

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document and what action you should take you are recommended immediately to seek your own financial advice from an independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (“FSMA”). Application will be made for the Ordinary Shares to be admitted to trading on AIM.

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 United Kingdom 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. Neither London Stock Exchange plc nor the UK Listing Authority has examined or approved the contents of this document.

The directors of Nasstar plc, whose names appear on page 5 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that 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. This document is an admission document drawn up in accordance with the AIM Rules and is not a prospectus for the purposes of FSMA or otherwise. No offer to subscribe for or to dispose of any securities in the Company is being made pursuant to this document.

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# NASSTAR PLC

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

*ISIN: GB00B0T1S097*

## **Placing of 600,000 new Ordinary Shares of 1p each at 25p per share and**

## **ADMISSION TO AIM**

**Nominated Adviser and Broker**

**W.H. Ireland Limited**

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### **SHARE CAPITAL OF THE COMPANY ON ADMISSION**

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
<b>1,000,000,000</b>	<b>£10,000,000</b>	<b>Ordinary Shares of 1p each</b>	<b>10,900,000</b>	<b>£109,000</b>

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W.H. Ireland, which is authorised and regulated by the Financial Services Authority, is acting as the nominated adviser and broker for Nasstar plc in connection with the proposed Admission and is not acting for any person other than Nasstar plc and will not be responsible to any person other than Nasstar plc for providing the protections afforded to its customers or for providing advice to any other person in connection with the admission document.

It is expected that Admission will occur and that trading in the Ordinary Shares will commence on 29 December 2005.

Copies of this document will be made available to the public during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the offices of Marriott Harrison, 12 Great James Street, London WC1N 3DR and W.H. Ireland Limited at 24 Bennetts Hill, Birmingham B2 5QP and shall remain available for one month after Admission.

This document is not for distribution outside the United Kingdom and, in particular, it should not be distributed to persons with addresses in Canada, Australia, Japan, South Africa or the Republic of Ireland or to persons with addresses in the United States of America, its territories or possessions or to any citizen thereof or to any corporation, partnership or other entity created or organised under the laws thereof. Any such distribution could result in the violation of Canadian, Australian, Japanese, South African, Irish or relevant United States of America law.

**THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ. YOUR ATTENTION IS DRAWN, IN PARTICULAR, TO THE SECTION HEADED “RISK AND OTHER FACTORS” SET OUT IN PART II OF THIS DOCUMENT.**

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## DEFINITIONS

<b>“Act”</b>	the Companies Act 1985, as amended;
<b>“Admission”</b>	the admission of the Ordinary Shares to trading on AIM;
<b>“Admission Document”</b>	this document dated 20 December 2005;
<b>“AIM”</b>	the AIM Market of London Stock Exchange;
<b>“AIM Rules”</b>	the rules applicable to AIM as published by London Stock Exchange from time to time;
<b>“Articles”</b>	the Company’s articles of association;
<b>“Board” or “Directors”</b>	the directors of the Company, whose names appear on page 5 of this document;
<b>“Combined Code”</b>	the Combined Code of Corporate Governance published in July 2003;
<b>“Company”</b>	Nasstar plc;
<b>“CREST”</b>	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited;
<b>“Directors’ Share Options”</b>	the Directors’ share options granted on 8 December 2005 pursuant to the Share Option Scheme, the terms of which are summarised at paragraph 7 of Part V of this document;
<b>“Group”</b>	the Company and Nasstar (UK) Limited;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Nasstar”</b>	Nasstar (UK) Limited;
<b>“Official List”</b>	the Official List of the UKLA;
<b>“Ordinary Shares”</b>	ordinary shares of 1p each in the capital of the Company;
<b>“Placing”</b>	the conditional placing of 600,000 new Ordinary Shares on the terms set out in the Placing Agreement;
<b>“Placing Agreement”</b>	the agreement between (1) the Company (2) the Directors and (3) W.H. Ireland in relation to the Placing and which is summarised in paragraph 8.1.2 of Part V of this document;
<b>“Placing Shares”</b>	the 600,000 new Ordinary Shares which are to be placed at 25p per share on the terms set out in the Placing Agreement;
<b>“Share Dealing Code”</b>	the code on dealings in the Company’s securities adopted by the Company;
<b>“Shareholders” or “Members”</b>	holders of issued Ordinary Shares;
<b>“Share Option Scheme”</b>	the Nasstar 2005 Unapproved Share Option Scheme, details of which are summarised in paragraph 7 of Part V of this document;
<b>“SME”</b>	small to medium sized enterprise;
<b>“UKLA”</b>	the United Kingdom Listing Authority of the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
<b>“W.H. Ireland”</b>	W.H. Ireland Limited.

## **GLOSSARY**

<b>“ASP”</b>	application service provider;
<b>“CRM”</b>	customer relationship management;
<b>“DNS”</b>	domain name system or domain name servers;
<b>“ISPs”</b>	internet service providers.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Peter Gilbert Daresbury, The Lord Daresbury - <i>Non-executive Chairman</i> Charles Michael Andrew Black - <i>Chief Executive</i> Shannon Ian Johnston - <i>Technical Director</i> Anthony Richard Malkin - <i>Finance Director</i> Damion Paul Greef - <i>Non-executive Director</i>
<b>Company Secretary</b>	Anthony Richard Malkin
all of:	Registered Office 14-18 Old Street London EC1V 9BH
<b>Telephone number</b>	0870 240 1634
<b>Nominated Adviser and Broker</b>	<b>W.H. Ireland Limited</b> 24 Bennetts Hill Birmingham B2 5QP
<b>Auditors and Reporting Accountants</b>	<b>Gerald Edelman</b> Chartered Accountants 25 Harley Street London W1G 9BR
<b>Solicitors to the Company</b>	<b>Marriott Harrison</b> 12 Great James Street London WC1N 3DR
<b>Solicitors to the Placing</b>	<b>Eversheds LLP</b> 115 Colmore Row Birmingham B3 3AL
<b>Registrars</b>	<b>Neville Registrars Limited</b> Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission Document publication date	20 December 2005
Admission effective and dealings in Ordinary Shares commence on AIM	29 December 2005

## PLACING STATISTICS

Placing Price	25p
Number of existing Ordinary Shares prior to the Placing	10,300,000
Number of new Ordinary Shares being issued under the Placing	600,000
Number of Ordinary Shares in issue immediately following completion of the Placing and Admission	10,900,000
The Placing Shares as a percentage of the issued share capital immediately following the Placing and Admission	5.5%
Gross proceeds of the Placing	£150,000
Market capitalisation at the Placing Price	£2,725,000
Number of Ordinary Shares in issue assuming exercise of all options to subscribe for Ordinary Shares	12,096,000

## **PART I**

### **INFORMATION ON THE COMPANY**

#### **INTRODUCTION**

Nasstar is an application service provider supplying software over the internet. The service involves hosting software applications including email, Microsoft Office, accounts software, CRM systems and web sites from a purpose-built data centre. The hosting services provide customers with the opportunity to outsource their IT functions with customers paying for usage on a monthly basis.

Nasstar commenced trading in 1998 when its main business was developing and hosting websites. In May 2001 the entire share capital of Nasstar was acquired by Gaming Corporation plc and in October 2002 Charles Black acquired the entire share capital of Nasstar from Gaming Corporation plc.

Nasstar has supplied hosted computer applications including email and Microsoft Office since early 2003.

#### **THE BUSINESS**

Nasstar's services fall within the following categories:

##### **Hosted Applications**

Nasstar's hosted applications provide businesses which manage applications in-house with a software outsourcing solution. The Company's hosted applications are accessed over the internet using a secure connection. Nasstar's hosted applications include:

- bespoke applications
- accounts software
- email
- Microsoft Office Professional
- Microsoft Exchange
- Microsoft Sharepoint Services
- Microsoft CRM
- Adobe Acrobat

Nasstar is a Microsoft Certified Partner and Microsoft has produced a case study of the Group's deployment of hosted exchange for one of its customers.

##### **Hosting**

Nasstar's hosting service falls into four categories:

###### *Shared hosting*

A single server is used to host web sites for multiple customers, enabling a customer to upload its web site to their allocated space on the server. The service includes a bandwidth allowance, data back-up and the provision to the customer of its web site usage statistics such as the number of "hits" which a particular web site receives.

###### *Dedicated servers*

Dedicated servers are set up exclusively for use by a single customer and are generally used in the following situations:

- where a specific component is required to be installed on a server to run the application
- usage statistics are such that a shared hosting environment would not be able to provide the required level of performance
- higher levels of security are required.

### *Co-location*

Customers can purchase their own hardware and locate it within Nasstar's hosting facility. The customer is charged a fee for use of the network infrastructure and for rackspace to accommodate the server, bandwidth provision and other services such as technical support and backup.

### *Advanced hosting solutions*

Advanced hosting solutions are for web sites or applications that have a large number of users and/or where additional hardware and services need to be set up to provide the level of service required. Advanced hosting solutions involve the deployment of either dedicated servers or co-located servers together with additional hardware such as load-balancers. Advanced hosting solutions include:

- load balancing, where usage of the website or application is such that a single server would not be able to process user requests, and more than one server is required to balance the load
- high availability: this type of system is required where there can be no single point of failure so that all hardware components (for example) are duplicated to provide backup. High availability may also require a system to be located in diverse geographical locations
- geographical diversity, where a hosted service is set up in two datacentres with an automatic transfer of services in the event of failure at the primary data centre.

