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This document, which is an AIM admission document, has been drawn up in accordance with the AIM Rules. This document does not constitute an offer to the public in accordance with the provisions of section 85 of FSMA and is not a prospectus for the purposes of Prospectus Regulations 2005. Accordingly this document has not been pre-approved by the Financial Services Authority pursuant to section 85 of the FSMA.

This document has not been registered or filed with any governmental or other authority in the Isle of Man on the basis that the offer of shares constituted hereby is a ‘private placement’ as defined in the Companies (Private Placements) (Prospectus Exemption) Regulations 2000. This document and the Placing have not been approved or passed upon by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

The Directors of Fairground Gaming Holdings plc, whose names appear on page 4 of this document, accept responsibility, individually and collectively, for the information contained in this document and for compliance with the AIM Rules. 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.

Application will be made for the entire issued and to be issued share capital of Fairground Gaming Holdings plc to be admitted to trading on AIM. It is expected that admission to AIM will become effective and that dealings will commence on 4 October 2015. It is emphasised that no application has been made or is being made for the admission of such securities to the Official List of the United Kingdom Listing Authority (“Official List”). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the 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 the United Kingdom Listing Authority nor the London Stock Exchange plc has examined or approved the contents of this document.

Fairground Gaming Holdings plc

(Incorporated in the Isle of Man with registered number 113214C)

Placing of 7,610,000 Placing Shares at 50 pence per share and Admission to trading on AIM

Nominated Adviser and Broker

Daniel Stewart & Company plc

SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£1,000,000	200,000,000	ordinary shares of 0.5p each	£106,675	21,335,000

Daniel Stewart & Company plc, which is regulated by the Financial Services Authority, is acting as nominated adviser and broker to Fairground Gaming Holdings plc in connection with the proposed admission of the issued and to be issued Ordinary Shares of Fairground Gaming Holdings plc to trading on AIM. Daniel Stewart & Company plc’s responsibilities as Fairground Gaming Holdings plc’s nominated adviser and broker are owed solely to the London Stock Exchange plc and are not owed to Fairground Gaming Holdings plc or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in Fairground Gaming Holdings plc in reliance on any part of this document. No representation or warranty, express or implied, is made by Daniel Stewart & Company plc as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Daniel Stewart & Company plc will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

This document should not be distributed in, into or from the United States of America, Canada, Japan, the Republic of Ireland or Australia or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation. The issued and to be issued Ordinary Shares of Fairground Gaming Holdings plc have not been, nor will they be, registered under the United States Securities Act of 1933 (as amended). Accordingly, such shares may not be offered, sold, renounced, taken up or delivered, directly or indirectly, in or into or from the United States of America. Furthermore, such shares have not been and will not be registered under any of the relevant securities laws of Canada, Japan, the Republic of Ireland or Australia. Accordingly unless an exception under relevant securities laws is applicable, such shares may not be offered, sold, renounced, taken up or delivered, directly or indirectly, in or into or from Canada, Japan, the Republic of Ireland or Australia. This document does not constitute an offer or the solicitation of an offer to subscribe or buy any of the issued and to be issued Ordinary Shares of Fairground Gaming Holdings plc, in any jurisdiction where such offer or solicitation is unlawful. No person located as resident in the Isle of Man for Manx taxation purposes may hold shares in Fairground Gaming Holdings plc subject to certain exemptions.

Daniel Stewart & Company plc has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Daniel Stewart & Company plc for the accuracy of any information or opinions contained in this document, or for the omission of any material information for which the Directors of Fairground Gaming Holdings plc are solely responsible.

Copies of this document are available, free of charge, from Daniel Stewart & Company plc at Becket House, 36 Old Jewry, London, EC2R 8DD and at the registered office of the Company in the Isle of Man from the date of this document and for a period of one month from Admission.

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PLACING STATISTICS

Placing Price per Ordinary Share	50p
Number of Placing Shares	7,610,000
Number of Ordinary Shares in issue immediately following the Placing and Admission	21,335,000
Gross proceeds of the Placing receivable by the Company	£3,805,000
Net proceeds to be received from the Placing	£3,431,000
Proportion of Enlarged Share Capital subject to the Placing	35.67%
Market capitalisation on Admission at the Placing Price	£10,667,500

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	28 September 2005
Admission and dealings in Ordinary Shares (including the Placing Shares)	4 October 2005
CREST accounts to be credited	4 October 2005
Despatch of definitive share certificates in respect of the Placing Shares (where applicable)	18 October 2005

DIRECTORS, SECRETARY AND ADVISERS

Directors:	John Hamilton Webster Evan Gregory Hoff Richard Howard Akitt Jonathan Charles Rowell Morley-Kirk	<i>Non Executive Director</i> <i>Executive Director</i> <i>Executive Director</i> <i>Non Executive Director</i>
	All of: Royal Trust House 60 Athol Street Douglas Isle of Man IM1 1JD	
Company Secretary:	James Ian Turnbull	
Registered Office:	Royal Trust House 60 Athol Street Douglas Isle of Man IM1 1JD	
Nominated Adviser & Broker:	Daniel Stewart & Company PLC Becket House 36 Old Jewry London EC2R 8DD	
Auditors and reporting accountants:	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL	
Solicitors to the Company:	Gordon & Co 15/19 Cavendish Place London W1G 0QE	
Isle of Man legal advisers to the Company:	Cains Advocates Limited 15-19 Athol Street Douglas Isle of Man IM1 1LB	
Solicitors to the Placing:	Finers Stephens Innocent LLP 179 Great Portland Street London W1W 5LS	
Placing Agent:	Credo Capital Plc 33 Margaret Street London W1G 0JD	
Registrar:	Amber Business Limited Royal Trust House 60 Athol Street Douglas Isle of Man IM1 1JD	
UK Transfer Agent:	Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TW	

DEFINITIONS AND GLOSSARY OF TERMS

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

“Acts” or “Companies Acts”	the Companies Acts 1931-2004 of the IOM
“Admission”	the admission of the existing Ordinary Shares and the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing admission to and the operation of companies whose shares are admitted to AIM
“Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company whose names are set out on page 4 of this document
“CAGR”	Compound Annual Growth Rate
“Combined Code”	the Combined Code on Corporate Governance and the Code of Best Practice included in an Appendix to the Listing Rules of the UKLA
“Company” or “Fairground Gaming”	Fairground Gaming Holdings plc
“Consultants Share Option Schemes”	the Company’s consultant share option scheme for individuals and the Company’s consultant share option scheme for corporates, further details of which are set out in paragraph 7.2 of Part IV of this document
“CREST”	the computerised settlement system to facilitate the transfer of title to or interests in securities in uncertificated form, operated by CRESTCo Limited
“Daniel Stewart”	Daniel Stewart & Company plc, nominated adviser and broker to the Company
“Enlarged Share Capital”	the issued Ordinary Share capital of the Company on Admission (including the Placing Shares)
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended) of the UK
“IOM”	Isle of Man
“IOM Regulations”	the Transfer of Securities Regulations 1996 of the IOM
“London Stock Exchange”	London Stock Exchange plc
“Microgaming”	Microgaming Software Systems Limited, a private company incorporated in the Isle of Man
“Official List”	the official list of the UKLA
“Options”	the options to acquire new Ordinary Shares granted pursuant to the Share Option Schemes
“Ordinary Shares”	ordinary shares of 0.5 pence each in the capital of the Company

“Placing”	the proposed placing by Daniel Stewart as agent for and on behalf of the Company of the Placing Shares with institutional and other investors at the Placing Price pursuant to the terms and conditions of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 28 September 2005 between Daniel Stewart, the Company and the Directors relating to the Placing, a summary of the principal terms and conditions of which is set out in paragraph 8.2 of Part IV of this document
“Placing Price”	50 pence per Placing Share
“Placing Shares”	the 7,610,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Shareholder”	a holder of Ordinary Shares
“Share Option Schemes”	means the Unapproved Share Option Scheme and the Consultants Share Option Schemes
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Act”	the Companies Act 1985 (as amended)
“UKLA”	United Kingdom Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“Unapproved Share Option Scheme”	the Company’s unapproved share option scheme, further details of which are set out in paragraph 7.1 of Part IV of this document
“US” or “USA” or “United States”	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdictions
“VAT”	UK and or IOM value added tax (as appropriate)
“Warrants”	150,000 warrants to subscribe for new Ordinary Shares at the Placing Price, further details of which are set out in paragraph 7.3 of Part IV of this document

PART I

INFORMATION ON THE COMPANY

INTRODUCTION

It is the specific purpose of Fairground Gaming to take advantage of the expected consolidation within the online gaming sector.

The online gaming sector, and the online casino sector in particular, is a fragmented market, where some of the major operators do not enjoy significant scale or brand recognition. Against this backdrop and coupled with scalable infrastructures and business models, the Directors believe the industry represents an opportunity for consolidation.

The Directors' intention is to use Fairground Gaming as a vehicle to position online gaming operators for the next phase in this sector's development, being one which the Directors believe will demand scale, brand recognition and transparency. It is the Directors current strategy to acquire majority interests in a portfolio of synergistic, cash generative online gaming businesses with specific focus on smaller operators.

Microgaming, a developer of online gambling systems, has already made a significant investment in Fairground Gaming.

The Directors intend to focus initially on acquiring online gaming businesses which utilise Microgaming's software platform. However, the Directors will seek out opportunistic acquisition targets outside of the Microgaming network, including companies involved in other areas of online gaming, such as bingo, poker and skill-based gaming.

