of one penny each**
3,536,600.53	353,660,053

4.2 The legislation under which the Ordinary Shares have been created is the Act and regulations made under the Act. The Ordinary Shares are in registered form and are denominated in and the currency of issue is pounds sterling. The ISIN of the Ordinary Shares is GB00B0T1S097.

4.3 The Ordinary Shares are freely transferable provided that: i) they are fully paid; ii) the Company does not have a lien over them; and iii) the instrument of transfer is duly stamped and is in favour of not more than four joint transferees and is in respect of only one class of shares, or, in the case of uncertificated shares, is in accordance with CREST Regulations.

4.4 No shareholder of the Company has different voting rights from any other shareholder of the Company in respect of Ordinary Shares held by them.

4.5 On 1 October 2010, the Company's issued share capital was 35,733,224. Since 1 October 2010, there have been the following changes in the issued share capital of the Company:

4.5.1 Allotment of 15,000,000 Ordinary Shares on 8 July 2011 at 8p per share;

4.5.2 Allotment of 2,926,829 Ordinary Shares on 26 January 2012 at 10.25p per share;

4.5.3 Allotment of 100,000 Ordinary Shares on 3 July 2012 at 6p per share;

4.5.4 Allotment of 8,000,000 Ordinary Shares on 17 December 2012 at 11p per share; and

4.5.5 Allotment of 200,000 Ordinary Shares on 21 November 2013 at 6p per share.

4.6 As at the date of this document there are 6,595,000 unexercised Options outstanding over Ordinary Shares, which were granted as follows:

Name	**Date of Grant**	**No. of Options**	**Exercise price per Ordinary Share**
Charles Black	08 December 2005	750,000	12p
	27 April 2007	200,000*	22p
	06 May 2008	50,000*	39p
	12 September 2008	150,000*	30p
	22 December 2009	400,000*	10p
	25 November 2010	200,000	12p
	15 June 2011	950,000*	8p
Peter Daresbury	27 April 2007	100,000	22p
	6 May 2008	35,000	39p
	12 September 2008	300,000	30p
	25 September 2009	175,000	6p
	22 December 2009	100,000	10p
	25 November 2010	30,000	12p
	15 June 2011	150,000	8p
Tony Eve	25 November 2010	100,000	12p
Angus McCaffery	01 March 2013	1,000,000	10.5p
Shannon Johnston	19 December 2005	100,000	24p
	6 May 2008	50,000	39p
	22 December 2009	75,000	10p
Steve Curry	06 May 2008	25,000	39p
	25 September 2009	175,000	6p
Damion Greef	27 April 2007	100,000	22p
	12 September 2008	15,000	30p
	25 September 2009	300,000	6p
	25 November 2010	100,000	12p
	15 June 2011	450,000	8p
Simon Charles	25 September 2009	50,000	6p
Mark Williams	22 December 2009	50,000	10p
Jason Coppen	15 June 2011	40,000	8p
Mitchell Silver	15 June 2011	200,000	8p
Neil Boom	01 March 2013	100,000	11.75p
Samantha Gray	11 September 2013	75,000	11p

* These Options will be surrendered as part of a compromise agreement whereby, conditional on Admission, Charles Black will be issued with 1,700,000 New Ordinary Shares at the Issue Price.

4.7 Save as disclosed in paragraph 4 of Part VI of this Document:

4.7.1 no share or loan capital of the Company has been issued or is proposed to be issued;

4.7.2 there are currently no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;

4.7.3 there are no shares in the Company not representing capital;

4.7.4 there are no shares in the Company held by or on behalf of the Company or its Subsidiaries;

4.7.5 there are no acquisition rights and/or obligations over share capital of the Company and the Company has given no undertaking to increase its share capital;

4.7.6 no person has any preferential or subscription rights for any share capital of the Company; and

4.7.7 no share or loan capital of the Company or any of its Subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

4.8 Pursuant to resolutions passed by the members of the Company on 25 January 2013, the Board has an existing authority to allot shares in the Company or grant rights to subscribe for or convert any securities into shares up to a maximum aggregate nominal amount of £100,000 provided that this authority shall expire on the date which is the earlier of the conclusion of the next annual general meeting of the Company or 25 April 2014 unless previously renewed, varied or revoked by the Company in general meeting, but the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares and grant rights pursuant to such offer or agreement as if this authority had not expired. Pre-emption rights are disapplied in respect of such authority. The Company will be seeking to replace this authority at the General Meeting.

4.9 The Ordinary Shares (comprising the Vendor Consideration Shares, the Existing Ordinary Shares, the Charles Black Exit Shares and the Placing Shares) will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

4.10 The Company adopted the Share Option Scheme on 8 December 2005, the principal provisions of which are as set out below. This is the only share incentive scheme of the Company currently in force.

Eligible employees – All directors and employees of the Company and subsidiaries as nominated by the Board are eligible to be granted options under the Share Option Scheme.

Grant of Options – The Board may at any time at its discretion grant options to eligible persons. Options may be granted by the Board over a ten year period from 8 December 2005. This period has been extended in respect of the Charles Black Option Amendments and in respect of the proposed new options referred to in paragraph 8.2 of this Part VI (the ''New Options''). The Directors may impose conditions of grant. Grant of an option may be disclaimed by the grantee within 30 days. No option can be transferred, assigned or charged. In respect of the new Options in paragraph 8.2 of this Part VI, these will be exercisable for a period of ten years on or after the second anniversary of the date of their grant unless they fall due for exercise sooner in accordance with the rules of the scheme. These options will in each case be exercisable in tranches of one third if the Company's share price is not less than 10p in any continuous three month period, not less than 15p in any three month period and not less than 20p in any three month period.

Acquisition price – The price at which each share subject to an option may be acquired upon exercise of that option is determined by the Board.

Overall limits – The maximum number of shares over which options may be granted shall not exceed 12 per cent. of the Company's issued share capital from time to time.

Exercise of options – Options may be exercised in whole or in part in accordance with the rules at any time after two years from the date of grant. Earlier exercise is permitted in the event of death of the option holder (in which case exercise must be within six months of death of the option holder), for persons who leave by reason of injury, ill health, disability, redundancy or retirement (in which case exercise must be within six months) or otherwise at the discretion of the remuneration committee and in certain takeover situations (see below). The exercise of options may be conditional upon the satisfaction of any objective condition.

Lapse of options – Where the grantee becomes bankrupt the option will lapse immediately. Any option which has not previously lapsed will lapse at the end of ten years from the date of grant of the option.