## **Networks**

The ASP model of software delivery involves customers accessing applications over the internet. Nasstar's services therefore include the installation and maintenance of networks which enable multiple users to share an internet connection through which they can access their software applications.

### **Internet connectivity**

Nasstar provides high speed internet connectivity to enable its customers to access emails and other hosted applications over the internet. Nasstar supplies broadband through its contract with B.T. Wholesale Managed Broadband, and provides leased lines or private high speed circuits through third party telecom suppliers such as British Telecommunications plc or Colt Telecommunications. The type of connectivity supplied depends on the customer's number of users and bandwidth requirement.

### **Domain names**

Nasstar registers domain names for and on behalf of its customers and operates its own name servers for DNS management. Domain name registration and DNS management capabilities facilitate the provision of hosting services, as Nasstar has control of DNS records. Nasstar is a member of Nominet UK and as such is entitled to register UK domain names.

## **REVENUES**

Nasstar currently has approximately 150 customers, including resellers who sell on the hosting and email services to their own customers.

The Group's customer base covers a diverse range of businesses and currently includes:

- EQ Group plc;
- Corvus Capital Inc.;
- Gaming Corporation plc;
- TaTa Consultancy Services Limited;
- Tindle Radio Limited; and
- APCOA Parking (UK) Limited;

The Group's main source of revenue is from the provision of its hosting and hosted applications, which provides for approximately 75 per cent. of its current turnover. Customer contracts typically range between £10 and £500 per month.

### **Premises**

The Group occupies premises in the City of London, held on a six year lease from 21 July 2004. The premises have space for additional staff and the Directors consider them to be sufficient for the Group's requirements for at least 18 months from the date of this document. Nasstar's hosting services are provided from a third party data centre located at Moorland House, 260-266 Goswell Road, in the City of London. The data centre has built-in redundancy for power and multiple transit links for internet traffic.

### **Employees**

The Company currently has eight employees including the executive Directors, all of whom are based at the Company's premises at Old Street, London EC1. It is proposed that an additional engineer and a sales employee will be recruited in 2006. Thereafter, additional engineering, administrative and sales staff may need to be recruited, dependent upon sales targets being achieved or exceeded and any acquisitions which the Group may make.

### **DIRECTORS**

The Company's board comprises three executive directors and two non-executive directors, whose details are set out below.

#### **Peter Daresbury MA, DL, The Lord Daresbury** (age 52 years) Non-executive Chairman

Peter, a graduate of Cambridge University and London Business School, has extensive experience as a director of public companies. In 1977 he joined De Vere Group plc where he became a director in 1984, managing director in 1993 and chief executive in 1996. Currently he is non-executive chairman of De Vere Group Plc, Aintree Racecourse Company Limited, Kazakh Gold Group Limited and non-executive director of Evraz Group S.A. He is also a senior adviser at Fleming Family and Partners.

#### **Charles Black** (age 34 years) Chief Executive

Charles qualified as a barrister in 1997, having trained in media law and company law chambers. In January 1998 he formed Nasstar and in 2000 was appointed a director of Xworks Limited. In April 2001 Xworks Limited was admitted to trading on AIM through a reverse takeover and, in May 2001, acquired Nasstar to provide web site development and hosting services to investment subsidiaries of Xworks plc. In August 2002 Xworks plc re-focused its business on online gaming and changed its name to Gaming Corporation plc. Following the change in strategy of Gaming Corporation plc, Charles acquired the entire issued share capital of Nasstar in order to develop Nasstar as an application service provider. Charles remained a director of Gaming Corporation plc until March 2005, when he resigned in order to devote his time fully to Nasstar.

#### **Shannon Johnston** (age 26 years) - Technical Director

Shannon commenced his career in IT support and in 1997 became information and communication technology manager with the London Borough of Enfield. He joined SDT Limited in 1998 as a field engineer where he travelled around the UK supporting a range of IT systems, including those of Granada Television. In 2000 he joined Video Networks Limited as a line support analyst. He joined Capgemini for a short period as network and security engineer before becoming a consultant to Nasstar in 2003. He joined the Company as its Technical Director in July 2004.

#### **Richard Malkin BSc, ACA, MSI** (age 40 years) - Finance Director (part time)

Richard qualified as a chartered accountant with Hacker Young. He was an accountant with Refuge Assurance Plc until 1995 when he joined Binns & Co Public Relations Limited where he became finance director and company secretary. In 1999 he joined Hoodless Brennan Plc where he subsequently became its finance director and company secretary. He joined the Company in November 2005.

**Damion Greef** (age 38 years) - Non-executive Director

Damion began his career in the Royal Navy before joining Binns & Co Public Relations Limited as a public relations consultant in 1996. He continued his career in financial public relations, moving to Holborn PR Limited in 1998 and in 2000 was a founding director of Eyeconomy Holdings plc, which was acquired by Gaming Corporation plc, where he was appointed communications director. Damion joined the board of the Company in 2005 in a non-executive role. He is also a director of Gaming Corporation plc.

The senior managers of the Group are the executive Directors.

## **THE MARKET**

The Company's target customers are SMEs, defined as businesses with up to 250 employees, of which there are in excess of four million in the UK, and government bodies such as housing associations and local councils.

The ASP method of supply requires remote access, either via a desktop computer or internet browser, to the data centre which hosts applications. The rapid development of high speed internet access has provided a networking infrastructure which enables the implementation of the ASP model, and thus provides an opportunity for growth in the ASP sector.

A catalyst for the creation and continued development of the ASP market has been the move by some software vendors to license their software by way of monthly subscription as opposed to the perpetual one-off licence fee, paid up-front, which has been the traditional method of software application supply. In particular, Microsoft has implemented a licensing programme called "Service Provider License Agreement" to enable its software to be supplied by a licensee of its software as a service. The pricing implemented is for a monthly subscription fee per user of the relevant software for core business applications such as Microsoft Exchange and Microsoft Office Professional. Further Microsoft products are being added to the range of software able to be provided under these arrangements, providing a quantifiable and transparent pricing structure for its software products.

## **COMPETITION**

The market in which the Group operates is competitive. The Directors believe that the Group's competitors include Cobweb Solutions Limited, Mistral Internet Group Limited, Attenda Limited and Netstore Limited.

The Directors believe Attenda Limited and Netstore Limited provide similar services to Nasstar but focus on medium and large organisations, in contrast to Nasstar's focus on SMEs.

Certain ISPs, such as 1&1 Internet Limited, Pipex Internet Limited and Fasthosts Internet Limited, offer hosted applications and/or hosted exchange. Some also offer Microsoft Sharepoint Services. However, as far as the Directors are aware, few ISPs offer a complete outsourcing solution.

Nasstar seeks to differentiate itself from its competitors through its breadth of services and its focus on the SME market.

To enter the ASP market requires investment in infrastructure and technical expertise in the configuration of applications and marketing. Although existing ISPs may already have data centre infrastructure, they may have to set up new systems to host applications, which could require investment in new hardware and engineers with the expertise to set up applications in a hosted environment. Some larger ISPs may need to introduce a managed service approach for the supply of hosted applications, which the Directors believe is different from the approach currently taken.

## **STRATEGY**

The Group intends to grow both organically and through acquisition as and when opportunities arise.

### **Organic Growth**

The Group has a marketing plan which has several elements and includes cost-per-click advertising through Google and internet search engine optimisation. The Group currently serves SMEs, and intends to extend its customer base to include government bodies such as housing associations and local councils.

Nasstar is currently a Microsoft Certified Partner and the Directors intend to build upon the relationship with Microsoft by qualifying as a Microsoft Gold Partner. The Directors believe that such accreditation may provide additional sales leads and enhance the Company's reputation as a provider of hosted applications.

### **Growth through acquisition**

The Company intends to grow through acquisition by targeting profitable businesses which fall into one of the following categories:

- ISPs which do not offer hosted applications. Such businesses would provide the opportunity to offer hosted applications to existing customers
- ISPs which currently offer hosted applications and where the Directors believe cost savings could be achieved
- traditional network support companies which install and support in-house services. Such businesses would provide the opportunity to migrate the target's customers to Nasstar's ASP model.

### **CURRENT TRADING AND PROSPECTS**

The Directors believe that the trend for technology is for business managers generally to understand the technical tools they want their businesses to use, but not to have all of the necessary skills to apply such technology.

The Directors believe that there is an increasing number of business users who require high levels of ASP service, and that the Group is in a strong position to increase its business by addressing this demand.

At 2 December 2005 the Company had net assets of £103,000, comprising its investment in Nasstar. The results of Nasstar for the three years ended 30 September 2005 are set out in Part IV of this document and are summarised below.

	<b>Years ended 30 September</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sales	415	315	291
Operating Expenses	(670)	(264)	(170)
Operating (Loss)/Profit	(255)	51	121
Interest	(17)	(7)	(3)
(Loss)/Profit before tax	(272)	44	118

At 30 September 2005 Nasstar had net liabilities of £116,000. On 10 November 2005 it issued 4,591,667 Ordinary Shares at 12p per share.

The increase in turnover reflects the increasing business activity of Nasstar. Revenues from service contracts are accrued evenly over the period of the contract except for set up revenues which are recognised over the set up period. Set up revenues are normally expected by the Directors to comprise approximately 30 per cent. of sales per contract.

The significant increase in Nasstar's operating costs in 2005 was due to investment in the operating infrastructure during the period including investment in senior management, staff and systems. Average sales have grown during 2005 and with additional resources now being applied to the marketing of the Company's services, the Directors believe that the Company will see continued growth.