MARKET OPPORTUNITY

The online gaming sector today remains fragmented and is characterised by a relatively large number of independent operators. The online gaming market has experienced growth since its emergence in the 1990s. Estimates and growth rates of this online gaming market may vary. The upper end of estimates suggests that the online gaming market generated gross winnings in excess of US\$8 billion in 2004 and that by 2009 there may be double digit CAGR in the overall online gaming market.

The Directors believe that the online gaming industry has gone through several stages. The first internet gaming sites began to appear not long after the commercial internet began in the mid-1990's and was characterised by independent entrepreneurs entering an unknown and unregulated market. By the late 1990's some of today's larger brands began to emerge and a few businesses took tentative steps towards the public markets, either trading over the counter or on the Toronto Stock Exchange, the Official List or AIM.

More recently, with the advent of online poker together with the relative maturity of some early operators, the Directors believe that the online gaming industry has shifted into a new phase. This phase is characterised by sophisticated businesses, many presenting players with a diversified offering, including sportsbook, bingo, poker and numbers games. This period is also characterised by the entry of substantial, land-based gaming brands, particularly in the United Kingdom.

Notwithstanding repeated attempts to ban the gaming industry or stifle it via restrictions on available deposit mechanisms, the online gaming sector has grown significantly .

The Directors believe that growth in the online gaming market is being driven by a number of factors, including:

- Online gaming enjoying an increasing share of traditional gaming spend, mirroring the pattern of online retail commerce
- Internet and broadband penetration
- Popularity of gaming generally
- Emergence of skill-based gaming and sectors such as poker and bingo

- Improved marketing techniques
- New distribution channels, for example mobile devices

CURRENT OPERATIONS

The Company has only recently been established and save in relation to arrangements necessary for the Placing and Admission, does not yet trade.

STRATEGY

It is the Directors' intention to build a broad-based, diversified gaming portfolio through a combination of growth via acquisition, followed by organic growth of the businesses which the Company intends to acquire, in addition to such other business activities the Directors deem appropriate at the time. The Directors believe the online gaming industry will continue to grow at an impressive rate. The Directors believe that the following market trends should enable successful implementation of their growth and consolidation strategy:

- Online gaming has significant growth potential. The Directors believe that the sector will follow the trajectory experienced by retail commerce in which an increasing proportion of the market is moving online.
- Brands or niche markets are becoming increasingly important and strong brands or operations with specific strengths will benefit disproportionately. This trend will place additional pressure on smaller operators to merge their businesses with a larger operation.
- Increased competition is putting pressure on customer acquisition costs and player yield, creating a relative advantage for operators who have greater cross marketing and media buying efficiencies.

The Company has approached potential target vendors, in the Microgaming network, certain of whom have indicated to the Directors a favourable attitude towards a possible consolidation along a common software platform, with the associated cost saving and efficiencies. Additionally, if as anticipated, consolidation occurs with increasingly large businesses dominating the online gaming market, the Directors believe the incentive of larger operators to acquire relatively smaller businesses is likely to diminish. The Directors believe many of these smaller operators however are likely to meet the acquisition criteria to be set by Fairground Gaming. Accordingly, the Directors may seek to migrate any acquired companies over to common platforms where it is efficient to do so and likely to enhance earnings.

Opportunities for Potential Vendors

The Directors believe that participating in Fairground Gaming's consolidation strategy will provide the following advantages for potential vendors:

Participation in the financial markets

It is acknowledged that the online gaming industry is transitioning to a new phase, one which has placed the sector within the sights of the investment community. This phase should demand greater scale and brand awareness, as well as higher overall levels of transparency. As a consolidating entity, Fairground Gaming intends to offer its potential vendors access to market growth and the Directors believe that this should also create opportunities for scale, branding and operating efficiency.

Diversification

The Directors believe that a number of Fairground Gaming's potential target vendors have specific strengths, such as a particular geographic focus, a broad network of affiliates or VIP-player management skills as well as having dominant market positions in certain product lines. Accordingly, as Fairground Gaming acquires businesses with differing strengths from the point of view of revenue, management and client-base, the Directors believe that these potential vendors should benefit significantly from such diversification.

Unified offshore head office

Fairground Gaming is incorporated in the IOM. The Directors believe that acquired companies and businesses with disparate corporate and legal structures can be incorporated into a group structure with the Company acting as the primary holding company.

Best-practice management

The Directors believe that the industry as a whole has traditionally operated in an isolated, fiercely competitive manner. The result for many of Fairground Gaming's potential vendors has been an inability to share ideas among their industry colleagues, and indeed for competitive reasons, there remains a strong disincentive to do so. The impact of this is felt in any industry, but is particularly prevalent in the online gaming industry. As a nascent sector, there is less in the way of management research, case studies and a "conventional wisdom" than one might find in more established industries. The Directors envisage that potential vendors will benefit from best practices in a number of core business areas, among them: marketing returns, player retention tools, media campaigns, affiliate marketing, VIP incentivisation and entry into new territories.

The Directors expect to improve current operating cost ratios and to be able to negotiate improvements in expenditure on outsourcing based upon greater sales volumes inherent in the cross marketing opportunities afforded by the ownership of several online gaming brands.

MICROGAMING

The business of Microgaming was founded in 1994 and according to reports, developed the world's first operational online casino system. Microgaming was a founding member of the online gaming industry's Interactive Gaming Council in 1997 and in 2003 became a founding member of eCOGRA, the industry's self-regulating body. It is believed to have developed the internet's first wide-area progressive jackpot. When established high street based brands started investigating online opportunities, it attracted clients such as Ladbrokes and Stan James to its platform.

Microgaming's software principally comprises two independent gaming products, namely its online casino software (with an estimated 89 operators using such software) and its online poker software powered by the Prima Poker Network (with an estimated 36 poker rooms using such software). Microgaming also powers Ladbroke's Poker. In addition to these online products, Microgaming also produces gaming software for other markets, such as fixed odds betting terminals and mobile gaming.

Microgaming's client base includes major online players such as Carmen Media (Gamingclub and Riverbelle), Mr Bookmaker, Stan James, Bet365, Trident Group and Ladbrokes. Notwithstanding these major players, the majority of Microgaming's client base comprises private, highly entrepreneurial independent operators.

DIRECTORS AND ADVISER

Evan Hoff (aged 35) Executive Director

Mr Hoff co-founded and served as co-CEO of ForwardSLASH from 1997 to 2000 which was responsible for launching and maintaining some of the world's largest online casinos. From the end of 2000 to 2002, Mr Hoff was the senior executive of Ludus Online, a company involved in the online gaming sector based in London. Since 2003, Mr Hoff has served as co-CEO of Quest Limited, a London based security and intelligence consultancy. Mr Hoff has Bachelor of Commerce and Bachelor of Accounting degrees and is a registered chartered accountant.

Richard Akitt (aged 47) Executive Director

Mr Akitt was a co-founder and director of WebTech Software Limited, which was sold to Marlborough Stirling Plc in 2000. Formerly Mr Akitt held positions as both Financial Director and Commercial Director of several local Isle of Man and international companies. Mr Akitt has a Bachelor of Commerce and Post Graduate Honours Degree in Accounting and is a registered chartered accountant.

Jonathan Morley-Kirk (aged 44) Non Executive Director

Mr Morley-Kirk is a chartered accountant with nearly twenty years of city experience. He is a non executive director of Cardinal Resources plc and Shield Capital plc, both of which are traded on AIM. Mr Morley-Kirk is currently chairman of Fox-Davies Capital Limited, a London based corporate finance boutique, which is FSA regulated and a member of the London Stock Exchange. Mr Morley-Kirk has resided in Jersey since 1995. Prior to this he lived in London and was a director of SG Warburg Securities Limited and Samuel Montagu and Co Limited.

John Webster (age 58) Non Executive Director

Mr Webster is an entrepreneur with interests in software development, company administration and business consultancy. He is a director of NETELLER plc, Conister Trust plc and the Isle of Man subsidiaries of a number of international companies. Currently Deputy Chairman of the Isle of Man Financial Supervision Commission, he was formerly President of the Isle of Man Chamber of Commerce (1996-1999) and Economic Adviser to the Isle of Man Government (1976-88). A Fellow of the Chartered Management Institute, Mr Webster gained an economics degree from London University and a post-graduate qualification from the University of Manchester.

Michael Hirst OBE, Adviser

Mr Hirst is currently the chairman of eCOGRA, the online gaming industry's regulatory and player assurance body. Mr Hirst was appointed Chairman and Chief Executive Officer of Hilton International in 1990. Mr Hirst was also a board member of the Ladbroke Group Plc (now the Hilton Group) from 1986 to 1994.

Mr Hirst served from 1997 on the United Kingdom's Secretary of State for Culture, Media & Sport's Tourism Advisory Group, whilst he was Chairman of the Joint Hospitality Industry Congress. In March 1999 Mr Hirst was appointed Chairman of the Business Tourism Partnership, a cross-industry and government group which represents the conference, meetings, exhibition, outdoor events, incentive travel and corporate hospitality sectors. In August 2004 he was elected as a Director of the Tourism Alliance, the body established by trade associations in the UK to be the voice of tourism.

CORPORATE GOVERNANCE

The Directors intend to comply with the provisions of the Combined Code so far as is reasonably practicable for a company of Fairground Gaming's size and stage of development. An audit committee, comprising Mr Morley-Kirk and Mr Webster, has been established to operate with effect from Admission. The audit committee will determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Company's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. The audit committee is chaired by Mr Webster.