Takeovers – The grantee will be notified of any bid and may exercise any options within such period as the Board may permit, after which period the option will lapse. The grantee may make an agreement with an acquiring company to release his rights in exchange for a new option over shares in the acquiring company on such terms as the Board shall determine.

Winding up – Subsisting options may be exercised at any time following the Company passing a resolution for voluntary winding up if the Board so permits, and for such period as the Board shall determine.

Adjustment to shares or share capital – Where the rights or price of the existing shares that correspond to the options are affected by any change in capitalisation after the commencement date, the number of shares subject to the option and/or the subscription price may be adjusted by the Board as the Board may determine, subject to the auditors confirming the adjustment is fair and reasonable.

Not part of contract – The Scheme is not intended to form any contract of employment and individuals who participate will not have any additional rights to damages for any loss, or potential loss of benefit, in the event of termination of office, and will not have any right to compensation for loss of tax benefits.

Alterations to the scheme rules – The Board may vary the rules from time to time, subject to variations not resulting in any adverse changes to rights under the scheme except without the prior of approval of scheme participants who if they had exercised their option in full would become entitled to not less than three quarters of the shares falling to be allotted under the scheme.

The rules of the Scheme also contain provisions in relation to options granted and to be granted pursuant to the Enterprise Management Incentive Scheme under the Finance Act 2000 (''EMI Options'') and these provisions are similar to those applying in relation to the Share Option Scheme save as summarised below:

(i) any key employee of the Company or a qualifying subsidiary and who is contracted to work for that Company for at least 25 hours a week or 75 per cent. of their working time is eligible to participate in the EMI Options; and

(ii) no person may be granted EMI Options which would at the time they are granted result in that person exceeding the maximum entitlement as set out in Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003.

5 ARTICLES OF ASSOCIATION

Below is a summary of the principal provisions of the Articles proposed to be adopted by special resolution at the General Meeting, proposed as resolution 5 in the Notice. The Company's Articles of Association in force as at the date of this document contain similar provisions unless identified by the heading ''Amended Article''.

5.1 Amended Article – Objects and name

The Articles contain no specific restrictions on the company's objects and therefore, by virtue of section 31(1) of the Act, the Company's objects are unrestricted. The Company may change its name by resolution of the Board. The current Articles do not contain provisions enabling the Board to change the Company's name.

5.2 Voting rights

Subject to paragraph 5.8 below, and to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member who (being an individual) is present in person or by proxy (being a corporation) is present by a duly appointed representative shall have one vote on a show of hands and on a poll every member present in person or by a representative or proxy shall have one vote for each share held by him. A proxy need not be a member of the Company.

5.3 Variation of class rights

If at any time the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the affected class, or with the sanction of a special resolution passed at a separate General meeting of the holders of shares of that class (but not otherwise). At every such separate General meeting the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

5.4 Alteration of capital

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

Subject to the Act, the Company may by special resolution reduce its share capital or any capital redemption reserve or any amount standing to the credit of the Company's share premium account.

The Company may purchase its own shares (including any redeemable shares), subject to the provisions of the Act.

5.5 Amended Article – Transfer of shares

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the directors and (2) in the case of uncertificated shares, through CREST in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or behalf of the transferee.

The Board may, in its absolute discretion, and without assigning any reason therefor, refuse to register any transfer of shares all or any of which are not fully paid provided that, where any such shares are admitted to the Official List of the United Kingdom Listing Authority, traded on the AIM Market of the London Stock Exchange, admitted on ICAP Securities & Derivatives Exchange or traded on any other recognised investment exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may also refuse to register any transfer of certificated shares, unless in the case of a transfer to joint holders, they do not exceed four in number.

The current Articles refer to the predecessor to the ICAP Securities & Derivatives Exchange, PLUS Markets.

5.6 Dividends

The Company may by ordinary resolution in General meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed 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.

All dividends shall be apportioned and paid proportionately 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.

All dividends unclaimed for a period of twelve years after the payment date for such dividend shall be forfeited and shall revert to the Company.

5.7 Amended Article – Suspension of rights

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the Act and is in default in supplying to the Company within the prescribed period in such notice the information thereby required, then such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents not less than 0.25 per cent. of the issued shares of that class the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arm's length sale.

The current Articles refer to the predecessor section to section 793 of the Act, section 212 Companies Act 1985.

5.8 Pre-emption rights

There are no rights of pre-emption under the Articles of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

5.9 Amended Article – Shareholder Meetings

Annual general meetings should be held within the time periods specified by the Act. Other general meetings may be called whenever the directors think fit or when one has been requisitioned in accordance with the Act. Two members present in person or by proxy by members (or, being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings are called on at least 21 days' notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other general meetings are to be called on 14 days' notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. The annual general meeting may be called on shorter notice providing all members entitled to attend and vote agree and a general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent.

The Company may specify in the notice of meeting a time, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not be a member.

The current Articles do not enable general meetings other than annual general meetings to be held on 14 days' notice where a special resolution is proposed.

5.10 Directors and Proposed Directors

Subject to the provisions of the Act, the Articles and any directions given by special resolution, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company. The Board may from time to time make such arrangements as it thinks fit for the management and transaction of the Company's affairs in the United Kingdom or elsewhere.

The Company may by ordinary resolution or by resolution of the Board elect a person who is willing to act to be a director either to fill a vacancy or as an additional director. The minimum number of directors is two and there is no maximum number of directors. Each director must retire at least once every three years, and will be eligible for re-election.

The Board may, subject to the quorum and voting requirements set out in the Articles, authorise any matter which would otherwise involve a director breaching his duty under Statute to avoid conflicts of interest. Any director may propose that the relevant director be authorised in relation to any matter the subject of such a conflict.

Any authority given by the Board in respect of a conflict may be granted provided that the relevant director shall not count towards the quorum nor vote on any resolution giving such authority, except where the interest cannot reasonably be regarded as likely to give rise to a conflict or where the interest arises only from certain matters set out in the Articles such as the provision of guarantees and contracts with third parties in which he is interested provided he has fully declared his interest.

The directors of the Company may be paid such remuneration (by way of fee) for their services as may be determined by the Board. Each director shall be entitled to be repaid all travelling and other expenses in relation to the business of the Company.

Any director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, commission, percentage of profits or otherwise as the Board may decide.

A director may hold any other office or employment with the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine.