The Directors believe that the current market presents an opportunity for growth and acquisition, and view the future with confidence.

### **DIVIDEND POLICY**

The Company is initially seeking to achieve capital growth for its shareholders and it is not its present intention to pay a dividend. The Directors therefore intend that any profits generated by the Group will be retained and applied to working capital.

## **DIRECTORS' INTERESTS AND LOCK-IN ARRANGEMENTS**

The Directors' aggregate interests in Ordinary Shares will represent on Admission approximately 78 per cent. of the issued share capital of the Company and options to acquire up to a further 1,120,000 Ordinary Shares under the Option Scheme.

The Directors have agreed not to dispose of any interests in the securities of the Company within a 12 month period following Admission, save in certain circumstances. Further details of the lock-in arrangements are set out in paragraph 8.1.3 of Part V of this document.

## **CORPORATE GOVERNANCE**

The Directors are committed to maintaining high standards of corporate governance. The Directors intend, so far as is practicable given the Company's size, to comply with the Combined Code as modified by the recommendations of the Quoted Companies Alliance. The Company has adopted and shall, following Admission, operate a Share Dealing Code for directors and employees.

### *The Board*

The Board will meet regularly throughout the year. To enable the Board to perform its duties, all directors will have full access to all relevant information and to the services of the Company Secretary. If necessary the non-executive directors may take independent professional advice at the Company's expense.

The Board includes two non-executive Directors. The Board has delegated specific responsibilities to the committees described below.

### *The audit committee*

The audit committee, which upon Admission will comprise Lord Daresbury and Damion Greef, is to be chaired by Lord Daresbury and will meet at least twice a year. The audit committee will review the Company's annual and interim financial statements before submission to the Board for approval. The audit committee will also review regular reports from management and the external auditors on accounting and internal control matters. Where appropriate, the committee will monitor the progress of action taken in relation to such matters. The committee will also recommend the appointment of, and review the fees of, the external auditors.

### *The remuneration committee*

The remuneration committee, which upon Admission will comprise Lord Daresbury and Damion Greef, is to be chaired by Lord Daresbury and intends to meet at least twice a year. It will be responsible for reviewing the performance of the executive directors and for setting the scale and structure of their remuneration, paying due regard to the interests of Shareholders as a whole and the performance of the Company. The remuneration committee will also determine allocations of any share options and will be responsible for setting any performance criteria in relation to the exercise of share options.

## **REASONS FOR THE PLACING AND ADMISSION**

The Company is raising £150,000 (before expenses) by the issue of 600,000 new Ordinary Shares at 25 pence per share in order to fund the expenses of the Placing and Admission.

The Directors believe that the benefits of Admission include:

### *Corporate profile*

The public profile of the existing business and any business acquired in the future should benefit from the status of being part of an AIM quoted company.

### *Incentivisation of key staff*

The use of publicly traded equity to implement appropriate share option schemes to seek to incentivise Directors and employees.

### *Acquisition consideration*

The issue of publicly traded shares as consideration or part consideration, is potentially more attractive to vendors than the issue of non-publicly traded shares and the Directors would intend to finance any acquisition in this way as and when appropriate.

### **DETAILS OF THE PLACING**

The Company will issue 600,000 new Ordinary Shares pursuant to the Placing at 25p per share to raise £150,000 (before expenses). The 600,000 new Ordinary Shares issued in the Placing will represent approximately 5.5 per cent. of the enlarged issued share capital of the Company following the Placing and will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares.

The Company and the Directors have entered into a placing agreement with W.H. Ireland. The Placing is not being underwritten. The Placing Shares have been placed conditionally on Admission. The Placing is conditional only upon the Placing Agreement becoming unconditional and not having been terminated. Further details of the Placing Agreement are set out in paragraph 8.1.2 of Part V of this document.

### **SHARE OPTIONS**

The Company adopted the Share Option Scheme on 8 December 2005 and has granted options over Ordinary Shares to certain of the Directors and to certain employees. Further details of these options are set out in paragraph 7 of Part V of this document. The Company intends to grant further options to seek to retain and incentivise certain key staff and will following Admission explore the additional types of option scheme available to the Company and intends to implement an additional share option scheme or additional share option schemes to maximise the tax benefits available to the Company and the holders of options under the intended schemes. It is currently intended that options to subscribe for Ordinary Shares would not exceed 12 per cent. of the Company's issued share capital from time to time.

### **SUBSTANTIAL SHAREHOLDER AND CITY CODE ON TAKEOVERS AND MERGERS**

On Admission, Charles Black will be interested in 6,521,666 Ordinary Shares, representing 60 per cent. of the issued share capital of the Company and will have options to subscribe for an additional 750,000 Ordinary Shares. The City Code requires that any shareholder who acquires shares which carry more than 30 per cent. of the voting rights of a company subject to the Code, or increases their holding if they are already interested in between 30 per cent. and 50 per cent. of the voting rights of such a company, must make a bid for the remaining shares they do not own. The Company is subject to the Code. **As Mr Black will be interested in more than 50 per cent. of the voting rights of the Company at Admission he will be able to acquire further shares in the Company without incurring any obligation to make a mandatory bid under the City Code. However, if for any reason his interest falls below 50 per cent. in the future, then he will be subject to the restrictions outlined above.**

### **CONTROLLING SHAREHOLDER AGREEMENT**

Mr Black has entered into a controlling shareholder agreement with the Company, the terms of which are summarised in paragraph 8.1.5 of Part V of this document.

### **TAXATION**

Information regarding taxation is set out in paragraph 12 of Part V of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.

### **SETTLEMENT, DEALINGS AND CREST**

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, it is expected that settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. The Ordinary Shares are in registered form.

## **PART II**

### **RISK AND OTHER FACTORS**

**In addition to the other relevant information set out in this document, the following specific factors should be considered carefully when evaluating an investment in the Company. It should be noted that the risks described below are not the only risks faced by the Company; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware.**

**If any of the risks referred to in this Part II crystallise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could go down and investors may lose all or part of their investment. The risks set out below do not appear in any order of priority.**

#### **Requirement for funds**

Currently the Group's overhead base is being expanded to support anticipated growth. If this growth is not achieved, it may be necessary to raise funds to cover the Company's working capital requirements. It may also be necessary to raise funds for all or part of any cash consideration in respect of an acquisition. If required funds are not available the Company may not be able to fulfil its strategy which could have a material adverse effect on the Company's business, financial condition and prospects. If such funds are sought by way of the issue of equity in the Company, then this may dilute the equity interests of the Company's then shareholders.

#### **Dependence on key personnel and employees**

In common with many smaller companies the Company's future success will depend upon its current and future senior management team. Whilst it has entered into contractual arrangements with the aim of securing the services of the Directors, details of which are set out in Part V of this document, the retention of their, and any future directors' or employees' services cannot be guaranteed.

#### **Customer retention**

There can be no assurance that the Company's current customers will remain customers of the Company or will continue to conduct the same level of business with it in the future. The Company will rely on its ability to secure additional customers and revenue.

#### **Legislative and regulatory risk**

The Company's business and potential future expansion could be adversely affected by the introduction of new legislation or regulation relating to the services which it currently provides.

#### **Microsoft Agreement**

The Microsoft Service Provider Licence Agreement, referred to in Paragraph 8.1.6 of Part V of this document expires in 2007. If the agreement could not be renewed, this could have an adverse affect on the Group's ability to provide its services to customers and adversely affect its financial position. However, the Directors see no reason for the agreement not to be renewed, and in such case, alternative steps could be taken to maintain service provision through a third party.

#### **Share price effect of sales of Ordinary Shares by a significant Shareholder and/or Director**

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares or the perception by the market that such sales could or would occur.

#### **Share price volatility and liquidity**

The share price of publicly traded companies can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which Shareholders may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations, its sector and some which may affect quoted companies generally.

**Competition**

Additional ASPs may enter the market and reduce the Company's market share and adversely affect the Company's planned growth rate.

Software companies may cease to use the hosting service provider and offer ASP facilities themselves.

**Inability to identify an acquisition**

It may not be possible to identify an acquisition target in line with the Company's strategy.

**Growth management**

There is no certainty that the Company's desired growth will be successfully managed. The Company may have to engage the services of additional technical, sales and marketing and administrative personnel to handle any material growth in its business. Prior to these personnel being engaged, the additional demands placed on the Company's existing resources may impair its ability to maintain its services to its customers.

**Service failure**

Terrorist attack or an event of force majeure that causes physical devastation of the data centre could occur. In such an event data transit or power or physical access to the data centre may be lost resulting in an interruption of the Company's hosted services, preventing users accessing the hosted applications. Customer data is backed up and moved off-site on a weekly basis but currently it would take several days for the Company to set up new servers in another data centre location and re-install services and re-import data to re-establish services.

**The value of Ordinary Shares can decrease as well as increase.**

**Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise his investment on AIM than to realise an investment in a company whose shares are quoted on the Official List.**

## PART III

### ACCOUNTANTS' REPORT ON NASSTAR PLC

The Directors  
Nasstar plc  
14-18 Old Street  
London  
EC1V 9BH

and

The Directors  
W.H. Ireland Limited  
24 Bennetts Hill  
Birmingham  
B2 5QP



25 Harley Street  
London  
W1G 9BR

20 December 2005

Dear Sirs,

**Nasstar plc**

#### **Introduction**

We report on the financial information set out below relating to Nasstar plc (the "Company"). This financial information has been prepared for inclusion in the AIM admission document dated 20 December 2005 (the "Admission Document") relating to the proposed admission to AIM of the Company and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose.