A remuneration committee, comprising Mr Morley-Kirk and Mr Webster, has also been established to operate with effect from Admission. It will review the performance of the executive directors and will set their remuneration, determine the payment of bonuses to executive directors and consider bonus and option schemes. The executive directors will take no part in discussions concerning their own remuneration. The remuneration committee is chaired by Mr Morley-Kirk.

There are no corporate governance regimes in the Isle of Man which the Company is required to comply with.

The Directors will comply with Rule 21 of the AIM Rules relating to directors dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees.

DIVIDEND POLICY

The Directors intend to re-invest profits in further opportunities as they may arise. As a result, the Directors do not currently intend to propose the payment of a dividend in the short to medium term. When the Company's business has grown to a level where it generates cash in excess of its anticipated requirements, the Directors will determine an appropriate dividend policy.

THE PLACING AND ADMISSION

The Placing comprises the issue by the Company of 7,610,000 Placing Shares and will raise approximately £3.8 million at the Placing Price (£3.4 million net of expenses excluding VAT). Daniel Stewart has conditionally placed the Placing Shares with institutional and other investors and the Placing Shares will represent approximately 35.67 per cent. of the Enlarged Share Capital. The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares. The Placing Agreement contains provisions entitling Daniel Stewart to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised the Placing will lapse. The Placing has not been underwritten. Further details of the Placing Agreement are set out in paragraph 8.2 of Part IV of this document.

Application has been made to the London Stock Exchange for all of the existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the existing Ordinary Shares and the Placing Shares on AIM will commence on 4 October 2005.

The Placing is being made on a private placement basis to persons within the following description:

- (a) persons whose ordinary activities involve them in acquiring, holding, managing or disposing of Placing Shares (as principal or agent) for the purposes of their business; or
- (b) persons who it is reasonable to expect will acquire, hold, manage or dispose of Placing Shares or debentures (as principal or agent) for the purposes of their businesses; or
- (c) a restricted circle of persons whom Daniel Stewart reasonably believes to be sufficiently knowledgeable to understand the risks involved in accepting the offer constituted by this document; or
- (d) a restricted circle of persons numbering no more than fifty whom it is reasonable to believe will acquire any Placing Shares for investment purposes and not with a view to their imminent resale.

Each placee will be required to warrant with regard to his subscription for Placing Shares that he is a person falling within one of the foregoing paragraphs. In the event that applicants for Placing Shares numbering more than fifty indicated that they wish to be considered within paragraph (d) above, such applicants may be rejected at the discretion of Daniel Stewart so that the total number of applicants applying for Placing Shares and who state that they so wish to be considered within paragraph (d) shall not exceed fifty.

SHARE OPTION SCHEMES AND WARRANTS

The Directors believe that the Company's success will be dependent on the quality of its Directors, officers, employees and consultants. To assist in the recruitment, retention and motivation of employees and consultants, an important part of the remuneration strategy will be the ability to award equity incentives and, in particular, Options to employees and consultants.

Therefore, conditional upon Admission, the Board adopted:

1. the Unapproved Share Option Scheme on 23 September 2005. As at the date of Admission, Options over a total of 440,000 Ordinary Shares have been conditionally granted under the terms of the Unapproved Share Option Scheme; and
2. the Consultants Share Option Schemes on 23 September 2005. As at the date of Admission, Options over a total of 92,500 Ordinary Shares have been conditionally granted under the terms of the Consultants Share Option Schemes.

In both the Unapproved Share Option Scheme and the Consultants Share Option Schemes, Options are to be satisfied by the allotment of Ordinary Shares at a price to be set by the Directors which will not be less than the nominal value of an Ordinary Share. The number of Ordinary Shares under Option may vest in tranches at the discretion of the Directors at the time of grant of an Option. The Options will state the first and last date upon which they can normally be exercised. If an Option is subject to objective performance conditions, which will be determined by the Directors, details of those performance conditions will be specified in the Option deed issued pursuant to the Share Option Schemes. In addition to the number of shares under Option vesting in tranches as above, it may also be necessary for performance targets to be met before an Option may fully vest. Any targets must be fair and reasonable and will be set by the Directors at the time an Option is granted.

The aggregate number of Ordinary Shares for which Options may be granted under the Unapproved Share Option Scheme and the Consultants Share Option Schemes at any time shall not exceed 15 per cent. of the issued Ordinary Shares from time to time.

Conditional on Admission, the Company granted the Warrants to Mr Grant Gordon, the principal of Gordon & Co., the Company's solicitors in the UK.

Details of the Options and the Warrants are set out in paragraph 7 of Part IV of this document.

USE OF PROCEEDS AND REASONS FOR ADMISSION

The Directors intend to use the proceeds of the Placing to meet the expenses of Admission and Placing and to provide working capital for the Company.

The Directors believe that Admission will assist in raising the public profile of the Company and in future fundraisings.

LOCK-IN ARRANGEMENTS

In accordance with the AIM Rules, each of the Directors and the Trustees of the Federation Trust and Paragon Investment Fund Limited have undertaken to the Company and Daniel Stewart (subject to the limited exceptions set out in the AIM Rules) not to dispose of the Ordinary Shares held by each of them following Admission at any time prior to the first anniversary of Admission ("Lock-in Period"). In addition, Adriatic Capital Holdings Limited has also undertaken to the Company and Daniel Stewart not to dispose of the Ordinary Shares it holds (subject to limited certain exceptions) following Admission at any time prior to the first anniversary of Admission ("Lock-In Period").

Furthermore, each of the Directors and the Trustees of the Federation Trust, Paragon Investment Fund Limited and Adriatic Capital Holdings Limited have also undertaken to the Company and Daniel Stewart not to dispose of their Ordinary Shares for a further twelve months following the expiry of the Lock-in Periods referred to above otherwise than through Daniel Stewart (whilst it is broker to the Company) or any subsequent broker to the Company.

Further details of these arrangements are set out in paragraph 8 of Part IV of this document.

CREST

CREST is a paperless settlement procedure which enables securities to be evidenced other than by certificate and transferred other than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under CREST. It is expected that the Placing Shares will be admitted to CREST on 4 October 2005. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

FURTHER INFORMATION

Your attention is drawn to Parts II, III and IV (inclusive) of this document which provide additional information.

PART II

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company.

Investing in the Company involves a degree of risk. The price of Ordinary Shares could decline due to any of these risks and investors could lose all or part of their investment. The Directors believe that they have recognised the opportunities that have developed in the business area in which the Company will operate and that the Company is well positioned to exploit them. The risks described in Part II are relevant not only to the Company as at Admission but also to the Company following the acquisition of any online gaming businesses in accordance with its strategy. Any reference in Part II to the “Company” should be interpreted accordingly. You should note that the risks described are not the only risks faced by the Company and there may be additional risks that the Directors currently consider not to be material or of which they are not presently aware.

A. Specific risks relating to the Company

1. Risk of potential future acquisitions

As part of its growth strategy, the Company intends to acquire other companies or businesses. Acquisitions by the Company may require the use of a significant amount of cash, dilutive issues of equity securities and the incurrence of debt, each of which could materially and adversely affect the Company’s business, results of operations, financial condition or the market price of Ordinary Shares. In addition, acquisitions involve numerous risks, including difficulties in the integration of the operations of any acquired business or company, particularly in circumstances where a newly acquired business may be geographically distant from other businesses owned by the Company, and the diversion of its management’s attention from other business concerns. While there are currently no binding commitments or agreements with respect to any acquisition, the Company does expect there to be future acquisitions and if such acquisitions do occur, there can be no assurance that the Company’s business, results of operations or financial condition would not be materially and adversely affected.

2. Retention of key management

The Company’s future performance, and that of any companies or businesses in which it invests or acquires, will depend on its ability to retain the services of the Directors and to be able to attract, motivate and retain the services of suitable personnel. Although all of the Directors have entered into service or employment agreements with the Company, the loss of the services of any such individual may affect the business, operations, revenues and/or prospects of the Company. The operations of the Company are specialised and its ability to recruit high calibre individuals in this sector may be difficult.

B. Industry specific risks

The Company has been formed with the specific purpose of taking advantage of expected consolidation within the online gaming sector. Therefore industry specific risks considered within this document will be those, which are within the online gaming sector.

1. Legislation and Regulation

The activities of the entities, which the Company is likely to acquire, will be subject to applicable laws in various jurisdictions. As companies and consumers involved in the online gaming sector are located around the world there is uncertainty regarding exactly which authorities have jurisdiction or authority to regulate or legislate with respect to various aspects of the industry. The uncertainty surrounding the regulation of the online gaming sector could have a material adverse effect on the Company’s business, revenues, operating results and financial condition. There is a potential risk that criminal and civil proceedings could be initiated in various jurisdictions against the Company and/or its officers and such

proceedings could involve substantial litigation expense, penalties, fines, diversion of the attention of key executives, injunctions or other prohibitions being invoked against the Company. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition. In addition, as electronic commerce develops further, it may generally be the subject of government regulation including taxation, which could impact the Company's financial position. Also, current laws that pre-date or are incompatible with electronic commerce may be enforced in a manner that restricts the electronic commerce market. Any such developments could have a material adverse effect on the Company's business, revenues, operating results and financial condition.