5.11 Borrowing restrictions

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

5.12 Notification of interests in the Ordinary Shares

Save as referred to in paragraph 5.7 above, the disclosure of shareholdings is not a requirement of the Articles. However, pursuant to Chapter 5 of the Disclosure and Transparency Rules, a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights reaches, exceeds or falls below 3 per cent. or any whole percentage figure above 3 per cent. (a) as a result of an acquisition or disposal of shares or such financial instruments or (b) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure and Transparency Rules. Certain voting rights held by investment managers, unit trusts, OEICS and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

The above summary of the Articles as currently in force and as proposed to be adopted is qualified in each case by the entirety of the documents which are available to view at www.nasstar.com/investors/companydocuments.

6 COMPULSORY ACQUISITIONS UNDER THE ACT

6.1 Mandatory bid

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for all of the remaining Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company.

6.2 Squeeze out

Under sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) in a company to which such offer relates it may then compulsorily acquire from the non-assenting Shareholders the remaining shares. The offeror would do so by sending a notice to non-assenting Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the remaining shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the non-assenting Shareholders. The consideration offered to the non-assenting Shareholders must, in general, be the same as the consideration that was available under the takeover offer.

6.3 Sell out

Under section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7 PLACING

7.1 The Placing Shares have been conditionally allotted for subscription pursuant to the Placing Agreement conditional only on Admission, at a price of 5p per Placing Share (representing a premium of 4p over the nominal value of 1p per Ordinary Share), which is payable in full on issue. The Placing Shares have been conditionally allotted pursuant to the authorities sought in Resolutions 2 and 3.

7.2 The Placing Shares, once issued, will represent 59.4 per cent. in total of the Enlarged Issued Share Capital of the Company.

7.3 The Placing Shares are expected to be issued on 10 January 2014, being the expected date of Admission.

7.4 None of the Ordinary Shares or the Placing Shares have been marketed or are available to the public in whole or in part in connection with the Placing.

8 INTERESTS OF DIRECTORS AND PROPOSED DIRECTORS AND OTHER MAJOR SHAREHOLDERS

8.1 So far as the Directors and the Proposed Directors are aware, as at the date of this Document, and as expected to be on issue of the New Ordinary Shares on Admission, the holdings of the Directors, Proposed Directors and of persons connected (within the meaning of section 252 of the Act) ("Connected Persons") with a Director or Proposed Director in the issued share capital of the Company (excluding interests in Options) which are required to be disclosed by the AIM Rules and the existence of which is known or could with reasonable diligence be ascertained by the Directors and Proposed Directors are as follows:

	At the date of this Document		At Admission	
Name	**Number of Ordinary Shares**	**per cent. of Ordinary Shares**	**Number of Ordinary Shares**	**per cent. of Ordinary Share**
Lord Peter Daresbury	4,601,062	7.43	5,101,062	1.44
Charles Black	8,900,000	14.36	10,600,000	3.00
Tony Eve	548,609	0.89	548,609	0.16
David Redwood	—	—	9,802,458	2.77
Nigel Redwood	—	—	10,165,695*	2.87
Niki Redwood	—	—	10,485,393†	2.97
Angus McCaffery	179,100	0.29	179,100	0.05
Nick Bate	—	—	—	—
Mike Read	—	—	—	—
Totals	14,228,771	22.97	46,882,317	13.26

NOTES:

* Includes 571,459 shares held in trust for the benefit of Nigel Redwood's minor daughter.

† Includes 1,714,378 shares held in trust for the benefit of Niki Redwood's minor children.

8.2 Save as disclosed in paragraph 4.6 at the date of this Document, and as at Admission, the Directors, the Proposed Directors and the persons connected (within the meaning of section 252 of the Act) with a Director or Proposed Director will hold the following Options over shares in the Company:

Name	**Date of Grant**	**No. of Options**	**Exercise price per Ordinary Share**
Charles Black	08 December 2005	750,000	12p
	27 April 2007	200,000*	22p
	06 May 2008	50,000*	39p
	12 September 2008	150,000*	30p
	22 December 2009	400,000*	10p
	25 November 2010	200,000	12p
	15 June 2011	950,000*	8p
Peter Daresbury	27 April 2007	100,000	22p
	06 May 2008	35,000	39p
	12 September 2008	300,000	30p
	25 September 2009	175,000	6p
	22 December 2009	100,000	10p
	25 November 2010	30,000	12p
	15 June 2011	150,000	8p
Tony Eve	25 November 2010	100,000	12p
Angus McCaffery	01 March 2013	1,000,000	10.5p

* These options will be surrendered on Admission pursuant to the Charles Black Option Amendments described in paragraph 9.8 of this Part VI.

Name	Date of Grant	No. of Options	Exercise price per Ordinary Share
Lord Peter Daresbury	10 January 2013	750,000	5p
Nigel Redwood	10 January 2013	6,500,000	5p
Niki Redwood	10 January 2013	6,500,000	5p
Angus McCaffery	10 January 2013	750,000	5p
David Redwood	10 January 2013	2,000,000	5p
Nick Bate	10 January 2013	750,000	5p
Mike Read	10 January 2013	750,000	5p
Total			

8.3 Save as disclosed in paragraphs 8.1 and 8.2 above and in this paragraph 8.3, the Directors and Proposed Directors are not aware of any direct or indirect interest in the Company's ordinary share capital that amounts to or would, on Admission, amount to an interest of three per cent. or more of the voting rights in the Company or who (save as disclosed in this Document), directly or indirectly could exercise control over the Company:

	At the date of this Document		At Admission	
Name	Number of Ordinary Shares	per cent. of Ordinary Shares	Number of Ordinary Shares	per cent. of Ordinary Shares
Kestrel Opportunities Fund	9,450,000	15.25	59,450,000*	16.81
Legal & General Group plc	6,150,000	9.93	24,150,000*	6.83
Octopus Investments Nominees Limited	5,875,000	9.48	27,875,000*	7.88
Hargreave Hale Limited	3,116,829	5.03	43,116,829*	12.19
Artemis Fund Managers Limited	—	—	16,000,000	4.52
Nigel Hill	5,020,982	8.10	5,020,982	1.42
Funds managed by NVM Private Equity Limited	—	—	26,855,044†	7.59
D P Greef	2,657,881	4.29	2,657,881	0.75
D Newlands	2,560,000	4.13	2,560,000	0.72
A Zaphiriou-Zarifi	2,500,000	4.03	2,500,000	0.71
A Black	1,868,845	3.02	1,868,845	0.53
Totals	**39,199,537**	**63.27**	**212,054,581**	**59.96**

NOTES:

* Holdings assume full subscription in accordance with commitments given under the terms of the Placing.