The Company was incorporated on 15 November 2005. Since incorporation the Company has not prepared any financial statements for presentation to members and has neither declared nor paid dividends or made any other distributions. There have been no transactions other than the allotment of shares and the acquisition of the subsidiary undertaking described in notes 2 and 4 below. Accordingly, no profit and loss information is presented in this report.

#### **Responsibility**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with the financial reporting framework.

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

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company, 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, other irregularity or error.

## Opinion

In our opinion, the financial information contained in this report gives, for the purposes of the Admission Document dated 20 December 2005, a true and fair view of the state of affairs of the Company as at 2 December 2005 in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework.

## Declaration

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

## Balance Sheet as at 2 December 2005

	Notes	2 December 2005 £
<b>Fixed assets</b>		
Investment in subsidiary undertaking at cost	2	103,000
		<hr/>
		103,000
		<hr/> <hr/>
<b>Capital and reserves</b>		
Called up share capital	4	103,000
		<hr/>
		103,000
		<hr/> <hr/>

## Notes to the financial statements

### 1. Accounting policies

#### Basis of preparation

The financial information has been prepared using the historical cost basis of accounting in accordance with applicable accounting standards and with UK generally accepted accounting principles. The financial information in this Part III does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

### 2. Investment in subsidiary undertaking

On 2 December 2005 the Company acquired the entire issued share capital of Nasstar (UK) Limited by way of a share for share exchange. The Company issued 10,299,800 Ordinary Shares of 1p each. These were used in addition to the 200 subscriber shares to acquire 10,300,000 Ordinary Shares of 1p each of Nasstar (UK) Limited.

### 3. Control

The Company is controlled by Charles Black, a Director and majority shareholder.

**4. Share capital**

**2 December  
2005  
£**

**Authorised:**

1,000,000,000 Ordinary Shares of 1p each

10,000,000

**Issued, allotted, called up and fully paid:**

10,300,000 Ordinary Shares of 1p each

103,000

Yours faithfully,

**GERALD EDELMAN  
Chartered Accountants  
Registered Auditors**

## PART IV

### ACCOUNTANTS' REPORT ON NASSTAR (UK) LIMITED

The Directors  
Nasstar (UK) Limited  
14-18 Old Street  
London  
EC1V 9BH

and

The Directors  
W.H. Ireland Limited  
24 Bennetts Hill  
Birmingham  
B2 5QP



25 Harley Street  
London  
W1G 9BR

20 December 2005

Dear Sirs,

**Nasstar (UK) Limited**

#### **Introduction**

We report on the financial information set out below relating to Nasstar (UK) Limited (the "Company"). This financial information has been prepared for inclusion in the AIM admission document dated 20 December 2005 (the "Admission Document") relating to the proposed admission to AIM of Nasstar plc and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose.

#### **Responsibility**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with the financial reporting framework.

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

#### **Basis of opinion**

We conducted our work in accordance with the Standards of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company, 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, other irregularity or error.

#### **Opinion**

In our opinion, the financial information contained in this report gives, for the purposes of the Admission Document dated 20 December 2005, a true and fair view of the state of affairs of the Company as at 30 September 2003, 2004 and 2005 in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework.

## Declaration

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

## Profit and loss account

		Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
	Notes			
<b>Turnover</b>	2	415	315	291
Operating expenses		(670)	(264)	(170)
		<hr/>	<hr/>	<hr/>
Operating (loss)/profit	3	(255)	51	121
Interest payable and similar charges	6	(17)	(7)	(3)
		<hr/>	<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>		(272)	44	118
Tax on (loss)/profit on ordinary activities	7	51	(7)	(24)
		<hr/>	<hr/>	<hr/>
<b>Net (loss)/profit for the year</b>		(221)	37	94
Dividends		-	-	-
		<hr/>	<hr/>	<hr/>
<b>Retained (loss)/profit for the year</b>		<u>(221)</u>	<u>37</u>	<u>94</u>

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses other than the results for the period as set out above.

**Balance sheet**

		<b>Year ended 30 Sept 2005 £'000</b>	<b>Year ended 30 Sept 2004 £'000</b>	<b>Year ended 30 Sept 2003 £'000</b>
<b>Fixed assets</b>	8	164	111	32
<b>Current assets</b>				
Debtors	9	121	70	46
Cash at bank and in hand		37	-	-
		158	70	46
<b>Creditors: amounts due within one year</b>	10	(406)	(161)	(90)
<b>Net current liabilities</b>		(248)	(91)	(44)
<b>Creditors: amounts due after one year</b>	11	(32)	-	(17)
<b>Net (liabilities)/assets</b>		(116)	20	(29)
<b>Represented by:</b>				
Called up share capital	14	57	50	37
Share premium account	15	157	79	79
Profit and loss account	16	(330)	(109)	(145)
		(116)	20	(29)

**Statement of total recognised gains and losses**

	<b>Year ended 30 Sept 2005 £'000</b>	<b>Year ended 30 Sept 2004 £'000</b>	<b>Year ended 30 Sept 2003 £'000</b>
(Loss)/profit for the financial year	(221)	37	94
Prior year adjustments	(48)	27	51
<b>Total recognised gains and losses</b>	(269)	64	145

## Cash Flow Statement

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Net cash inflow from operating activities	57	115	45
Returns on investments on servicing of finance			
- interest paid	(17)	(7)	(3)
Capital expenditure - payments to acquire tangible fixed assets	(57)	(109)	(39)
	<hr/>	<hr/>	<hr/>
Net cash (outflow)/inflow before management of liquid resources and financing	(17)	(1)	3
Financing:			
Issue of ordinary share capital	85	13	37
Repayment of other long term loans	-	(17)	17
Repayment of bank loans	-	(16)	-
Capital element of hire purchase contracts	(7)	-	(30)
	<hr/>	<hr/>	<hr/>
Increase/(decrease) in cash in year	61	(21)	27
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements**

**1. Accounting policies**

The accounting policies adopted by the Company and set out in its statutory accounts are as follows:

- (i) **Basis of preparation**  
The financial statements are prepared under the historical cost convention.
- (ii) **Compliance with Accounting Standards**  
The financial statements have been prepared in accordance with applicable Accounting Standards which have been consistently applied.
- (iii) **Turnover**  
Turnover represents amounts receivable for services net of VAT and trade discounts. Revenue from service contracts is accrued evenly over the period of the contract except that set-up revenues are recognised over the length of the set-up period on a percentage to completion basis. Some contracts are financed by a process of invoice discounting with a finance house and in such cases an appropriate proportion of the funds received are carried forward to future periods in which the income is recognised.
- (iv) **Research and Development**  
Research expenditure is written off to the profit and loss account in the year which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit.
- (v) **Tangible Fixed Assets and Depreciation**  
Tangible fixed assets are stated at cost or valuation less depreciation and permanent diminutions in value. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

	<i>Depreciation Rate</i>
Computer equipment	33.3% straight line
Fixtures, fittings and equipment	25% reducing balance
Office equipment	25% reducing balance
- (vi) **Leasing**  
Rentals payable under operating leases are charged against income on a straight line basis over the lease term.
- (vii) **Deferred Taxation**  
The Company has adopted Financial Reporting Standard No.19 on deferred taxation which requires deferred tax to be provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Recognition of the deferred tax asset is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. The deferred tax balance has not been discounted.
- (x) **Prior period adjustment**  
During 2005 the Company changed its accounting policy for revenue recognition to reflect the turnover policy adopted in paragraph (iii) above.  
The adoption of Financial Reporting Standard No.19 on deferred taxation detailed in paragraph (vii) above has also resulted in a prior period adjustment.  
The policy of allocation of costs between cost of sales and administration expenses has also been changed to reclassify all such costs as operating expenses which the Directors believe more effectively reflects the different type of costs incurred by the Company.

## 2. Turnover

The total turnover for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

## 3. Operating loss/profit

Operating (loss)/profit is stated after charging:

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Depreciation of tangible fixed assets	63	31	11
Depreciation of assets held under hire purchase agreements			
Auditors' remuneration	10	-	-
Operating lease rentals	23	12	3
	<u>          </u>	<u>          </u>	<u>          </u>

## 4. Particulars of employees

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Technical, sales and management	6	5	5
	<u>          </u>	<u>          </u>	<u>          </u>

The average payroll costs of the above were:

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Wages and salaries	269	86	93
Social security costs	31	9	8
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>

## 5. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Emoluments receivable	148	-	-
	<u>          </u>	<u>          </u>	<u>          </u>

**6. Interest payable and similar charges**

	<b>Year ended 30 Sept 2005 £'000</b>	<b>Year ended 30 Sept 2004 £'000</b>	<b>Year ended 30 Sept 2003 £'000</b>
Interest payable on bank borrowing	<u>17</u>	<u>7</u>	<u>3</u>

**7. Taxation on ordinary activities**

Factors affecting the tax charge for the period.