Effects of increases in government regulation

The regulation of the gaming industry is complex, intensive and constantly changing. The adoption or modification of laws or regulations relating to internet gaming could adversely affect the manner in which the business is currently conducted. Many countries are currently struggling with issues surrounding internet gambling. More specifically, they are considering the merits, limitations and enforceability of prohibition, regulation or taxation of wagering and games transactions that are transacted over the internet. There are significant differences of opinion and law. In addition, the growth and development of the market for online commerce may lead to more stringent consumer protection laws that may impose additional burdens on the Company. Laws and regulations directly applicable to games, communications or commerce over the internet are becoming more prevalent. The law governing the internet, however, remains largely unsettled, even in areas where there has been some legislative action and there is uncertainty regarding exactly which government has jurisdiction or authority to regulate various aspects of the remote gaming industry. It may take years to determine whether and how existing laws such as those governing intellectual property, privacy, gaming, libel and taxation apply to the internet. In order to comply with new or existing laws regulating online commerce, the Company may need to modify the manner in which it does business, which may result in additional expenses. Additional personnel may need to be hired to monitor the Company's compliance with applicable laws. As a result, the Company could incur substantial litigation expense, fines, diversion of the attention of key employees and injunctions or other prohibitions preventing the Company from engaging in various anticipated business activities. Such an outcome would have a material adverse effect on the business and its operating results. It is also possible that authorities may seek to impede the remote gambling industry by introducing laws designed to prohibit or restrict financial institutions, payment processors, media companies, software and technology providers, and other suppliers from transacting with and providing services to remote gambling operators, and such actions may have a negative effect on the business of the Company.

Gaming Regulation

The Directors believe that gaming regulation is one of the biggest factors likely to affect the growth of online gaming. Regulation of online gaming differs significantly from one jurisdiction to the next and there is significant uncertainty as to the legality of online gaming in most countries and in certain countries it may be illegal.

As companies and consumers involved in internet gaming are located around the globe, there is uncertainty regarding exactly which governments have jurisdiction or authority to regulate or legislate with respect to various aspects of the industry. The uncertainty surrounding the regulation of internet gaming could have a material adverse effect on the Company's business, revenues, operating results and financial condition. There is a risk that criminal and civil proceedings could be initiated in various jurisdictions against the Company and its officers and such proceedings could involve substantial litigation expense, penalties, fines, diversion of the attention of key executives, injunctions or other prohibitions being invoked. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition. In addition, as electronic commerce develops further, it may generally be the subject of government regulation including taxation which could impact the Company financial position. Also, current laws that pre-date or are incompatible with electronic commerce over the internet may be enforced in a manner that restricts the electronic commerce market. Any such developments could have a material adverse effect on the Company's business, revenues, operating results and financial condition.

(a) United States

As set out in more detail below, the legality of online gaming in the United States is not clear. The recent decision of the World Trade Organisation has re-energised opponents to online gaming in the United States Congress, who are sponsoring legislation to prohibit internet gambling. Although there has been no final, determinative decision, the US Department of Justice has asserted that online gaming violates certain federal laws already in place. Some states have outlawed online gaming. The law with respect to online gaming is unsettled and subject to change at both the federal and state level.

(i) *Federal, state and local law*

The US Department of Justice considers that companies offering online gaming to US residents are in violation of existing US federal laws, including (but not limited to) the Wire Act, the Illegal Gambling Business Act, the Paraphernalia Act and the Travel Act. In addition, a number of federal statutes prohibit actions that are not specific to gaming, but are premised upon activities that violate federal or state law. Such statutes include, but are not limited to, the Racketeer Influenced and Corrupt Organisations Act and legislation related to money laundering, the collection of unlawful debts and 'aiding and abetting' an offence.

Online gaming may violate state law and violations of state gaming laws can serve as a predicate offence for liability under federal statutes. At least seven states have specifically prohibited online gaming, in some form. Many other states prohibit all gaming, or all forms of unlicensed gaming, in the state without referring specifically to online gaming and their regulations.

There are criminal and civil sanctions for breach of these federal and state prohibitions, which include the possibility of significant fines, injunctions, claims for damages and imprisonment of relevant individuals (such as directors), as well as the repayment of losses suffered by US residents.

Although the Company does not presently engage in online gaming in the US, the US authorities may deem that its activities could in the future be or become in violation of federal, state or local law.

(ii) *Federal prohibition proposals*

In recent sessions of the US Congress, several pieces of legislation have been proposed which, had they been passed, would have expressly prohibited online gaming and/or the provision of payment processing services to online gaming operators in the US. This proposed legislation has faced objections and opposition from various interested parties, including the racing, lottery and land-based casino industries, and has, to date failed to gain sufficient support to be passed by the US Congress. However, such legislation continues to be proposed. On 15 September 2005, Senator John Kyl introduced proposed legislation that would have prohibited the use of credit cards, electronic fund transfers, bank transfers and other payment instruments and mechanisms to fund unlawful online gaming. This proposed legislation, which is referred to as the "Unlawful Internet Gambling Enforcement Act," was rejected by the US Senate. The World Trade Organisation ruled in April 2005 that US laws discriminate against foreign gaming operators. The US has indicated that they will use legislative means to confirm or clarify their stance on online gaming (as opposed to authorising it). The World Trade Organisation has imposed a deadline of 3 April 2006 for the US to do so. There can be no assurance that online gaming or the provision of payment processing services to online gaming operators will not be specifically prohibited in the US in the future through the enactment of proposed legislation. In the event of such a prohibition, the relevant US authorities would be likely to become more active in seeking to enforce US laws against companies and persons based outside the US or against companies that provide services to online gaming companies. These actions are likely to have a material adverse effect on the Company.

(iii) *Indirect prohibition efforts*

US laws are being used, or threatened to be used, by federal prosecutors, state attorneys general and other authorities against third parties who provide services to online gaming companies or who directly or indirectly facilitate online gaming operators such as licensees, internet service providers, software and technology providers, payment processors and internet portals to attempt to impede the growth of online gaming in the US or prohibit the provision of services and supplies to the industry. These efforts may take various forms, including requests that online service providers ‘cease and desist’ from offering a service within a particular jurisdiction, civil actions seeking to enjoin a service and demand a refund of gaming proceeds originating from a particular jurisdiction, or criminal indictments, alleging a violation of state, federal and/or local law. These efforts which raise legal and moral concerns about the industry, may also have the effect of causing the Company to avoid dealing with the online gaming industry.

(b) United Kingdom

Gaming

The Gambling Bill, introduced to the UK Parliament on 18 October 2004, received Royal Assent in April 2005 and became the Gambling Act 2005. Although full implementation of its provisions is unlikely to occur until some time in 2006, the Gambling Act 2005, when brought into force, will introduce a new regulatory environment in the UK, for both online betting and gaming, and establishes the Gambling Commission, which will replace the existing Gaming Board and will have extensive investigative and punitive powers. The Gambling Act 2005 modernises gambling laws and brings new forms of gambling under regulation, including provisions relating to “remote gambling”, which includes gambling over the internet, telephone, TV, radio or any other kind of communication technology. Any operator of a remote gambling system must obtain a remote operating licence. There is no regulation or requirement for a remote gambling licence where an operator does not use any remote gambling equipment (such as its server hardware) in the UK, even if the facilities are partly or wholly used in the UK. The Company will need to pay close attention to the implementation of the provisions of, and regulations passed under, the Gambling Act 2005.

(c) Europe

The legal framework applicable to online gaming is different in each Member State of the European Union. Article 49 of the Treaty of Rome provides that no Member State may impose restrictions on the freedom to provide services from one Member State to another. However, restrictions may be imposed by individual Member States in order to safeguard the public interest.

The Directors cannot predict when, or if, regulatory regimes in any jurisdiction will change, what changes, if any, will be made and what effect, if any, such changes will have on the Company’s activities. Any such changes could have a material adverse effect on the Company’s business, financial position, strategy and prospects.

(d) Isle of Man

If, as a result of any acquisitions, the Company carries on the management, organisation or promotion of online gambling it will be required under Isle of Man law to apply for an online gambling licence to the Isle of Man Gambling Control Commissioners. The application procedure is a lengthy and involved process and there is no guarantee that a licence will be granted. If a licence is not granted the Company may have to restructure the way in which it conducts its business.

2. *Competition*

The online gaming sector involves rapid technological change and is characterised by intense and substantial competition. Some of the Company’s competitors are well established, substantially larger and have greater resources than the Company. It is also likely that other competitors within the online gaming sector will emerge in the future.

3. *Short operating history*

The Company has a short operating history and is likely to acquire companies with relatively new business models, which operate in an emerging and rapidly evolving market. The online gaming sector is a relatively new industry and the Company's success is dependent on the continued popularity of online gaming.

4. *Inability to manage growth*

The Company intends to grow its business significantly through a number of strategic acquisitions followed by substantial organic growth. To support its growth plans, the Company may need to expand existing management, operational, financial and human resources, customer service and management information systems and controls. The Company may be unable to manage growth successfully, which could adversely affect its business.

5. *Online security risks*

The Company's computer network may be vulnerable to unauthorised access, computer viruses, denial of service attacks and other disruptive problems. A party that is able to circumvent security measures could misappropriate proprietary information or, perhaps, most critically, cause interruptions in the Company's operations. The Company may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurance that any measures implemented will not be circumvented in the future. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to clients accessing the Company's websites.

6. *System failure*

Services based on sophisticated software and computer systems often encounter development delays and the underlying software may contain undetected errors that could cause system failure. Users of the online gaming software may experience difficulties accessing the websites due to system failures or delays in accessing the Company's systems.