† Shares acquired pursuant to the Acquisition Agreement.

8.4 Save as set out in paragraphs 8.1 and 8.2 of this Part VI, none of the Directors, Proposed Directors nor any person connected (within the meaning of section 252 of the Act) with any Director has any interest, whether beneficial or otherwise, in the share capital of the Company.

8.5 The Directors and Proposed Directors are not aware of any person who immediately following Admission, directly or indirectly, jointly or severally, will own or could exercise control over the Company and the Directors and Proposed Directors are not aware of any arrangement, the operation of which may at a date subsequent to this document result in a change in control of the Company.

8.6 Save as set out in this paragraph 8 of this Part VI and to the extent known to the Directors or Proposed Directors, there are no major Shareholders or members of the Company's management, supervisory or administrative bodies which intend to subscribe for Ordinary Shares in the Placing or any persons which intend to subscribe for more than five per cent. of the Ordinary Shares to be issued pursuant to the Placing.

8.7 In May 2010 Peter Daresbury acquired an interest in 175,000 options to subscribe for new Ordinary Shares from his son, Thomas Greenall, to whom these options had originally been issued and who transferred them to Peter Daresbury upon his ceasing to be employed by the Company.

8.8 A former director of the Company, Damion Greef, left the board of directors in April 2013 and as part of his leaving arrangements, the option exercise period was extended by agreement to twelve months from the date of his departure from six months as provided by the rules of the option scheme.

9 DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

9.1 On 17 December 2013 Nigel Redwood entered into a service agreement with the Company, conditional on Admission, under the terms of which he agreed to act as chief executive officer of the Company for a salary of £150,000 per annum plus a bonus amounting to up to 30 per cent. of his annual basic salary for the financial year ending 31 December 2014 subject to meeting performance criteria to be decided on and implemented by the Remuneration Committee following Admission plus benefits including car allowance and pension contribution. Reviews of the salary will take place at the discretion of the Board. The appointment is terminable on 12 months' notice by either Mr Redwood or the Company. Under the terms of his service agreement, Mr Redwood is, *inter alia*, restricted from soliciting the services of any director of, or business away from, the Company during the 6 month period after he ceases to be employed by the Company.

9.2 On 17 December 2013 Niki Redwood entered into a service agreement with the Company, conditional on Admission, under the terms of which she agreed to act as executive finance director of the Company for a salary of £120,000 per annum plus a bonus amounting to up to 30 per cent. of her annual basic salary for the financial year ending 31 December 2014 subject to meeting performance criteria to be decided on and implemented by the Remuneration Committee following Admission plus benefits including car allowance and pension contribution. Reviews of the salary will take place at the discretion of the Board. The appointment is terminable on 12 months' notice by either Ms Redwood or the Company. Under the terms of her service agreement, Ms Redwood is, *inter alia*, restricted from soliciting the services of any director of, or business away from, the Company during the 6 month period after she ceases to be employed by the Company.

9.3 On 20 December 2005 Lord Daresbury entered into a letter of appointment with the Company under the terms of which he agreed to act as its chairman. Lord Daresbury's current annual fee is £12,000. This will increase to £30,000 per annum upon Admission pursuant to an amendment letter dated 17 December 2013. Reviews of the fee will take place at the discretion of the Board. The appointment is terminable thereafter on three months' notice by either party.

9.4 On 6 March 2013 Angus McCaffery entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director for a fee of £10,000 per annum. This will increase to £20,000 per annum upon Admission pursuant to an amendment letter dated 17 December 2013. Reviews of the fee will take place at the discretion of the Board. The appointment is terminable thereafter on three months' notice by either party.

9.5 On 17 December 2013 David Redwood entered into a letter of appointment with the Company, conditional on Admission, under the terms of which he agreed to act as a non-executive deputy chairman for a fee of £20,000 per annum. Reviews of the fee will take place at the discretion of the Board. The appointment is terminable thereafter on three months' notice by either party. Mr Redwood is currently an employee of e-know.net Limited but will cease to be on Admission, and will be paid one year's salary in lieu of his contractual notice period, to be funded by the Company at cost.

9.6 On 17 December 2013 Mike Read entered into a letter of appointment with the Company, conditional on Admission, under the terms of which he agreed to act as non-executive director for a fee of £20,000 per annum. Reviews of the fee will take place at the discretion of the Board. The appointment is terminable thereafter on three months' notice by either party.

9.7 On 17 December 2013 Nick Bate entered into a letter of appointment with the Company, conditional on Admission, under the terms of which he agreed to act as non-executive director for a fee of £20,000 per annum. Reviews of the fee will take place at the discretion of the Board. The appointment is terminable thereafter on three months' notice by either party.

9.8 On 20 December 2005 Charles Black entered into a service agreement with the Company under the terms of which he agreed to act as chief executive officer of the Company. Mr Black's current salary is £127,000 per annum. Under the terms of his service agreement, Mr Black is restricted from soliciting the services of any director or employee of, or business away from, the Company, in each case during the six month period after cessation of his employment. On 17 December 2013 Mr Black entered into a settlement agreement whereby, conditional on Admission, he agreed to cease to be chief executive officer of the Company with effect from 10 January 2014 and will be paid a termination payment under the terms of that agreement of £91,000 and will be issued with 1,700,000 new Ordinary Shares at the Issue Price partly in lieu of 1,750,000 Options he currently holds, with such existing 1,750,000 Options being cancelled. These new Ordinary Shares will be credited as fully paid up. In addition to the issue of these new shares, the Company has agreed to contribute an amount up to £135,000 towards Mr Black's tax liability as an employee as a result of their issue. Mr Black's remaining Options following Admission (amounting to 950,000 Options) will remain in place and be amended such that they will be subject to no vesting conditions and the exercise period will be extended to a period of 10 years from the date of their grant. Mr. Black's company, SEN TV Limited will provide the services of Mr. Black to the Enlarged Group as a consultant on a remunerated basis until 30 June 2014 and thereafter Mr. Black will remain available on an ad-hoc basis to provide advice to the Enlarged Group for a further six months. Under the terms of the new consultancy arrangements, SEN TV Limited and Mr Black are, *inter alia*, restricted from soliciting the services of any client of, or business away from, the Company during the 12 month period after the services cease to be provided to the Company.