	<b>Year ended 30 Sept 2005 £'000</b>	<b>Year ended 30 Sept 2004 £'000</b>	<b>Year ended 30 Sept 2003 £'000</b>
(Loss)/profit on ordinary activities before tax	<u>(272)</u>	<u>44</u>	<u>118</u>
Expected tax credit at standard rate of UK corporation tax of 19 per cent.	<u>52</u>	<u>(8)</u>	<u>(22)</u>
Effects of:			
Expense not deductible for tax purposes	-	-	1
Depreciation for year/period less capital allowances	(10)	(15)	(5)
Losses carried forward	62	8	(18)
Other tax adjustments	-	(1)	-
Total current tax charge	<u>52</u>	<u>(8)</u>	<u>(22)</u>
Current tax charge	<u>-</u>	<u>-</u>	<u>-</u>

There is no provision for UK corporation tax due to losses carried forward, subject to agreement with the H.M. Revenue & Customs.

**8. Tangible fixed assets**

	<b>Total £'000</b>	<b>Computer equipment £'000</b>	<b>Office equipment £'000</b>	<b>Fixtures and fittings £'000</b>
<b>Cost</b>				
At 1 October 2004	176	165	8	4
Additions	116	105	3	7
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	292	270	11	11
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 October 2004	65	62	1	2
Charge for the year	63	58	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	128	120	3	4
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 September 2005	164	150	7	7
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2004	111	103	6	2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included above are assets held under finance leases or hire purchase contracts as follows:

	<b>Computer equipment £'000</b>
<b>Net book values</b>	
At 30 September 2005	56
	<hr/> <hr/>
Depreciation charge for the year ended 30 September 2005	2
	<hr/> <hr/>

**9. Debtors**

	<b>Year ended 30 Sept 2005 £'000</b>	<b>Year ended 30 Sept 2004 £'000</b>	<b>Year ended 30 Sept 2003 £'000</b>
Trade debtors	40	36	19
Other debtors	9	14	-
Deferred tax asset (note 13)	72	20	27
	<hr/>	<hr/>	<hr/>
	121	70	46
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Bank loans and overdrafts	-	24	18
Net obligations under finance leases	19	-	-
Trade creditors	52	15	26
Other taxation and social security	21	53	46
Other creditors	-	1	-
Accruals and deferred income	314	68	-
	<u>406</u>	<u>161</u>	<u>90</u>

**11. Creditors: amounts falling due after more than one year**

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Other loans	-	-	17
Net obligations under finance leases	32	-	-
	<u>32</u>	<u>-</u>	<u>17</u>
<b>Net obligations under finance leases</b>			
Repayable within one year	30	-	-
Repayable between one and five years	49	-	-
	<u>79</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(27)	-	-
	<u>52</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(20)	-	-
	<u>32</u>	<u>-</u>	<u>-</u>

## 12. Commitments under operating leases

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Land and buildings			
Operating leases which expire:			
Between two and five years	22	22	-
	<u>22</u>	<u>22</u>	<u>-</u>
Other			
Operating leases which expire:			
Between two and five years	115	15	-
	<u>115</u>	<u>15</u>	<u>-</u>

## 13. Deferred tax asset

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
The deferred tax asset is made up as follows:			
Accelerated capital allowances	(30)	(20)	(5)
Tax losses available	102	40	32
	<u>72</u>	<u>20</u>	<u>27</u>

## 14. Share capital

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
<b>Authorised:</b>			
1,000,000,000 Ordinary shares of 1p each (10p each for prior years)	10,000	100	100
	<u>10,000</u>	<u>100</u>	<u>100</u>
	Year ended 30 Sept 2005 No.	Year ended 30 Sept 2004 No.	Year ended 30 Sept 2003 No.
<b>Allotted and called up:</b>			
Ordinary Shares of 1p each (10p each for prior years)	5,708,300	500,000	375,000
	<u>5,708,300</u>	<u>500,000</u>	<u>375,000</u>
	£'000	£'000	£'000
Ordinary shares	57	50	37
	<u>57</u>	<u>50</u>	<u>37</u>

On 26 September 2005 the Company increased its authorised share capital from £100,000 to £10,000,000 by the creation of 99,000,000 Ordinary Shares of 10p each. At the same time the Company subdivided its issued and unissued Ordinary Shares of 10p each into Ordinary Shares of 1p each.

On 30 September 2005 the Company allotted 708,333 Ordinary Shares of 1p each at a premium of 11p for cash.

Following the year end on 10 November 2005 the Company allotted 4,591,667 Ordinary Shares of 1p each at a premium of 11p for cash.

**15. Share premium account**

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Balance brought forward	79	79	79
Premium on shares issued in the year	78	-	-
	<u>157</u>	<u>79</u>	<u>79</u>

**16. Profit and loss account**

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
Balance as previously reported	(61)	(172)	(290)
Prior year adjustment	(48)	27	51
(Loss)/profit for the financial period	(221)	36	94
	<u>(330)</u>	<u>(109)</u>	<u>(145)</u>

**17. Reconciliation of movements in shareholders' funds**

	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000	Year ended 30 Sept 2003 £'000
(Loss)/profit for the financial period	(221)	36	94
Proceeds from issue of shares	85	13	37
Premium on new share capital subscribed	<u>          </u>	<u>          </u>	<u>          </u>
Net addition/(reduction) in shareholders' funds	(136)	49	131
Opening shareholders' equity deficit	20	(29)	(160)
	<u>(116)</u>	<u>20</u>	<u>(29)</u>

**18. Control**

The Company was under the control of the Director, C.M.A. Black throughout each year.

**19. Related party transactions**

During the year the Company entered into the following transactions with related parties.

Transactions in the ordinary course of business amounting to £28,208 (sales) and £12,240 (purchases) with Gaming Corporation plc in which D.P. Greef is a director and C.M.A. Black is a former director.

Included in the Company's debtors and creditors at 30 September 2005 are balances of £2,232 and £7,329 owed from and to Gaming Corporation plc respectively.

Consultancy fees of £26,313 were paid to Eclipse Information Services Limited, a company in which S.I. Johnston has a material interest, of which £9,333 was owed by the Company at 30 September 2005.

Consultancy fees of £15,000 were accrued at 30 September 2005 to D.P. Greef, a Director of the Company, of which £15,000 was owed by the Company at 30 September 2005.

Yours faithfully,

**GERALD EDELMAN**  
Chartered Accountants  
Registered Auditors

## PART V

### ADDITIONAL INFORMATION

#### 1 Responsibility for Information in this Document

1.1 The Directors, whose names and business addresses are set out in paragraph 1.2 of this Part V, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The Directors and their respective positions are:

Peter Gilbert Daresbury, The Lord Daresbury – Non-executive Chairman

Charles Michael Andrew Black – Chief Executive

Shannon Ian Johnston – Technical Director

Anthony Richard Malkin – Finance Director

Damion Paul Greef – Non-executive Director

Each of the Directors was appointed as a Director of the Company on 2 December 2005.

The business address of each of the Directors is 14-18 Old Street, London EC1V 9BH.

#### 2 The Company

2.1 The Company was incorporated and registered in England and Wales under the Act on 15 November 2005 as a public limited company with registration number 5623736.

2.2 The principal activity of the Company is that of a holding company for Nasstar (UK) Limited, which is its only subsidiary company and which is the operating company for the Group's business. Nasstar (UK) Limited was incorporated on 21 January 1998 and is a private company limited by shares, and incorporated in England and Wales. It is wholly owned by the Company.

2.3 The principal legislation under which the Group operates and under which the Ordinary Shares have been created is the Act. The liability of the Company's members is limited. On 5 December 2005 the Registrar of Companies issued a certificate to the Company under section 117 of the Act entitling it to commence business and to exercise borrowing powers.

2.4 The Company's principal place of business is 14-18 Old Street, London EC1V 9BH.

#### 3 Memorandum and Articles of Association

3.1 The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association, which is one of the documents referred to in paragraph 14 below as being available for inspection.

3.2 The Articles of Association of the Company ("the Articles") which were adopted on its incorporation on 15 November 2005 include provisions to the following effect (although the summary below is qualified in its entirety by reference to the full Articles which are available for inspection as set out below):

##### 3.2.1 *Voting Rights*

Subject to any terms as to voting under which any shares may be issued, or may for the time being be held, every member present in person shall have one vote on a show of hands and, on a poll, every member shall have one vote for every Ordinary Share of which he is the holder. The duly authorised representative of a corporate member may exercise the same powers on behalf of that corporation as it could exercise if it were an individual member. A member is not entitled to vote unless all calls due from him have been paid. A member is not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a

notice under section 212 of the Act and, having failed to supply the Company with the information which he knows to be, or having recklessly given information which is, false in any material particular, within the period specified in such notice (being not less than 14 days or 28 days, depending on the size of his shareholding, from the date of service of such notice) is served with a disenfranchisement notice. Such disenfranchisement notice will apply only for so long as the notice from the Company has not been complied with.

### 3.2.2. *Dividends*

Subject to the Act, the Companies Act 1989 and every other statute for the time being in force concerning companies and affecting the Company (“the Statutes”), the Company may by ordinary resolution declare dividends to be paid to members of the Company according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Subject to the Statutes, the Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

### 3.2.3 *Distribution of Assets on a Winding Up*

On a winding-up any surplus assets will be divided between the holders of the shares according to the respective number of shares held by them, subject to the rights of any shares which may be issued with special rights or privileges. The liquidator may, with the sanction of an extraordinary resolution of the Company and subject to the Insolvency Act 1986, divide amongst the members of the Company *in specie* the whole or any part of the assets of the Company, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine but no member shall be compelled to accept any assets on which there is a liability.