7. *Technological change*

The market for internet services is characterised by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging character of these products and services and their rapid evolution will require the Company to use leading technologies effectively, continue to develop the Company's technological expertise, enhance its current services and continue to improve the performance, features and reliability of software. In addition, the widespread adoption of new internet technologies or standards could require substantial expenditures to modify or adapt the Company's software.

8. *Intellectual property protection*

The Company regards its proprietary software, trade secrets and similar intellectual property as critical to its success. In that context, the Company relies on a combination of copyright laws, trade secret protection, confidentiality and non-disclosure agreements and other contractual provisions. There is no guarantee that these efforts will be adequate, or that third parties will not infringe upon or misappropriate the Company's proprietary rights. In addition, although the Company has copyright protection, enforcement is limited in certain countries, and the global nature of the internet makes it impossible to control the ultimate destination of its websites. The Company may also be sued for claims of infringement of the rights of others or to determine the scope and validity of the intellectual property rights of others.

9. *Tax*

The Company may be subject to tax in a number of jurisdictions, including jurisdictions in which the Company and its future subsidiaries are incorporated, or have a branch or agency or permanent establishment or office. The majority of laws relating to taxation in most jurisdictions pre-date or are

not drafted with the potential of their applying to international internet businesses. Consequently, there is uncertainty as to the jurisdictions in which the Company and its subsidiaries could be subject to tax, the extent to which they could be so subject to tax, and what their overall tax liability in respect of any income, profit or gain could be.

C. General risks

1. There can be no guarantee that the Placing Price will reflect the actual or potential market value of the Placing Shares.
2. The price at which investors realise their Ordinary Shares will be influenced by a large number of factors; some specific to the Company and its proposed operations, and some general. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares in the Company, absence of liquidity in the Ordinary Shares, legislative or regulatory changes affecting the business of the Company and general economic conditions. An investment in the Ordinary Shares may be volatile and investors could lose some or all of their investment.
3. Although the Company has a defined strategy, there can be no guarantee that its objectives will be achieved on a timely basis or at all.
4. Unexpected problems associated with the integration of a new business, project, asset or company may be encountered. Such problems could adversely affect the Company's ability to generate profits.
5. Although it is the Company's intention to issue Ordinary Shares to satisfy all or part of the consideration payable for acquisitions, sellers of target companies or assets may not be prepared to accept shares traded on AIM.
6. Potential investors should be aware that the value of the Ordinary Shares can go down as well as up and that an investment in a share which is to be traded on AIM is likely to be less realisable and to carry a higher degree of risk than an investment in a share listed on the Official List.
7. The Company may face competition from other entities with comparatively greater resources to invest in similar target companies and assets. There can be no assurance that competition will not limit the Company's ability to implement its strategy.
8. Following Admission, the Directors (and companies connected and/or associated with them), members of their families and Shareholders who hold three per cent. or more of the Ordinary Shares on Admission will own, in aggregate, approximately percent. 64.33 of the Ordinary Shares on Admission. As a result, these Shareholders will be able to exercise significant control over all matters requiring Shareholders' approval, which could delay or prevent an outside party from acquiring or merging with the Company.
9. The ability of these Shareholders to prevent or delay such transactions could cause the price of the Ordinary Shares to decline.

Part IIIA

Accountant's report on the Company



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
Fairground Gaming Holdings plc
Royal Trust House
60 Athol Street
Douglas
Isle of Man
IM1 1JD

28 September 2005

The Directors
Daniel Stewart & Company plc
Becket House
36 Old Jewry
London
EC2R 8DD

Dear Sirs

FAIRGROUND GAMING HOLDINGS PLC (“THE COMPANY”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 28 September 2005 of the Company (“the Admission Document”).

Responsibilities

As described in paragraph 1 to the financial information, the Directors of the Company are responsible for the preparing the financial information on the basis of preparation set out in paragraph 2 to the financial information and in accordance with generally accepted accounting principles and practices in the Isle of Man.

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 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 statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in paragraph 2 to the financial information.

Declaration

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

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART IIIB

FINANCIAL INFORMATION

1. Responsibility

The Directors of the Company are responsible for the financial information set out below.

2. Accounting policies

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

The Company was incorporated in the Isle of Man on 11 April 2005 under the name of Portswood Limited as a private limited company with limited liability under the Companies Acts. The Company was converted into a public limited company and its name was changed to Fairground Gaming Holdings Plc on 8 September 2005.

Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. The financial information is based on the audited balance sheet of the Company as at the date of incorporation, 11 April 2005.

3. Balance sheet as at 11 April 2005

	<i>As at</i> <i>11 April 2005</i> £
Current assets	
Debtors - unpaid share capital	1
Net assets	<u>1</u>
Share capital and reserves	
Called up share capital	1
Shareholders' Funds - equity	<u>1</u>

4. Share capital

The Company was incorporated with an authorised share capital of £2,000 comprising 2,000 Ordinary Shares of £1.00 each, of which one was issued to the subscriber to the Memorandum of Association and a second Ordinary Share was issued when the Company was converted into a public limited company on 5 September 2005. On 16 September 2005, these shares were transferred to the trustees of the Federation Trust in consideration of the assumption of the liability to pay the Company the sum of £2.00.

By a special resolution passed on 7 September 2005, each of the Ordinary Shares comprised in the authorised and issued share capital was subdivided into 200 Ordinary Shares of 0.5 pence each and the authorised share capital of the Company was, by the creation of a further 199,600,000 Ordinary Shares of 0.5 pence each, increased to £1,000,000.

On 16 September 2005, 1,599,600 Ordinary Shares of 0.5 pence each were issued for cash at par value.

On 20 September 2005, 12,125,000 Ordinary Shares of 0.5 pence each were issued for cash at 40 pence per Ordinary Share.

On 23 September 2005, 440,000 Options were granted pursuant to the Unapproved Share Option Scheme.

On 23 September 2005, 92,500 Options were granted pursuant to the Consultants Share Option Schemes.

On 23 September 2005, the Warrants were granted to Mr Grant Gordon at the Placing Price conditional on Admission. Mr Gordon is the principal of Gordon & Co, solicitors to the Company in the UK.

PART IV

ADDITIONAL INFORMATION

1. THE COMPANY

- 1.1 The Company was incorporated in the Isle of Man on 11 April 2005 under the name of Portswood Limited with registered number 113214C as a private limited company with limited liability under the Companies Acts. The Company was converted into a public limited company and its name was changed to Fairground Gaming Holdings plc on 8 September 2005.
- 1.2 The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder. The liability of members of the Company is limited and the registered office of the Company is at Royal Trust House, 60 Athol Street, Douglas, Isle of Man IM1 1JD (telephone number +44(0) 1624 616061).
- 1.3 The Company's principal place of business is Royal Trust House, 60 Athol Street, Douglas, Isle of Man IM1 1JD (telephone number +44(0) 1624 616061). The Company does not have a place of business in the UK.
- 1.4 The Company does not have any subsidiaries.

2. SHARE CAPITAL

- 2.1 The Company was incorporated with an authorised share capital of £2,000 comprising, 2,000 Ordinary Shares of £1.00 each, of which one was issued to the subscriber to the Memorandum of Association and a second Ordinary Share was issued when the Company converted to a public limited company on 5 September 2005. On 16 September 2005, these shares were transferred to the trustees of the Federation Trust in consideration of the assumption of the liability to pay the Company the sum of £2.00.
- 2.2 By a special resolution passed on 7 September 2005, each of the Ordinary Shares comprised in the issued and unissued share capital was subdivided into 200 Ordinary Shares of 0.5 pence each and the authorised share capital of the Company was increased to £1,000,000 by the creation of a further 199,600,000 Ordinary Shares of 0.5 pence each. There are no founder, management or deferred shares in the Company.
- 2.3 The authorised and issued share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following Admission is set out below:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Amount</i>	<i>Number of Ordinary Shares</i>	<i>Amount</i>	<i>Number of Ordinary Shares</i>
At the date of this document	£1,000,000	200,000,000	£68,625	13,725,000
Immediately following Admission	£1,000,000	200,000,000	£106,675	21,335,000

- 2.4 On 16 September 2005, the Company issued 1,599,600 Ordinary Shares at a price of 0.5 pence per Ordinary Share.
- 2.5 On 20 September 2005, the Company issued 12,125,000 Ordinary Shares at a price of 40 pence per Ordinary Share.
- 2.6 On 23 September 2005, 440,000 Options were granted pursuant to the Unapproved Share Option Scheme further details of which are set out at paragraph 7 of this Part IV.
- 2.7 On 23 September 2005, 92,500 Options were granted pursuant to the Consultants Share Option Schemes further details of which are set out at paragraph • of Part IV.