9.9 On 6 December 2007 the Company entered into an agreement with DFM Limited trading as FD Solutions, under which the services of Tony Eve as finance director are provided on a part time basis. The current annual fee for the provision of these services is £27,500 plus VAT and this agreement will end at Admission. As additional consideration for the provision of Mr Eve's services in connection with the Transaction, the Company has agreed to pay DFM Limited the sum of approximately £12,000 plus value added tax.

9.10 Save as disclosed in this paragraph 9, there are no service contracts or letters of appointment, existing or proposed, between any Director or Proposed Director and the Company and there are no existing or proposed service agreements or letters of appointment between any Director or Proposed Director and the Company providing for benefits upon termination of employment.

9.11 Details of the length of time for which the Directors and the Proposed Directors have been in office are set out below:

Name	**Date appointed (or proposed to be appointed)**
Lord Daresbury	2 December 2005
Charles Black	2 December 2005
Tony Eve	6 December 2007
Angus McCaffery	6 March 2013
Nick Bate	On Admission
Mike Read	On Admission
Nigel Redwood	On Admission
Niki Redwood	On Admission
David Redwood	On Admission

10 ADDITIONAL INFORMATION ON THE DIRECTORS AND PROPOSED DIRECTORS

10.1 In addition to directorships of the Company in respect of the Directors, the Directors and Proposed Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this Document:

Name	Current directorships/ partnerships	Past directorships/ partnerships
Lord Peter Daresbury	Delamere Warrington LLP PHD Core Investors LLP PHD Carried Interest LLP Grand National Steeplechase Limited Delamere Forest Properties Limited Nasstar (UK) Limited Commonside Investments Limited Mallett Public Limited Company Daresbury Restaurants (Greens) Limited The Greenhouse Wine Company Limited Greenalls Pubs and Restaurants Limited The Injured Jockeys Fund Rusant Limited Bespoke Hotels Limited Pesto Restaurants Ltd Daresbury Estates Limited	Aintree Racecourse Company Limited Jockey Club Racecourses (Holdings) Limited Jockey Club Racecourses Limited Sumatra Copper & Gold Plc Rusant Limited North West Business Finance Limited DV Leisure Limited Daresbury Dairy Farm Limited Daresbury Properties Limited
Charles Michael Andrew Black	Nasstar (UK) Limited SEN TV Limited SEN Capital Limited SEN Corporation Limited	Echospin Limited Network Support International Limited (dissolved)
Angus John McCaffery	Maintel Europe Limited Maintel London Limited Maintel Holdings Plc Maintel Finance Limited Maintel Voice and Date Limited District Communications Limited District Holdings Limited District Maintenance Limited District Network Services Limited Hi-Tech Network Solutions Limited Maintel Mobile Limited	
Maurice Anthony Eve	Nasstar (UK) Limited	Old Whitgiftian Trustees Limited Davanter Limited (dissolved 18 March 2009)
Nigel Redwood	e-know.net Limited Brownwood LLP Dontbeaplonker.com Limited Denara Holdings Limited Denara Technologies Limited Ziggy Computing Limited Ziggy Technologies Limited	Redwood Custom & Collectibles Limitied
Niki Jane Redwood	e-know.net Limited	

Name	Current directorships/ partnerships	Past directorships/ partnerships
	Brownwood LLP Ziggy Computing Limited Ziggy Technologies Limited	
David Thomas Arthur Redwood	e-know.net Limited Brownwood LLP Denara Holdings Limited Denara Technologies Limited Ziggy Computing Limited Ziggy Technologies Limited	Autoville Limited (dissolved 1 September 2010)
Nicholas John Bate	Snow Hill BPRA LLP Beta Partners Limited Media Maker Ltd	SSP Limited SSP Holdings Limited Holdgrove Limited Sectornet Limited Media Maker Ltd Mediquote Health Solutions Limited Policy Master Group Limited Sirius Financial Systems Group Limited SSP Sirius Limited SSP Sirius Solutions Limited H&F Sensor Equityco Limited Key Choice Insurance Marketing Limited H&F Sensor Bidco Limited H&F Sensor Holdco Limited Keychoice Underwriting Limited Wonderboxes Ltd (dissolved 16 April 2013)
Michael David Read	Cloudified Ltd Inty Limited NZKL Limited Xrio Limited	Daisy Group Plc Freedom4 Limited Faultbasic Limited Freedom4 Access Limited Thrive Telecom Limited (Active – Proposal to strike off) BNS Mobile Limited Clevercoms Limited MDR Business Solutions Limited

Wetnose.com Limited entered into creditors' voluntary liquidation under the Insolvency Act 1986 in November 2000 and was dissolved in August 2005. Lord Daresbury was a director of this company from August 2000 until October 2000.

10.2 Save as stated in paragraph 10.1 above in respect of Lord Daresbury, none of the Directors or Proposed Directors has:

10.2.1 any unspent convictions in relation to indictable offences;

10.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

10.2.3 been a director of a company which has been placed in receivership, insolvent liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

10.2.4 been a partner in any partnership which has been placed in insolvent liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

10.2.5 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

10.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

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

10.3 The Company has no administrative, management or supervisory bodies other than the Board of Directors, the remuneration committee and the audit committee, all of whose members are Directors or Proposed Directors, and details of which committees are set out in paragraph 16 of Part I of this Document.

10.4 Save as disclosed in paragraphs 8.1 and 8.2 of this Part VI, none of the Directors and Proposed Directors nor any of their Connected Persons (as defined in paragraph 8.1), has any interest, whether beneficial or non-beneficial, in any share capital of the Company.

10.5 None of the Directors and Proposed Directors nor any of their respective Connected Persons (as defined in paragraph 8.1), is interested in any related financial product (as defined in the AIM Rules for Companies) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for difference or a fixed odds bet.

10.6 There are no outstanding loans or guarantees provided by the Company for the benefit of any of the Directors or Proposed Directors.

10.7 No Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.

10.8 Save as disclosed in this Part VI, there are no contracts, existing or proposed, between any Director or parties in which they are interested and the Company.

11 EMPLOYEES

11.1 The Company has 17 employees. All are employed at the Company's registered office.

11.2 e-know.net has 58 employees; three are employed from their home addresses, the rest are employed at e-know.net's registered office.