### 3.2.4 *Transfer of Shares*

The Ordinary Shares are in registered form. Any member may transfer all or any of his shares by an instrument of transfer in the usual form or in such other form as the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The transferor shall be deemed to remain the holder until the name of the transferee is entered in the register. There is no restriction on the registration of a transfer of a fully paid share provided the transfer (i) is duly stamped and lodged at the registered office, accompanied by the relevant share certificate and such other evidence of the right of the transferor to make the transfer as the Board may reasonably require, (ii) is in respect of only one class of share and (iii) is in favour of not more than four transferees. If any of the above conditions is not complied with, the Board has a discretion whether or not to register the transfer in question. 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 or on which the Company has a lien, provided that such discretion may not be executed in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

### 3.2.5 *Variation of Rights*

Subject to the Statutes, all or any of the rights attached to any class of shares 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 written consent of the holders

of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons holding or representing by proxy at least one third in nominal value of the issued shares of that class and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled on a poll to one vote for every share of the class held by him. Except as mentioned above, such rights may not be varied. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

### 3.2.6 *Share Capital and Changes in Capital*

3.2.6.1 Subject to the Statutes, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company may from time to time determine by ordinary resolution. Subject to the provisions of the Articles and the Statutes, the power of the Company to allot and issue shares shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board may determine.

3.2.6.2 The Company may by ordinary resolution increase its share capital, consolidate its share capital into shares of a larger amount and (subject to the provisions of the Statutes) sub-divide its shares or any of them into shares of a smaller amount than is fixed by its Memorandum of Association (and so that the resolution may determine that, as between the holders of shares resulting from the sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others), cancel any shares which, at the date of the passing of the resolution, have not been subscribed for or agreed to be subscribed for, by any person and diminish the amount of its authorised share capital by the amount of the shares to be cancelled.

3.2.6.3 Subject to the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any way.

3.2.6.4 Subject to the Statutes, the Company may purchase all or any of its own shares of any class (including any redeemable shares) and such shares do not have to be purchased rateably.

3.2.6.5 Where the Company has duly served on a person a notice under section 212 of the Act and that person has failed to comply with the provisions of that notice then where the shares concerned represent not less than 0.25 per cent. in nominal value of the issued shares of their class, the Company shall be entitled to withhold dividends and other moneys payable thereon, and in certain circumstances to refuse to register a transfer of interests in those shares.

### 3.2.7 *Share Warrants to Bearer*

3.2.7.1 The Company may, with respect to any fully paid shares, issue a share warrant to bearer stating that the bearer of the warrant is entitled to the shares specified in it and may provide (by coupons or otherwise) for the payment of future dividends or other monies on the shares included in a share warrant.

3.2.7.2 The power to issue share warrants may be exercised by the Board, which may determine and vary the conditions on which share warrants shall be issued. Subject to such conditions and to the Articles, the bearer of a share warrant shall be deemed to be a member for all purposes. The bearer of a share warrant shall be subject to the conditions for the time being in force applicable thereto, whether made before or after the issue of such share warrant.

### 3.2.8 *Directors*

- 3.2.8.1 Save as mentioned below, a Director shall not vote at a meeting of the Board or of a committee of the Board on any resolution concerning a matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or in or otherwise through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- 3.2.8.2 A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
- (i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiaries;
  - (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries for subscription, purchase or exchange;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent. or more of either any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
  - (v) any arrangement for the benefit of the employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to the employees and which does not accord to any Director any privilege or benefit not generally awarded to the employees to which such arrangement relates; and
  - (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of its Directors or for persons who include Directors of the Company provided that for this purpose "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any groups of persons consisting of or including Directors.
- 3.2.8.2 The Directors shall be paid such remuneration (by way of fee) for their services as may be determined by the Board. The Directors shall also be entitled to be repaid by the Company all travel, hotel and other expenses of travelling to and from Board meetings, committee meetings, general and other meetings or otherwise reasonably incurred while engaged on the business of the Company or in the discharge of his duties as a Director. 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 determine.

- 3.2.8.3 The Board may exercise all the powers of the Company to provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past Directors who held executive office or employment with the Company or any of its subsidiaries or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.
- 3.2.8.4 Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office and they shall not be liable for any loss, damage or misfortune which may be incurred by the Company in or from the execution of those duties.
- 3.2.8.5 At each annual general meeting as nearly as possible (but not exceeding) one third of those Directors who are subject to retirement by rotation shall retire but shall be eligible for re-election. A Director holding executive office in the Company shall not, while holding that office, be subject to retirement by rotation or be taken into account in deciding the number of Directors to retire by rotation on any particular occasion. The Directors to retire will be those who have been longest in office or, in the case of those who became or were re-elected Directors on the same day, will, unless they agree otherwise, be determined by lot. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election, but is not taken into account in determining the number of Directors to retire by rotation at that meeting.
- 3.2.8.6 There is no age limit for Directors and section 293 of the Act does not apply to the Company.
- 3.2.8.7 Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two and there shall be no maximum number of Directors.

#### 3.2.9 *Borrowing Powers*

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.

#### 3.2.10 *General meetings*

The Company is required to give not less than 21 days' prior notice of a general meeting where that meeting is called for the passing of a special resolution and all other extraordinary general meetings shall be called by at least 14 clear days' prior notice. Notice must be sent individually to each shareholder. An annual general meeting is to be held once in every calendar year within a period of fifteen months following the preceding annual general meeting.

## **4 Share Capital**

- 4.1 The Company was incorporated with an authorised share capital of £1,000 represented by 1,000 Ordinary Shares of £1 each, of which two Ordinary Shares were issued, fully paid, to the subscribers to the memorandum of association. The following alterations in the issued share capital of the Company have taken place since incorporation:
- 4.2 On 2 December 2005, the Company's authorised share capital was increased to £10,000,000 by the creation of an additional £999,900 in nominal value of Ordinary Shares and each ordinary share of £1 each was subdivided into 100 Ordinary Shares of 1p each.
- 4.3 On 2 December 2005, 10,299,800 Ordinary Shares were issued and credited as fully paid to the shareholders in Nasstar (UK) Limited in return for the transfer to the Company of each of the shareholder's shares in Nasstar (UK) Limited. The two original subscriber shares in the Company were also subdivided into 200 Ordinary Shares and were transferred to Charles Black on 2 December 2005 as part of these arrangements.

- 4.4 The authorised and issued share capital of the Company (i) as at the date of this document and (ii) on Admission will be:

<i>Authorised (Number)</i>	<i>Authorised (Amount)</i>	<i>Issued and fully paid (Number)</i>	<i>Issued and fully paid (Amount)</i>
(i) 1,000,000,000	£10,000,000	10,300,000	£103,000
(ii) 1,000,000,000	£10,000,000	10,900,000	£109,000

- 4.5 Application will be made for the Ordinary Shares to be admitted to AIM and to no other stock exchange or trading facility.
- 4.6 By a shareholders' resolution dated 2 December 2005 the Directors were generally and unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities up to a maximum of an aggregate nominal amount of £150,000 such authority to expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of the resolution, whichever is the earlier. The Directors were also empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply up to a maximum of an aggregate nominal amount of £150,000, such authority to expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of the resolution, whichever is the earlier. This resolution alters the rights of shareholders arising under section 89 of the Act for certain issues of Ordinary Shares to be made to them on a pre-emptive basis.
- 4.7 The Company has granted W.H. Ireland, conditionally on Admission, options to subscribe for 52,000 Ordinary Shares (the terms of which are summarised in paragraph 8.1.4 below).
- 4.8 Save as disclosed in paragraphs 5 and 8.1.4 of this Part V, no capital of the Company is proposed to be issued or is under option or is agreed to be put under option.

## 5 Directors' Interests

### 5.1 Interests in Shares

References in this paragraph 5 to relevant securities means Ordinary Shares and securities convertible into such shares, rights to subscribe thereof, options in respect thereof and derivatives referenced thereto.

As at the date of this document, the interests (all of which are beneficial unless otherwise stated) of the Directors in the issued share capital of the Company, which have been notified to the Company pursuant to sections 324 or 328 of the Act or which are required to be entered in the register maintained pursuant to section 325 of the Act or which are interests of a connected person of a Director (within the meaning of section 346 of the Act) which would, if the connected person were a Director, be required to be disclosed as aforesaid and the existence of which is known to, or could with reasonable diligence be ascertained by, the Directors are set out below and in paragraph 5.2 below:

<i>Director</i>	<i>Ordinary Shares at the date of this document</i>	<i>% of issued share capital at date of this document</i>	<i>Ordinary Shares on Admission</i>	<i>% of issued share capital on Admission</i>
Peter Daresbury	1,041,667	10.11	1,161,667	10.66
Charles Black	6,291,666	61.08	6,521,666	59.83
Shannon Johnston	50,000	0.48	50,000	0.45
Richard Malkin	20,833	0.20	20,883	0.19
Damion Greef	666,667	6.47	746,667	6.85

- 5.2 As at the date of this document the following options had been granted to Directors under the Share Option Scheme:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Exercise price per share (pence)</i>	<i>Exercise period</i>
Charles Black	750,000	12	8 December 2007 to 7 December 2015
Peter Daresbury	105,000	12	8 December 2007 to 7 December 2015
Shannon Johnston	100,000	24	8 December 2007 to 7 December 2015
Richard Malkin	70,000	12	8 December 2007 to 7 December 2015
Damion Greef	95,000	12	8 December 2007 to 7 December 2015

Options over an additional 24,000 Ordinary Shares at an exercise price per share of 24 pence have been granted under the Share Option Scheme to certain employees of the Company, such options being exercisable between 8 December 2007 and 7 December 2015.