- 2.8 On 23 September 2005, the Warrants were granted to Mr Grant Gordon at the Placing Price conditional on Admission. Mr Gordon is the principal of Gordon & Co, solicitors to the Company in the UK.
- 2.9 Under the Articles, the Directors may allot or otherwise dispose of any unissued shares in the capital of the Company for such consideration to such persons at such times and generally on such terms as they may think fit.
- 2.10 There are no provisions in the Companies Acts equivalent to sections 89 to 96 of the UK Act which confer statutory pre-emption rights on Shareholders in connection with the allotment of equity securities for cash. The Articles do not contain provisions providing for any pre-emption rights in favour of Shareholders in connection with the allotment of equity securities for cash.
- 2.11 Save as disclosed in this document no share capital of the Company has been issued or is proposed to be issued at any time prior to Admission whether fully or partly paid either for cash or for a consideration other than cash.
- 2.12 Save as set out in this document and except pursuant to the Placing Agreement referred to at paragraph 8.2 below, no commission, brokerage, discount or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any of its share capital.
- 2.13 The Placing Shares issued on Admission will rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive in full for all dividends or other distributions thereafter declared, paid or made on the ordinary share capital of the Company.
- 2.14 The Company has not used more than 10 per cent. of the issued share capital for the purchase of assets other than cash since incorporation.
- 2.15 Save as set out in paragraph 8.8 below, all the Ordinary Shares rank *pari passu* and no Shareholder has different voting rights to other Shareholders.
- 2.16 The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, if so required, and is in favour of not more than four joint transferees and is in respect of one class only.
- 2.17 No Ordinary Shares are held by or on behalf of the Company.
- 2.18 The par value of each Ordinary Share is 0.5 pence and the Company has not issued Ordinary Shares that are not fully paid up.
- 2.19 Save as set out in paragraph 7 of this Part IV, no person has any rights to purchase the authorised but unissued capital of the Company and no person has been given an undertaking by the Company to increase its authorised capital.
- 2.20 Save in connection with the Placing or on the exercise of any of the options under the Share Option Schemes or the Warrants, or as otherwise disclosed in this document, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- 2.21 The International Security Identification Number for the Ordinary Shares is GB00B0LD0D00.
- 2.22 On completion of the Placing and on Admission, the issued share capital of the Company shall be increased by approximately 55.4 per cent. resulting in an immediate dilution of 35.7 per cent.
- 2.23 The Company does not have in issue any shares not representing share capital and there are no outstanding convertible or redeemable securities issued by the Company.

3. DIRECTORS' AND OTHER INTERESTS

- 3.1 The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated), and of connected persons, in the issued share capital of the Company, as at the date of this document and as it will be immediately following the Placing and Admission (assuming full subscription under the Placing) which have been notified to the Company or could, with reasonable diligence, be ascertained by the Directors, together with the percentages which such interests represent of the Ordinary Shares, are or will be as follows.

<i>Name</i>	<i>As at the date of this document</i>		<i>Immediately following Admission</i>		<i>No of Options</i>	<i>Exercise Price per Ordinary Share</i>
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>		
	Evan Gregory Hoff ¹	2,725,000	19.85%	2,725,000		
John Hamilton Webster	Nil	Nil	Nil	Nil	40,000	50 pence
Richard Howard Akitt	Nil	Nil	Nil	Nil	60,000	50 pence
Jonathan Charles Rowell Morley-Kirk	Nil	Nil	Nil	Nil	40,000	50 pence

- 3.2 In addition to directorships of the Company, the Directors hold or have held the following directorships within the last five years of this document or are partners or have been partners in the following partnerships within the last five years prior to the date of this document:

<i>Name</i>	<i>Current</i>	<i>Past</i>
Evan Gregory Hoff	Quest Limited Vlakdrit Consulting Limited	None
Richard Howard Akitt	MBCC Engineering Limited Securicor Isle of Man Limited Kinetics Limited Amber Business Limited Webster Turnbull Limited Cyberwaves Limited Clearwaves Limited Virtual Commerce Solutions - Caribbean Inc. Fractal Edge Limited Sea Trading Limited Marlborough Stirling Administration (IOM) Limited WT Services Limited Marlborough Stirling WebTech Limited Saint Anne Investments Limited Atlas Limited	Fractical Edge UK Limited Lightwaves Limited Media Communications Investments Limited Innovation Venture Limited Ferrous Trading Limited Zamo Limited Itemmakers Limited Your Keys Limited WebTech Software Limited

¹ Mr Hoff is interested in 2,725,000 Ordinary Shares by virtue of the fact that his immediate family are members of the class of discretionary beneficiaries of the Federation Trust.

<i>Name</i>	<i>Current</i>	<i>Past</i>
John Hamilton Webster	Manx Telecom Limited Intelligence Limited Amber Business Limited 02 Assurance Limited Conister Trust PLC CMI Fund Managers (IOM) Limited CMI Trust Company (IOM) Limited Neteller PLC Salmon Limited Marlborough Stirling Administration Zed Solutions (Isle of Man) Limited Total Isle of Man Limited Securicor Isle of Man Limited Marlborough Stirling Limited WebTech Limited Webster Turnbull Limited Kinetics Limited The CMI Sterling Roll-up Fund PLC CMI Venture Investments Limited CMI Insurance Company Limited Bradford & Bingley International Limited Marks & Spencer (IOM) Pension Scheme Limited Centrica Insurance Company Limited	Jeffcote Donnison Accounting Limited Jeffcote Donnison (Overseas) Limited Exchange Resources Limited Turnbull & Webster Consulting Limited Isle of Man Chamber of Commerce Saint Judes Limited Saint Anne Investments Limited WT Services Limited Centrica (Isle of Man) Limited The Island Games Association of Mann National Grid (IOM) UK Limited CMI Financial Management Services Limited Marks & Spencer (Isle of Man) Limited
Jonathan Charles Rowell Morley - Kirk	Financial Trading & Consultancy Limited Fox-Davies Capital Limited Cardinal Resources plc Nyati Resources plc Shield Capital plc Hydra Resources Limited Erebus Plc Rockwell Diversified Fund Ltd ESAF CDO Fund Ltd Continental Capital Spc Oppenberg Catalyst Fund plc	Shield Investments plc Shield Resources Limited Continental Capital Management Limited Arc Capital Management Ltd Obelisk Int Trust Co (Guernsey) Ltd Alchemy Management (Jersey) Ltd

- 3.3 Under the terms of the Unapproved Share Option Scheme, a summary of which is set out in paragraph 7.1 of this Part IV, certain of the Directors have, conditional on Admission, been issued with Options to subscribe for Ordinary Shares at the Placing Price.
- 3.4 Save as disclosed in this document, none of the Directors has or has had any direct or indirect interest in any assets which, during the period from incorporation of the Company to the date of this document, have been acquired, disposed of by or leased to the Company or are proposed to be acquired, disposed of by or leased to the Company.

- 3.5 Save as disclosed in paragraph 3.1 of this Part IV, at the date of this document and on Admission, the Directors are aware of the following other Shareholders who are or will be directly or indirectly interested in Ordinary Shares amounting to 3 per cent. or more of the Ordinary Shares:

<i>Name</i>	<i>As at the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Paragon Investment ² Fund Limited ²	10,000,000	72.86%	10,000,000	46.87%
Adriatic Capital Holdings Limited ³	1,000,000	7.2%	1,000,000	4.69%

- 3.6 Save as set out in sub-paragraphs 3.1 and 3.5 above of this Part IV, the Directors are not aware of any person who is, or will be directly or indirectly entitled to exercise control of 3 per cent. or more of the total votes available to be cast on all matters at general meetings of the Company.
- 3.7 The aggregate remuneration and benefits in kind (including pension contributions) estimated to be paid or granted to the Directors for the current financial year to 31 August 2006 is £310,000.
- 3.8 There will be no variation in the emoluments received by the Directors as a result of the Placing.
- 3.9 No loans are outstanding from the Company to any of the Directors nor has any guarantee been provided by the Company for the benefit of the Directors.
- 3.10 No Director has:
- 3.10.1 any unspent convictions in relation to indictable offences; or
 - 3.10.2 been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or
 - 3.10.3 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
 - 3.10.4 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
 - 3.10.5 been the owner of any asset which was placed into receivership or a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be partner in that partnership; or
 - 3.10.6 had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
 - 3.10.7 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.

2 Paragon Investment Fund Limited is an international investment fund company incorporated in the British Virgin Islands and managed by Stenham Asset Management Limited of Guernsey. Microgaming is one of the investors in Paragon Investment Fund Limited.

3 Members of Gordon & Co, solicitors to the Company in the UK, are interested in 1,000,000 Ordinary Shares as follows:

- (i) Mr Grant Gordon as to 812,500 Ordinary Shares by virtue of the fact that members of his immediate family are members of the class of discretionary beneficiaries of a trust which holds the beneficial interest in the entire issued share capital of Adriatic Capital Holdings Limited; and
- (ii) Mrs Natascha Hurt as to 187,500 Ordinary Shares by virtue of the fact that she and her immediate family are beneficiaries of a trust for which Adriatic Capital Holdings Limited holds 187,500 Ordinary Shares as bare trustee.

4. DIRECTORS' SERVICE CONTRACTS, APPOINTMENT LETTERS AND EMOLUMENTS

4.1 *Evan Gregory Hoff (age 35) Executive Director*

Mr Hoff was appointed an executive director of the Company on 13 September 2005. Mr Hoff entered into a director's appointment letter dated 28 September 2005, conditional on Admission. Mr Hoff is entitled to receive an annual salary of £130,000. Mr Hoff is also eligible to receive an annual bonus of up to 100 per cent. of his annual remuneration, subject to performance criteria to be set by the remuneration committee of the Board. Pursuant to Mr Hoff's appointment letter, the Company has agreed to grant Mr Hoff an option to purchase 300,000 Ordinary Shares in the Company at an exercise price of 50 pence per Ordinary Share which Options are contingent upon vesting and performance criteria to be determined by the remuneration committee of the Board. Mr Hoff's appointment letter provides that Mr Hoff is entitled to be re-imbursed any legal expenses arising from and being incurred by him as a consequence of his holding office as a director of the Company.