12 MATERIAL CONTRACTS

12.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its Subsidiaries within the two-year period prior to the date of this Document:

12.1.1 Acquisition Agreement

A share sale and purchase agreement dated 17 December 2013 and made between (1) Nasstar (2) the Directors (other than Angus McCaffery and Tony Eve) and (3) the Vendors pursuant to which Nasstar has agreed to acquire the entire issued and to be issued share capital of Denara Holdings Limited for an aggregate consideration of £13.00m. The aggregate consideration will be satisfied as to £9.00m in cash, which will be payable upon completion of the Acquisition, and by the issue to the Vendors of the Vendor Consideration Shares at the Placing Price. The Acquisition Agreement is conditional, *inter alia*, on (a) the approval of Shareholders at the General Meeting (b) a condition designed to ensure that the Placing will not prejudice the VCT Status and EIS qualifying status of any of the Placees or the Vendors and (c) Admission. The Acquisition Agreement contains certain warranties and indemnities by the Vendors in relation to the business, assets and affairs (including tax) of Denara and its subsidiaries, subject to certain limitations as to quantum and the period within which claims may be brought and certain warranties from Charles Black and Peter Daresbury to the Vendors in relation to Nasstar and its business and certain indemnities from Charles Black as to the tax affairs of Nasstar, in favour of the Vendors, which warranties and indemnities are subject to limitations as to their duration and quantum.

The Company has agreed to contribute £200,000 plus VAT towards the costs of the Vendors' professional fees in connection with the Transaction, subject to Admission occurring, and 50 per cent. of the Vendors' professional fees (subject to a maximum of £150,000 plus VAT) if Admission shall not have occurred by 8.00 am on 31 January 2014. The advisers to the Vendors are KPMG LLP, Oakley Capital Corporate Finance Limited and Wragge & Co LLP.

12.1.2 Nominated adviser and broker agreement

A letter agreement dated 24 October 2013 between finnCap (1) and Nasstar (2) under which Nasstar agreed to appoint finnCap as its nominated adviser and broker for the purposes of the AIM Rules, for an initial period of 12 months from the date of the letter agreement and thereafter terminable on not less than three months' notice by either party. The letter agreement is terminable sooner in certain limited circumstances where there exists an unremedied or material breach of the letter agreement.

12.1.3 Placing Agreement

A placing agreement dated 17 December 2013 between David Redwood and others (1), Nasstar (2) and finnCap (3) pursuant to which finnCap agrees to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement is conditional, *inter alia*, on Admission occurring by 8.00am on 10 January 2014 or such later time and date as finnCap may agree, being in any event no later than 8.00am on 28 February 2014. The Placing Agreement provides for the payment by Nasstar of a commission to finnCap in respect of the value at the Placing Price of the Placing Shares and a corporate finance fee in respect of finnCap's services in relation to Admission. In addition, Nasstar has agreed to pay all other costs, charges and expenses of, or incidental, to the Placing including without limitation registrars' fees, printing, advertising and distribution fees and expenses and disbursements (including finnCap's legal fees and expenses). The Placing Agreement contains warranties and indemnities in favour of finnCap in relation to the Placing and Admission. finnCap may terminate the Placing Agreement prior to Admission in certain circumstances, principally in the event of material breach by the Company of the warranties or certain other of its obligations under the Placing Agreement.

12.1.4 Lock in agreements dated 17 December 2013 from each of Lord Daresbury (in respect of all but 4,591,062 shares held by him), Angus McCaffery, Charles Black, David Redwood, the DTA Redwood Discretionary Trust and Intec Management SA in favour of finnCap and Nasstar under which each agrees, conditional on Admission, not to dispose of their interests in their Ordinary Shares for a period of 6 months from the date of Admission, save in certain limited circumstances and to orderly marketing provisions for a further 6 months thereafter.

12.1.5 Lock in agreements dated 17 December 2013 from Nigel Redwood and Niki Redwood in favour of finnCap and Nasstar under which each agrees, conditional on Admission, not to dispose of their interests in Ordinary Shares for a period of 12 months from the date of Admission, save in certain limited circumstances.

12.1.6 A letter agreement dated 24 October 2013 between finnCap (1) and Nasstar (2) under which Nasstar agreed to appoint finnCap as its financial adviser in relation to the Placing, Admission and the Acquisition.

12.2 Other than in the ordinary course of business, there have been no contracts entered into by Denara or any of its subsidiaries within the two-year period prior to the date of this Document.

13 LEGAL AND ARBITRATION PROCEEDINGS

13.1 Nasstar

Neither Nasstar nor its Subsidiary is or has been involved in any governmental, legal or arbitration proceedings and the Directors and Proposed Directors are not aware of any such proceedings pending or threatened by or against Nasstar or the Subsidiary during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of Nasstar or the Subsidiary.

13.2 Denara Holdings Limited

Neither Denara Holdings Limited, or any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings and the Directors and Proposed Directors are not aware of any such proceedings pending or threatened by or against Denara Holdings Limited or any of its subsidiaries during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of Denara Holdings Limited or any of its subsidiaries.

14 WORKING CAPITAL

The Directors and Proposed Directors are of the opinion, having made due and careful enquiry, that the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from Admission.

15 NO SIGNIFICANT CHANGE

15.1 Save as disclosed in Parts I and III and in this Part VI of this Document there has been no significant change in the financial or trading position of the Nasstar Group since 30 September 2013, the latest date to which interim accounts have been prepared.

15.2 Save as disclosed in Parts I and IV and in this Part VI of this Document, there has been no significant change in the financial or trading position of the Denara Group since 30 June 2013, the latest date to which interim accounts have been prepared, as presented in Part C of Part IV of this Document.

16 RELATED PARTY TRANSACTIONS

16.1 Save as disclosed in Part I or referred to in the financial statements incorporated by reference in Part III of this document, no member of the Nasstar Group entered into a transaction with a related party during the period between 1 October 2009 and the date of this document.

16.2 Save as disclosed in the Accountants' Report set out in Part IV of this Document no member of the Denara Group entered into a transaction with a related party during the period between 1 January 2010 and the date of this Document.

17 UK TAXATION

17.1 The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in the UK for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade. They do not purport to be comprehensive nor to describe all potential relevant considerations. They are based on current legislation and HMRC practice. Any shareholder who is any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK, should consult his or her own professional adviser immediately.

Capital Gains Tax

17.2 If a shareholder who is a UK individual disposes of all or some of his Ordinary Shares, a liability to tax on gains of the disposal may arise. The extent of the tax liability on any gains which may arise will depend on the availability of the annual CGT exemption and any other tax relief such as existing capital losses. CGT is charged at a rate of 18 or 28 per cent. Any gain will be assessed to tax at that individual's marginal rate.

17.3 Corporate entities holding shares as an investment will be subject to corporation tax on any gain arising, subject to mitigation by indexation allowance and potentially by losses available for relief.