- 5.3 Save as disclosed in paragraph 5.2 above no Director has any option over or warrant to subscribe for relevant securities.
- 5.4 Save as disclosed in this paragraphs 5.1 and 5.2 of this Part V, none of the Directors nor any person connected with them (within the meaning of section 346 of the Act) has any interest in any relevant securities.
- 5.5 There are no outstanding loans granted by the Company to any of the Directors nor has any guarantee been provided by the Company for the benefit of any Director.
- 5.6 Additional Information on the Directors

The names of all companies and partnerships outside the Group of which the Directors have, at any time in the five years prior to the date of this document, been a director or partner, as appropriate, each of which is currently held unless stated otherwise are as follows:

<b>Name</b>	<b>Current Directorships</b>	<b>Past Directorships</b>
Peter Daresbury	Daresbury Properties Limited The Grand National Steeplechase Limited De Vere Group Plc The Greenalls Group Pension Trustees Limited Aintree Racecourse Company Limited Daresbury Dairy Farm Limited Daresbury Drinks Limited Delamere Forest Properties Limited Land Farm Associates (Ternovskoe) Limited Kazakh Gold Group Limited Evraz Group S.A.	Roedale Limited Wetnose.com Limited British Beer & Pub Association The Countryside Foundation for Education
Shannon Johnston	Eclipse Information Systems Limited	None
Charles Black	Echospin Limited Nicstar Limited CMAB Limited	Chemserve.net Limited World Motorsports Limited Onthebox.com Limited Chemserve Group Limited

<b>Name</b>	<b>Current Directorships</b>	<b>Past Directorships</b>
Charles Black (continued)		Xworks Limited The James Bond International Fan Club Limited Careerplus Limited Xworks (UK) Limited Gaming Corporation plc
Richard Malkin	Hoodless Brennan Plc Ruby ISA Nominees Limited HB Private Equity Limited Acumor Group Limited Acumor Limited Raven Nominees Limited Riverhead Group Limited	None
Damion Greef	Gaming Corporation Plc Eyeconomy Limited	Leadenhall Communications Limited Eyeconomy Holdings Plc Dark Side Studios Limited

Save as set out above, none of the Directors has held or occupied any other directorships or has been a partner in a partnership over the previous five years.

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

5.8 Save as disclosed in paragraph 5.7 above, no Director:

5.8.1 has any unspent convictions in relation to indictable offences; or

5.8.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or

5.8.3 has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

5.8.4 has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or

5.8.5 has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or

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

#### 5.9 *Directors' Terms of Appointment*

##### *Charles Black, Chief Executive*

Mr Black entered into a service agreement with the Company on 20 December 2005 conditional on Admission. The terms of the agreement include amongst others the following: (i) salary of £85,000 per annum, (ii) terminable on six months' notice either way, (iii) 20 days holiday per annum and (iv) up to 26 weeks' sick pay in any 12 month period at full rate.

##### *Shannon Johnston, Technical Director*

Mr Johnston entered into a service agreement with the Company on 20 December 2005 conditional on Admission. The terms of the agreement include amongst others the following: (i) salary of £45,000 per annum, (ii) terminable on six months' notice by either party, (iii) 20 days holiday per annum and (iv) up to 26 weeks' sick pay in any 12 month period at full rate.

*Richard Malkin, Finance Director (part time)*

Mr Malkin entered into a service agreement with the Company on 20 December 2005 conditional on Admission. The terms of the agreement include amongst others the following: (i) salary of £12,000 per annum, (ii) terminable on three months' notice by either party, (iii) Mr Malkin to spend not less than 24 days per annum on the business of the Company.

*Damion Greef, Non-executive Director*

Damion Greef has entered into an appointment letter with the Company dated 20 December 2005 conditional on Admission which is terminable on three months' notice by either party. Mr Greef shall receive annual remuneration of £12,000.

*Lord Daresbury, Non-executive Chairman*

Lord Daresbury has entered into an appointment letter with the Company dated 20 December 2005 conditional on Admission which is terminable on three months' notice by either party. Lord Daresbury has been issued with 583,333 ordinary shares of 1p each in the capital of Nasstar (UK) Limited in consideration of his services to the Group for a period of two years from Admission, at an issue price of 12p per share, and he exchanged these shares for an equivalent number of new Ordinary Shares on 2 December 2005.

There are no service agreements or letters of appointment in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year and no benefits become payable in any case upon termination of any of the service agreements or letters of appointment.

Save as set out in this paragraph 5, none of the Directors has an existing or proposed service agreement or letter of appointment with the Company, nor has there been a change in the last six months.

The estimated aggregate remuneration of the Directors including pension contributions and benefits in kind payable by any member of the Company under the arrangements in force at the date of this document for the financial period ending 30 September 2006 excluding bonus payments is £154,000.

- 5.10 In respect of the financial year of the Company ended 30 September 2005, Charles Black and Damion Greef were issued 583,333 and 125,000 new ordinary shares of 1 penny each at 12 pence per share respectively in the capital of Nasstar as part consideration for their services to Nasstar. Mr Greef has been issued with a further 125,000 new ordinary shares of 1 penny each in Nasstar at 12 pence per share in consideration of additional services to Nasstar. Each of these share issues was effected on 10 November 2005.

5.11 Transactions with related parties

Transactions carried out by Nasstar with related parties during the period covered by the historical information set out in this document were as follows:

<i>Year ending</i>	<i>Percentage of turnover for Nasstar</i>
2003	2.0
2004	10.1
2005	6.8

Each of these transactions was in respect of hosting services supplied to Gaming Corporation plc or to one of its subsidiary companies, Xworks (UK) Limited, Eyeconomy Limited or Careerplus Limited. Charles Black was a director of Gaming Corporation plc until March 2005 and Damion Greef is a director of Gaming Corporation plc. The transactions were at arm's length.

## **6 Substantial Shareholders**

- 6.1 As at the date of this document, in addition to the interests of the Directors set out in paragraph 5.1 above, the Company had been notified of, or was otherwise aware of the following person(s) who were, directly or indirectly, interested in 3 per cent. or more of the existing share capital of the Company and as they will be following Admission.

<i>Name</i>	<i>Ordinary Shares at the date of this document and on Admission</i>	<i>% of share capital at the date of this document</i>	<i>% of share capital on Admission</i>
Solent Nominees Limited	1,166,667	11.33	10.70
Alan Black	583,333	5.66	5.35
Michael Easterby	416,667	4.04	3.82

- 6.2 Each of the Ordinary Shares referred to in paragraphs 5.1 and 6.1 above ranks *parri passu* and none of the Shareholders has rights in relation to Ordinary Shares which differ from those held by any other Shareholder.
- 6.3 Save as disclosed in paragraph 5.1 above, the Company is not aware of any persons who as at the date of this document, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

## **7 Share Option Scheme**

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

The Share Option Scheme

*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. 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.

*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 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.

## **8 Material Contracts**

8.1 The following contracts, not being contracts entered into in the ordinary course of business, have been or will have been on Admission entered into by the Company or Nasstar and which are or may be material:

8.1.1 On 20 December 2005, the Company entered into an agreement with W.H. Ireland under which W.H. Ireland agreed to act as the Company’s financial adviser and nominated adviser and broker and to advise and assist the Company in respect of the admission of the Ordinary Shares to AIM and on an ongoing basis for an initial period of twelve months and thereafter until terminated by six months’ notice of either party. The agreement contains indemnities and warranties given by the Company to W.H. Ireland. As consideration, W.H. Ireland is to be paid the corporate finance fee referred to in the placing agreement, summarised in paragraph 8.1.2 below and granted options referred to in paragraph 8.1.3 below. In addition, in respect of its nominated adviser and broker services, W.H. Ireland is to receive a fee of £25,000 per annum.

8.1.2 On 20 December 2005 the Company and the Directors entered into a placing agreement with W.H. Ireland in relation to the Placing and Admission. Under this agreement, W.H. Ireland has been appointed to provide assistance to the Company in connection with the Placing and Admission.

W.H. Ireland’s obligations under the agreement are conditional, *inter alia*, on Admission occurring by 8.00 am on 31 January 2006 or such later time and date as each of W.H. Ireland and the Company may agree.

The agreement provides for the Company to pay all the fees and expenses connected with Admission including W.H. Ireland’s fees and expenses.

The agreement contains, *inter alia*, indemnities and warranties from the Company and each of the Directors in favour of W.H. Ireland in relation to this document and the Group together with provisions which enable W.H. Ireland to terminate the agreement in certain circumstances prior to Admission, principally if there is a material breach of the agreement or any of the warranties given under it or if a force majeure event arises.

8.1.3 On 20 December 2005 each of W.H. Ireland, the Company and the Directors entered into an orderly market deed pursuant to which the Directors undertook to the Company and to W.H. Ireland that they will not save in certain specified circumstances within a year from the date of Admission dispose of the legal or beneficial ownership of any interest in Ordinary Shares and for a period of twelve months thereafter not dispose of any interest in Ordinary Shares (save in certain circumstances) other than through W.H. Ireland or the Company’s broker at the time, so as to ensure an orderly market in the Ordinary Shares.

8.1.4 On 20 December 2005 the Company entered into a option agreement with W.H. Ireland pursuant to which, conditional upon the placing agreement becoming unconditional, the Company granted options to subscribe for 52,000 Ordinary Shares in the Company. The said Options are exercisable at any time from the grant for a period of five years at 12p per share.