4.2 *Richard Hamilton Akitt (age 47) Executive Director*

Mr Akitt was appointed an executive director of the Company on 18 August 2005. Mr Akitt has entered into a director's appointment letter dated 28 September 2005, conditional on Admission. Mr Akitt is entitled to receive an annual salary of £20,000. Pursuant to Mr Akitt's appointment letter, the Company has granted to Mr Akitt, conditional on Admission, an Option to subscribe for 60,000 Ordinary Shares in the capital of the Company at an exercise price equivalent to the Placing Price. The Option in respect of 30,000 Ordinary Shares shall vest and be exercisable at the later of: (1) the first anniversary following Admission and (2) at such time as arrangements satisfactory to the Company have been put in place to ensure that the holding of Ordinary Shares following exercise of the Options shall not in any way prejudice the tax position of the Company. The balance of 30,000 Ordinary Shares shall vest and be exercisable at the later of: (1) 18 months following Admission and (2) at such time as arrangements satisfactory to the Company have been put in place to ensure that the holding of the Ordinary Shares following exercise of the Option shall not in any way prejudice the tax position of the Company. Mr Akitt's appointment letter provides that Mr Akitt is entitled to be re-imbursed any legal expenses arising from and being incurred by him as a consequence of his holding office as a director of the Company.

4.3 *John Howard Webster (age 58) Non-executive Director*

Mr Webster was appointed a non-executive director of the Company on 18 August 2005. Mr Webster has entered into a director's appointment letter dated 28 September 2005, conditional on Admission. Mr Webster is entitled to receive an annual salary of £20,000. Pursuant to Mr Webster's appointment letter, the Company has granted to Mr Webster, conditional on Admission, an Option to subscribe for 40,000 Ordinary Shares in the capital of the Company at an exercise price equivalent to the Placing Price. The Option in respect of 20,000 Ordinary Shares shall vest and be exercisable at the later of: (1) the first anniversary following Admission and (2) at such time as arrangements satisfactory to the Company have been put in place to ensure that the holding of Ordinary Shares following exercise of the Options shall not in any way prejudice the tax position of the Company. The balance of 30,000 Ordinary Shares shall vest and be exercisable at the later of: (1) 18 months following Admission and (2) at such time as arrangements satisfactory to the Company have been put in place to ensure that the holding of the Ordinary Shares following exercise of the Option shall not in any way prejudice the tax position of the Company. Mr Webster's appointment letter provides that Mr Webster is entitled to be re-imbursed any legal expenses arising from and being incurred by him as a consequence of his holding office as a director of the Company.

4.4 *Jonathan Charles Rowell Morley-Kirk (age 44) Non-executive Director*

Mr Morley-Kirk was appointed a non-executive director of the Company on 28 September 2005. In terms of a director's appointment letter dated 28 September 2005, conditional on Admission, Hydra Resources Limited, has agreed to provide to the Company the services of Mr Morley-Kirk in terms of which Hydra Resources Limited is entitled to receive an annual fee of £20,000. Pursuant to the said appointment letter, the Company has granted to Mr Morley-Kirk, conditional on Admission, an

Option to subscribe for 40,000 Ordinary Shares in the capital of the Company at an exercise price equivalent to the Placing Price which are to vest as to: (1) 20,000 Ordinary Shares, on the first anniversary following Admission and (2) 20,000 Ordinary Shares, 18 months following Admission. Mr Morley-Kirk's appointment letter provides that Mr Morley-Kirk is entitled to be re-imbursed any legal expenses arising from and being incurred by him as a consequence of his holding office as a director of the Company.

- 4.5 Save as set out in paragraphs 4.1 to 4.4, there are no agreements in existence or proposed between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within three months. Upon termination of employment/appointment, no benefits (other than those accrued during the notice period) are due to the Directors.
- 4.6 Details of the length of time in which the Directors in the first financial period of the Company to 31 August 2006 have been in office and the period of their term of office are set out below:

<i>Name</i>	<i>Commencement of period of office</i>	<i>Date of expiration of term of office</i>
Evan Gregory Hoff	13 September 2005	Annual General Meeting to be held in 2006
Richard Howard Akitt	18 August 2005	Annual General Meeting to be held in 2006
John Hamilton Webster	18 August 2005	Annual General Meeting to be held in 2006
Jonathan Charles Rowell Morley - Kirk	23 September 2005	Annual General Meeting to be held in 2006

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Companies Act 1986 (the "1986 Act") of the Isle of Man removed the need for the objects of a company incorporated in the Isle of Man after 1 June 1988 to be set out in the Memorandum of Association of the company by providing that the company has the capacity and the rights, powers and privileges of an individual, subject to the 1986 Act. As the Company is a company which was incorporated in the Isle of Man after 1 June 1988, the objects of the Company are not set out in its Memorandum of Association. Pursuant to the 1986 Act, however, the Company has the capacity and, subject to the 1986 Act, the rights, powers and privileges of an individual.

Clause 4 of the Memorandum of Association of the Company provides that there are no restrictions on the exercise of the rights, powers and privileges of the Company, save for any which may be decided upon by special resolution of the Company in accordance with Section 6 of the 1986 Act.

The following is a description of the rights attaching to the Ordinary Shares based on the Articles which have been adopted. The description does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

The Articles contain, *inter alia*, provisions to the following effect:

5.1 Voting rights

Subject to the provisions of the Acts and to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall on a show of hands have one vote and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote for each share of which he is the holder.

5.2 Variation of rights

Subject to the provisions of the Acts, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles. This paragraph shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or to cease to be a class of shares title to which is permitted to be transferred by means of an uncertificated system in accordance with the IOM Regulations.

5.3 Alteration of capital

The Company in a general meeting may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (ii) consolidate and/or divide, re-designate or convert all or any of its share capital into shares of larger or smaller nominal amount, or into different classes of shares than its existing shares;
- (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares cancelled; and
- (iv) subject to the provisions of the Acts, sub-divide its shares or any of them into shares of smaller nominal value than is fixed by the Memorandum of Association of the Company and may by such resolution determine that as between the shares resulting from the sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Subject to the provisions of the Acts and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any undistributable reserve in any manner.

Subject to the provisions of the Acts and to any rights for the time being attached to any shares, the Company may enter into any contract for the purchase of any of its own shares of any class (including any redeemable shares) and any contract under which it may, subject to any conditions, become entitled or obliged to purchase all or any of such shares. Any shares to be so purchased may be selected in any manner whatsoever provided that if at the relevant date proposed for approval of the proposed purchase there shall be in issue any shares of a class entitling the holders to convert into equity share capital of the Company then no such purchase shall take place unless it has been sanctioned by a special resolution passed at a separate general meeting (or meetings if there is more than one class) of the holders of the class of convertible shares.

5.4 Transfer of shares

Each Shareholder may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of

uncertificated shares without a written instrument in accordance with the IOM Regulations. Any written instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Company's register of members as the holder of the share.

No transfer of any share shall be made:

- (a) to a minor; or
- (b) to a bankrupt; or
- (c) to any person who is, or may be, suffering from mental disorder and either:
 - (i) has been admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 (an Act of Parliament) or any similar statute relating to mental health (whether in the United Kingdom, the Isle of Man or elsewhere); or
 - (ii) an order has been made by any court having jurisdiction (whether in the United Kingdom, the Isle of Man or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs

and the Directors shall refuse to register the purported transfer of a share to any such person.

The Board may in its absolute discretion and without giving any reason refuse to register any transfer of a certificated share unless:

- (a) it is in respect of a share which is fully paid up;
- (b) it is in respect of a share on which the Company has no lien;
- (c) it is in respect of only one class of shares;
- (d) it is in favour of a single transferee or not more than four joint transferees;
- (e) it is duly stamped (if so required); and
- (f) it is delivered for registration to the registered office of the Company for the time being, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so;

provided that the Board's discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board may from time to time determine (subject to the IOM Regulations in the case of any shares of a class which is a Participating Security as defined below). Notice of closure of the register of members of the Company shall be given in accordance with the requirements of the Acts.

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a share or class of shares or a renounceable right of allotment of a share ("Participating Security"), title to which is permitted to be transferred by means of a relevant uncertificated system in accordance with the IOM Regulations, held in uncertificated form in accordance with the IOM Regulations, except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted) to register any such transfer or renunciation which is in

favour of more than four persons jointly or in any other circumstance permitted by the IOM Regulations.

5.5 **Dividends**

Subject to the provisions of the Articles, the Company may by ordinary resolution declare that out of profits available for distribution in accordance with Isle of Man law dividends be paid to Shareholders according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board. There is no fixed date on which an entitlement to dividend arises.

5.6 **Suspension of rights**

The Board may at any time serve a notice (“Information Notice”) upon a member requiring the Shareholder to disclose to the Board in writing within such period (being not less than ten days and not more than thirty days) as may be specified in the notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the Shareholder’s name. If a Shareholder has been issued with an Information Notice and has failed in relation to any shares the subject of the Information Notice (“relevant shares”) to furnish any information required by such notice within the time period specified therein, then the Board may at any time following fourteen days from the expiry of the date on which the information required to be furnished pursuant to the relevant Information Notice is due to be received by the Board, serve on the relevant holder a notice (in this paragraph called a “disenfranchisement notice”) whereupon the following sanctions shall apply:

(a) **Voting**

The Shareholder shall not with effect from the service of the disenfranchisement notice be entitled in respect of the relevant shares to be present or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) **Dividends and transfers**

Where the relevant shares represent at least 0.25 per cent. in nominal value of their class:

- (i) any dividend or other money payable in respect of the relevant shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the Shareholder shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend; and
- (ii) subject in the case of uncertificated shares to the relevant uncertificated regulations, no transfer, other than an approved transfer, of any relevant shares held by the Shareholder shall be registered unless the Shareholder is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

5.7 **Return of capital**

If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the Shareholders in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively, subject to the rights attached to any shares which may be issued on special terms or conditions.