17.4 Trustees of a UK trust will also be subject to tax on any gains. Any gain will be capable of mitigation by use of the annual exemption to the extent this has not been used against other gains.

UK stamp duty and duty reserve tax

17.5 No UK stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value will give rise to a liability to pay UK *ad valorem* stamp duty, or stamp duty reserve tax, at the rate in each case of 50p per £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). Transfers under CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

UK taxation of dividends

17.6 Individual Shareholders, who are resident in the United Kingdom for tax purposes, will generally be subject to income tax on the aggregate amount of the dividend and associated tax credit (the "gross dividend"). For example, on a cash dividend of £90 an individual would be treated as having received dividend income of £100 and as having paid income tax of £10 (the "associated tax credit"). The gross dividend will be regarded as the top slice of the shareholder's income.

Individual Shareholders who (after taking account of the gross dividend) are liable to income tax at the basic rate, pay tax on dividends at the dividend ordinary rate of 10 per cent. Such individuals will have no further tax to pay, as the tax liability will be fully extinguished by the associated tax credit. Individual Shareholders who are not liable to income tax are not able to recover the tax credit.

Individual Shareholders who (after taking account of the gross dividend) are subject to income tax at the higher rate (currently 40 per cent.) will be liable to tax at the dividend upper rate of 32.5 per cent., on the gross dividend. For example, a higher rate tax payer receiving a dividend of £90 would for income tax purposes be treated as receiving dividend income of £100 (the aggregate of the £90 dividend received and the associated tax credit of £10). The tax liability would be £32.50. However, the associated tax credit of £10 would be set against the tax liability, leaving the individual with net tax to pay of £22.50.

Individual Shareholders who (after taking account of the gross dividend) are subject to income tax at the additional rate (currently 45 per cent. from 6 April 2013) will be liable to income tax at the dividend additional rate of 37.5 per cent. on the gross dividend. For example, a 45 per cent. tax payer receiving a dividend of £90 would for income tax purposes be treated as receiving dividend income of £100 (the aggregate of the £90 dividend received and the associated tax credit of £10). The tax liability would be £37.50. However the associated tax credit of £10 would be set against the tax liability, leaving the individual with net tax to pay of £27.50.

Trustees of discretionary trusts liable to account for income tax on the income of the trust will be treated as having received gross income equal to the aggregate amount of the dividend and associated tax credit. Trustees will pay tax on dividends received at the rate of 37.5 per cent. As with the additional rate for individual Shareholders, the 10 per cent. tax credit will be set against the tax liability leaving further tax to pay of 27.5 per cent. of the gross dividend.

17.7 The above comments are intended as a general guide to the current tax position in the UK. This summary is not a substitute for the investor obtaining professional or tax advice before applying for shares. If you are not resident in the UK or are in any doubt as to your tax position you should consult an appropriate professional adviser without delay.

18 GENERAL

18.1 The gross proceeds of the Placing are expected to be £10.5m. The total costs and expenses of and incidental to the Admission and the Placing payable by the Company are estimated to amount to approximately £1.2m (exclusive of VAT). The net proceeds of the Placing after expenses payable on or in respect of Admission and the Placing are expected to be £9.3m, of which £9.0m will be used in connection with the Acquisition.

18.2 finnCap has given, and not withdrawn, its written consent to the inclusion in this Document of reference to its name in the form and context in which it appears.

18.3 KPMG LLP, a member firm of the Institute of Chartered Accountants in England and Wales, has given, and not withdrawn, its written consent to the inclusion in this Document of its report and/or other extractions therefrom, and references to its name in the form and context in which it appears, has authorised the contents of Part III of this Document and has no material interest in the Company.

18.4 Other than the Company's admission to AIM and in respect of the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such Admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.

18.5 The financial information contained in Parts III and IV of this Document does not constitute full statutory accounts as referred to in Sections 430 to 434 of the Act. The Company will publish its audited accounts for the fifteen month period ending 31 December 2013 on or before 30 June 2014. The Company will publish its interim report for the six months ending 30 June 2014 on or before 30 September 2014.

18.6 The Directors and Proposed Directors are unaware of any exceptional factors which have influenced the Nasstar Group's activities.

18.7 The Directors and Proposed Directors are unaware of any exceptional factors which have influenced the Denara Group's activities.

18.8 The Directors and Proposed Directors are not aware of any significant recent trends in production, sales and inventory and costs and selling prices. There are no known uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for the current financial year.

18.9 Save as referred to in Part II of this Document, the Directors and Proposed Directors are not aware of any patents or other intellectual property rights, licenses or particular contracts which are or may be of fundamental importance to the Enlarged Group's business.

18.10 There are no arrangements under which future dividends are waived or agreed to be waived.

18.11 The accounting reference date of the Nasstar Group has as at the date of this Document been extended to 31 December, conditional on Admission. The annual accounts of the Company have been audited in accordance with national law for the years ended 2010, 2011 and 2012 by Gerald Edelman, Chartered Accountants, of 25 Harley Street, London, W1G 9BR.

18.12 The accounting reference date of the Denara Group is 31 December. The annual accounts of Denara Holdings Limited have been audited in accordance with national law for the years ended 2010, 2011 and 2012 by AGS Accountants and Business Advisors Limited.

18.13 The Ordinary Shares will only be traded on AIM.

18.14 The Company's registrar and paying agent for the payment of dividends is Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA.

18.15 No person (other than the Company's professional advisors (including Newshams Tax Consultants) and trade suppliers or save as disclosed in Part VI of this Document) has, directly or indirectly, in the last 12 months, received or is contractually entitled to receive, from the Company on or after Admission any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into any contractual arrangements to receive the same from the Company.

18.16 The Directors and Proposed Directors accept responsibility for the financial information contained or referred to in Parts III and IV of this Document which has been prepared in accordance with the law applicable to the relevant company.

18.17 Where information in this Document has been sourced from third parties, the Company confirms that this information has been accurately reproduced and that, so far as the Directors and Proposed Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

18.18 Save as set out in paragraph 12.1.3 of this Part VI, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this Document relates or of his procuring or agreeing to procure subscriptions for such securities.

18.19 No payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.

18.20 There are no investments in progress which are significant.

18.21 To the best of the knowledge of the Directors and Proposed Directors, as at 16 December 2013 (being the latest practicable date prior to the publication of this Document), there are no environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.