- 8.1.5 On 20 December 2005 the Company and Charles Black entered into a controlling shareholder agreement pursuant to which Charles Black, as the controlling shareholder, has given certain undertakings to the Company. Under the agreement, Charles Black has undertaken to the Company to exercise all voting rights and powers of control available to him in relation to the Company in order that all transactions, agreements or arrangements entered into between the Company and Charles Black will be made at arm's length and on a normal commercial basis, that he will not procure or permit any material amendments to be made to the Company's articles of association which would be contrary to the Company's ability to carry on its business independently of Charles Black, to act in the best interests of the shareholders of the Company as a whole and such that the provisions of this agreement will be observed. Charles Black has also undertaken to the Company not to undertake any activity which would conflict with the Company and would render the Company incapable of carrying on its business independently. The agreement will terminate if Charles Black ceases to hold 30 per cent. or less of the voting rights in the Company.
- 8.1.6 On 15 July 2004 the Company entered into an agreement with Microsoft Ireland Operations Ltd, pursuant to which the Company was granted a Microsoft Service Provider License Agreement with effect from 13 July 2004 and expiring on 31 July 2007. This licence agreement provides that the Company may license certain Microsoft software products on a non-perpetual basis as part of the Company's provision of its services to its customers but does not transfer any ownership rights to the Company in any of the software licensed to the Company. The Company is subject to certain restrictions under this agreement as to how it may distribute the software to its customers, and as to its usage and treatment of the software. The agreement contains provisions entitling the Company to terminate the agreement without cause on giving Microsoft not less than 60 days' notice, entitling either party to terminate the agreement due to breach by the other unless the breach is remedied within 30 days of its notification of the same and entitling Microsoft to terminate the agreement immediately upon the occurrence of specified events.

## **9 Working Capital**

In the opinion of the Directors, having made due and careful enquiry and following its receipt of the proceeds of the Placing, the working capital available to the Company will be sufficient for its present requirements, that is for the next 12 months from the date of Admission.

## **10 Litigation**

No member of the Group is and has been engaged in any legal or arbitration proceedings and no member of the Group is aware that any legal or arbitration proceedings are pending or threatened by or against any member of the Group which may have, or have had since its incorporation, a significant effect on the financial position of any member of the Group.

## **11 Significant Change**

Save as set out in Parts I, III, IV and paragraphs 2, 4 and 8 of this Part V, there has been no significant or material change in the financial or trading position of either member of the Group since the date to which the financial statements contained in Parts III and IV are compiled.

## **12 Taxation**

The following information, which sets out the taxation treatment for holders of Ordinary Shares, is based on existing law in force in the UK and what is understood to be current H.M. Revenue & Customs practice. It is intended as a general guide only and applies to Shareholders who are resident in the UK (except to the extent that specific reference is made to Shareholders resident outside the UK), who hold the Ordinary Shares as investments and who are the absolute beneficial owners of those Ordinary Shares.

Any Shareholders who are in any doubt as to their taxation position or who are subject to taxation in any jurisdiction other than the UK should consult their professional advisers immediately. Shareholders should note that the levels and bases of, and relief from, taxation may change and that changes may affect benefits of investment in the Company. This summary is not exhaustive and does not generally consider tax relief or exemptions.

### 12.1 *Taxation of Dividends*

Under current UK tax legislation, no tax will be withheld from any dividend paid by the Company.

### 12.2 *UK Resident Individual Shareholders*

An individual UK resident Shareholder is currently entitled to a tax credit in respect of the dividend (the “associated tax credit”) that can be set off against the total liability to UK income tax. The amount of the associated tax credit is equal to one-ninth of the cash dividend received. The aggregate of the cash dividend and the associated tax credit (the “dividend income”) will be included in the Shareholder’s income for UK tax purposes and will be treated as the top slice of the Shareholder’s income. Thus, an individual UK resident Shareholder receiving a cash dividend of £90 will be treated as having received dividend income of £100, which has the associated tax credit of £10 attached to it.

An individual UK resident Shareholder who, after taking into account the dividend income, pays income tax at the lower rate or basic rate will pay tax on the dividend income at the “Schedule F ordinary rate” of 10 per cent. against which he can set off the tax credit. As a consequence, such a Shareholder will have no further liability to account for income tax on the cash dividend received.

An individual UK resident Shareholder who, after taking into account the dividend income, pays income tax at the higher rate will pay tax on the dividend income at the “Schedule F upper rate” of 32.5 per cent. against which he can set off the associated tax credit. Such a Shareholder will have a liability to account for additional tax on the dividend income, calculated by multiplying the gross dividend by the Schedule F upper rate and deducting the tax credit. This will be equivalent to 25 per cent. of the cash dividend received.

An individual UK resident Shareholder who does not pay income tax or whose liability to income tax does not exceed the amount of the associated tax credit will not be entitled to claim repayment of the associated tax credit attaching to the dividend.

### 12.3 *Trustees of UK Resident Trusts*

For dividends paid to trustees of UK resident discretionary or accumulation trusts, the dividend income will be subject to UK income tax at the “Schedule F trust rate” of 32.5 per cent. To the extent that the associated tax credit exceeds the trustees’ liability to account for income tax, the trustees will have no right to claim repayment of the associated tax credit. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

### 12.4 *UK Resident Corporate Shareholders*

A UK resident corporate Shareholder will generally not be liable to UK corporation tax on any dividend received.

### 12.5 *UK Resident Pension Funds and Charities*

UK resident pension funds and charities are not subject to tax on dividends which they receive. Neither are they generally entitled to claim repayment of the associated tax credit.

### 12.6 *Non-resident Shareholders*

A Shareholder not resident in the UK for tax purposes is generally not taxed in the UK on dividends received by them nor entitled to an associated tax credit in respect of a dividend received. However, such a non-resident Shareholder may be entitled to a payment from the UK H.M. Revenue & Customs of a proportion of the associated tax credit in respect of dividends paid to him under a double tax treaty between the UK and the country in which the Shareholder is resident for tax purposes. Non-resident Shareholders may be subject to foreign tax on the dividend income received from the Company. Such non-resident Shareholders should consult their own professional tax advisers on the incidence of tax in the country in which they are resident for tax purposes, as to whether they are entitled to the benefit of any associated tax credit and the procedure for claiming repayment. An individual shareholder who is not resident in the UK but is a Commonwealth citizen, a national of a member state of the European Economic Area or falls within certain categories of person within section 278 of the Income and Corporation Taxes Act 1988 is entitled to set the associated tax credit against their UK income tax liability.

## 12.7 *Taxation of Chargeable Gains*

A disposal of Ordinary Shares by an individual or corporate Shareholder may result in a liability to UK taxation on chargeable gains, depending upon the relevant circumstances of the transaction and the particular Shareholder's circumstances. Shareholders who are not resident or ordinarily resident in the UK for tax purposes should not generally have liability to UK taxation on chargeable gains.

On 5 April 1998, "taper relief" was introduced which applies to individual Shareholders and trustees (but not to corporate Shareholders). Taper relief reduces the proportion of any chargeable gain assessable to capital gains tax by reference to the period of ownership of the Ordinary Shares by a Shareholder. The rate of taper depends upon whether the Shareholder holds the Ordinary Shares as "business" or "non-business" assets, with the speed of taper relief being accelerated for Ordinary Shares held as "business" assets.

Business assets include shares in qualifying unquoted companies or qualifying holding companies. For these purposes, Shareholders should note that companies admitted to trading on AIM are regarded as unquoted.

## 12.8 *Stamp Duty and Stamp Duty Reserve Tax*

Transfers of or sales of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given rounded up to the next £5.00). An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form by the seventh day of the month following the month in which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given). However, if within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument, any liability to SDRT will be cancelled or repaid.

## 13 **General**

- 13.1 Save as disclosed in Part I and in respect of the agreement summarised in paragraph 8.1.6 of this Part V, the Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 13.2 The total expenses of the Placing and Admission are estimated to be £150,000, excluding VAT, and are payable by the Company.
- 13.3 Except for payments to trade suppliers, the Company's professional advisers or as set out in paragraph 5 of this Part V, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 13.4 The Directors are not aware of any exceptional factors which have influenced the Company's activities.
- 13.5 Gerald Edelman, members of the Institute of Chartered Accountants in England and Wales, have given and have not withdrawn their written consent to the issue of this document with the inclusion of their Accountants' Reports in Parts III and IV above and the references to such reports and to their name in the form and context in which they appear.
- 13.6 W.H. Ireland has given and not withdrawn its written consent to the issue of this document in the form and context in which such references are included.
- 13.7 The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission.
- 13.8 The Company has no investments in progress which are or may be significant.
- 13.9 The new Ordinary Shares to be issued pursuant to the Placing will be issued at 25p per share, representing a premium of 24p per Ordinary Share above the nominal value of an Ordinary Share.
- 13.10 The Company's accounting reference date is 30 September.

## 14 **Availability of Documents for Inspection**

Copies of the following documents will be available for inspection at the office of W.H. Ireland, 24 Bennett's Hill, Birmingham B2 5QP and Marriott Harrison, 12 Great James Street, London WC1N 3DR during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document and for a period of one month from the date of Admission;

- 14.1 the memorandum and articles of association of the Company;
- 14.2 the accountants' reports by Gerald Edelman, set out in Parts III and IV of this document;
- 14.3 the material contracts referred to in paragraph 8 above; and
- 14.4 the letters of consent referred to in paragraphs 13.5 and 13.6 above.

Dated: 20 December 2005