18.22 The Directors and Proposed Directors are not aware of any other information that they should reasonably consider as necessary for the investors to form a full understanding of (i) the assets and liabilities, financial positions, profits and losses, and prospects of the Company and the securities for which Admission is being sought; (ii) the rights attached to those securities; and (iii) any other matter contained herein.

19 DOCUMENTS FOR INSPECTION

19.1 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the Company's registered office and at the offices of Marriott Harrison LLP at 11 Staple Inn, London WC1V 7QH, for a period of 1 month following Admission:

(a) the Articles (as currently in force and as proposed to be adopted);

(b) the Accountants' Reports set out in Part IV of this Document;

(c) the material contracts set out in paragraph 12.1 of Part VI of this Document;

(d) the Directors' service agreements and letters of appointment referred to in paragraph 9 of Part VI of this Document;

(e) the letters of consent referred to in paragraph 18 of Part VI of this Document; and

(f) this Document.

NOTICE OF GENERAL MEETING

Nasstar plc

(Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 5623736)

NOTICE IS HEREBY GIVEN THAT a general meeting of Nasstar plc (the "Company") will be held at the office of the Company's solicitors, Marriott Harrison LLP at 11 Staple Inn, London WC1V 7QH at 9.30 am on 9 January 2014 the "General Meeting" to consider and, if thought fit, to pass the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions of the Company and resolutions 3 to 5 will be proposed as special resolutions of the Company:

ORDINARY RESOLUTIONS

1. THAT, the acquisition (the "Acquisition") by the Company of the entire issued and to be issued share capital of Denara Holdings Limited on the terms and subject to the conditions contained in the acquisition agreement (the "Acquisition Agreement") (as further described in Part VI of the admission document of the Company dated 17 December 2013 (the "Admission Document")), be and is hereby approved for the purposes of Rule 14 of the AIM Rules for Companies and that the directors be and are hereby authorised to take all steps necessary or, in the opinion of the directors, desirable, to complete and give effect to the Acquisition Agreement and all transactions referred to in it, subject to such non-material amendments or modifications as the directors may deem appropriate and to execute and/or sign all such other documents and/or deeds and do all things as may be necessary or desirable to complete the Acquisition.

2. THAT, conditional upon the passing of Resolution 1 and the Placing Agreement (as defined in the Admission Document), becoming unconditional in all respects (save only for the passing of Resolutions 1 and 3 and Admission (as in each case defined in the Admission Document)) and it not being terminated in accordance with its terms and in substitution for any equivalent authority which may have been given to the directors pursuant to section 551 of the Companies Act 2006 (the "Act") prior to the date of the passing of this resolution, the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being in each case "relevant securities") provided that this authority shall be limited to:

(a) the allotment of up to 210,000,000 new ordinary shares of one penny each in the capital of the Company ("Ordinary Shares"), being the Placing Shares (as such term is defined in the Admission Document); and

(b) the allotment of 80,000,000 new Ordinary Shares, being the Vendor Consideration Shares (as described in the Admission Document); and

(c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of relevant securities up to an aggregate nominal amount of £1,180,000

and unless previously renewed, revoked, varied or extended, this authority shall expire at the earlier of the date which is 18 months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

SPECIAL RESOLUTIONS

3. THAT, conditional upon the passing of Resolutions 1 and 2 and the Placing Agreement becoming unconditional in all respects (save only for the passing of the Resolutions and Admission) and it not being terminated in accordance with its terms and in substitution for any existing power given to the directors pursuant to section 570 of the Act prior to the passing of this resolution, the directors be and they are empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority of the directors under section 551 of the Act conferred by Resolution 2, and/or where such an allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act, as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:

(a) the allotment of up to 210,000,000 Placing Shares;

(b) the allotment of 80,000,000 Vendor Consideration Shares;

(c) the allotment of 1,700,000 Charles Black Exit Shares;

(d) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of ordinary shares in the capital of the Company (excluding any shares held by the Company as treasury shares (as defined in section 724(5) of the Act)) on a fixed record date in proportion (as nearly as practicable) to their respective holdings of such shares or in accordance with the rights attached to such shares (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever); and

(e) the allotment (otherwise than pursuant to sub-paragraphs (a), (b), (c) and (d) above) of equity securities up to an aggregate nominal value equal to £176,830

and unless previously renewed, revoked, varied or extended this power shall expire on the earlier of the conclusion of the next annual general meeting of the Company and the date falling 18 months after the date of the passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

4. THAT, subject to confirmation of the approval of the High Court, pursuant to Chapter 10 of the Companies Act 2006, the capital of the Company be reduced by the amount of £2,825,000 of the Company's accumulated losses in the profit and loss account as derived from the audited balance sheet of the Company as at 30 September 2012 (the "Amount") by reducing the amount standing to the credit of the Company's share premium account by the Amount or by such lesser amount as the High Court may deem fit provided that such Amount shall not exceed the amount of the deficit in the profit and loss account of the Company as derived from the audited balance sheet of the Company as at 30 September 2012.

5. THAT, effective from Admission, the current Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, are to be treated as provisions of the Company's Articles of Association and the Articles of Association produced to the meeting, and initialled by the Chairman for the purpose of identification, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all existing Articles of Association of the Company.

Dated: 17 December 2013

Registered Office:
14 – 18 Old Street
London
EC1V 9BH

By order of the Board:

Tony Eve
Company Secretary

Notes:

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another person(s) to attend, speak and vote instead of him or her. You may not appoint more than one person to exercise rights attached to any one share. A proxy need not be a member of the Company.
2. For the convenience of members who may be unable to attend the General Meeting, a form of proxy is enclosed which should be completed and returned to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA not less than 48 hours before the time fixed for the meeting.
3. A member may change proxy instructions by submitting a new proxy appointment using the method set out in note 2. The cut-off time for receipt of proxy appointments (see note 2) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
4. If more than one valid proxy appointment is submitted by a member, the appointment received last before the latest time for the receipt of proxies will take precedence.
5. In order to revoke a proxy instruction a member will need to inform the Company by sending a signed notice clearly stating the intention to revoke the proxy appointment to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. In either case, the revocation notice must be received by Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA no later than 48 hours before the time fixed for the General Meeting.
6. If a member revokes a proxy appointment but the revocation is received after the time specified then, subject to note 7, the proxy appointment will remain valid.
7. Appointment of a proxy does not preclude a member from attending the General Meeting and voting in person. If a member appoints a proxy and attends the General Meeting in person, the proxy appointment will automatically be terminated.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the General Meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the General Meeting (or, if the General Meeting is adjourned, 48 hours before the time fixed for the adjourned meeting). Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.

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