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the Shareholders *in specie* the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the Shareholders or different classes of shareholders. Any such division may be otherwise than in accordance with the existing rights of the Shareholders but if any division is resolved otherwise than in accordance with such rights the Shareholder shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 222 of the Isle of Man Companies Act 1931 (the “1931 Act”). The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the Shareholders as he with the like sanction shall determine but no shareholders shall be compelled to accept any assets on which there is a liability.

A special resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 222 of the 1931 Act may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the Shareholders otherwise than in accordance with their existing rights and any such determination shall be binding on all the shareholders, subject to the right of dissent and consequential rights conferred by the said section.

5.8 Pre-emption rights

There are no provisions in the Companies Acts equivalent to sections 89 to 96 of the UK Act which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash. The Articles also do not contain provisions providing for pre-emption rights.

5.9 Borrowing powers

Subject to the other provisions of the Articles and to the Acts, the Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5.10 General meetings

Subject to the provisions of the Acts, annual general meetings shall be held at such time and place as the Board may determine.

All general meetings other than annual general meetings, shall be called extraordinary general meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to section 113 of the 1931 Act) no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the Isle of Man sufficient members of the Board to convene a general meeting, any Director or any Shareholder may call a general meeting.

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a Director (save as provided by the 1931 Act) a resolution of which special notice has been given to the Company shall be convened by not less than 21 clear days’ notice in writing. Other extraordinary general meetings shall be convened by not less than 14 clear days’ notice in writing.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman which shall not be related as part of the business of the meeting. Subject to the provisions of the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum. If within 15 minutes (or such longer interval not exceeding one hour as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases

to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than 14 nor more than 28 days thereafter. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least seven clear days' notice of any meeting adjourned through lack of quorum (where such meeting is adjourned to a day being not less than 14 nor more than 28 days thereafter).

6. EMPLOYEES

The Company does not currently have any employees.

7. SHARE OPTION SCHEMES AND WARRANTS

7.1 The Unapproved Share Option Scheme

7.1.1 The Directors have been granted the following options to subscribe for Ordinary Shares at the Placing Price under the Unapproved Share Option Scheme as follows:

	<i>No of Options</i>	<i>Exercise Price</i>
Evan Gregory Hoff	300,000	50 pence
Richard Howard Akitt	60,000	50 pence
John Hamilton Webster	40,000	50 pence
Jonathan Morley-Kirk	40,000	50 pence
Total	440,000	

7.1.2 Conditional upon Admission the Unapproved Share Option Scheme was adopted by the Board on 23 September 2005. As at the date of Admission, Options over a total of 440,000 Ordinary Shares have been granted under the terms of the Unapproved Share Option Scheme.

7.1.3 The Unapproved Share Option Scheme is not designed to be capable of approval by the Board of Inland Revenue in the UK under Chapter 8 of Part 7 of, and Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 or by the Income Tax Division of the Isle of Man Government's Treasury Department.

7.1.4 No payment was or will be received by the Company for the grant of the Options.

7.1.5 Options are to be currently satisfied by the allotment of Ordinary Shares at a price to be set by the Directors which will not be less than the nominal value of each Ordinary Share. The Options to be granted at or shortly after Admission are expected to have an exercise price equal to the Placing Price.

7.1.6 In addition to the exercise price, if the Company becomes liable to the HM Revenue & Customs in the UK or the equivalent fiscal authority in any applicable jurisdiction for any income tax or national insurance contributions (including employer's national insurance contributions), or similar taxes or liabilities in any applicable jurisdiction payable in connection with the exercise or release of an Option, the relevant employee will be liable to reimburse the Company.

7.1.7 Options are not transferable, except to personal representatives on the death of an Option holder. Options may normally be exercised before the tenth anniversary of the date of grant by a person who is a Director or employee on the date of exercise.

7.1.8 The number of shares under option may vest in tranches at the discretion of the Directors at the time of grant of the Option. The Options will state the first and last date upon which they normally can be exercised. If an Option is subject to objective performance conditions, which

will be determined by the Directors, details of those performance conditions will be specified in the Option.

- 7.1.9 In addition to the number of Ordinary Shares under Option vesting in tranches as above it may also be necessary for performance targets to be met before an Option may fully vest. Any targets must be fair and reasonable and will be set by the Directors at the time an Option is granted. Full details of any target will be set out in Appendix III of the relevant Option deed.
- 7.1.10 Options will normally lapse on cessation of employment except at the absolute discretion of the Directors who may allow the option holder to exercise his Options on a once and for all basis during a period following cessation of employment. However, in any event Options will become exercisable for:
- 7.1.10.1 a period of 12 months (or such longer period as the Directors shall permit) on the death of an Option holder; or
- 7.1.10.2 for a period of six months (or such longer period as the Directors shall permit) on an Option holder ceasing to be an employee of the Company by reason of retirement, injury, disability (including illness), redundancy, or the sale or transfer out of the Company of his employing company, business or part of the business to which his employment relates.
- 7.1.11 Rights of exercise will also arise on a person obtaining control of the Company or upon a members voluntary winding up of the Company. If the acquiring company agrees, the Options contain machinery to permit the acquiring company to offer replacement options on similar terms to the Option holders.
- 7.1.12 Ordinary Shares issued pursuant to the exercise of Options will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment. In all other respects the Ordinary Shares so allotted shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares in issue on the date of such allotment.
- 7.1.13 The Option price may be adjusted in the event of a capitalisation issue or upon consolidation, subdivision or reduction of the Company's share capital, subject to the written certificate of the auditors that such adjustment is fair and reasonable and provided that no increase is made to the aggregate exercise price relating to any Option.
- 7.1.14 The aggregate number of Ordinary Shares for which Options may be granted under the Unapproved Share Option Scheme at any time shall be further limited so that the number of shares issued, are capable of being issued or may be issued in pursuance of Options not yet granted under the Unapproved Share Option Scheme when aggregated with:
- 7.1.14.1 any Options which are granted in accordance with Chapter 9 of Part 7 and Schedule 5 to the Income Tax (earnings and Pensions) Act 2003 (Enterprise Management Incentives); and
- 7.1.14.2 under any other employee share scheme in respect of rights granted during the preceding 10 years; and
- 7.1.14.3 any other share Option or warrant over Ordinary Shares in the Company;
- shall not exceed 15 per cent. of the issued Ordinary Share capital of the Company at the relevant time.
- 7.1.15 The Board has the power to amend the provisions of the Unapproved Share Option Scheme provided that no amendment may materially affect the rights of an Option holder in respect of an Option granted prior to the amendment being made except with the consent in writing of the Option holder.

7.1.16 Benefits under the Options confer neither pension rights nor rights to compensation on the termination of the employment of the Option holder.

7.2 Consultants Share Option Schemes

The following Options were issued on 23 September 2005 conditional on Admission pursuant to the Consultant Share Option Schemes as follows:

	<i>No of Options</i>	<i>Exercise Price</i>
MB Hirst Ltd	82,500	0.5 pence
Bernice Oates	10,000	50 pence
Total	<u>92,500</u>	

The terms of the Consultants Share Option Schemes are substantially similar to the terms of the Unapproved Share Option Scheme.

Conditional upon Admission the Consultants Share Option Schemes were adopted by the Board on 23 September 2005. As at the date of Admission, Options over a total of 92,500 Ordinary Shares have been granted under the terms of the Consultants Share Option Schemes.

7.3 Conditional upon Admission the Company issued to Mr Grant Gordon on 23 September 2005 the Warrants to subscribe up to 150,000 Ordinary Shares exercisable at the Placing Price. Mr Grant Gordon is the principal of Gordon & Co., the Company's solicitors in the UK.

8 MATERIAL CONTRACTS

8.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its date of incorporation and are or may be material or have been entered by the Company and contain a provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

8.2 The Placing Agreement dated 28 September 2005 between the Company (1) Daniel Stewart (2) and the Directors (3) pursuant to which Daniel Stewart has agreed conditionally upon, *inter alia*, Admission taking place by no later than 4 October 2005 (or such later date as the Company, and Daniel Stewart may agree not being later than 24 October 2005) to use its reasonable endeavors to procure places for the Placing Shares. Under the terms of the Placing Agreement the Company has agreed to pay Daniel Stewart: (i) a corporate finance fee; and (ii) commission of 5 per cent. of the value of the Placing Shares subscribed at the Placing Price introduced by Daniel Stewart and 1 per cent. in respect of the balance of the Placing Shares subscribed. The Placing Agreement contains certain representations and warranties given by the Directors and the Company and in respect only of the Company an indemnity in favour of Daniel Stewart, together with provisions which enable Daniel Stewart to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect.

8.3 A nominated adviser and broker agreement dated 28 September 2005 between the Company and Daniel Stewart pursuant to which the Company appointed Daniel Stewart to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. Under the terms of the agreement the Company is to pay Daniel Stewart a fee of £25,000 per annum, rising to £40,000 per annum following the first acquisition by the Company, for the provision of such services payable quarterly in arrears. The agreement is for a fixed period of 9 months from the date of the agreement and thereafter is subject to termination on the giving of not less than 3 months' notice.

8.4 The Company entered into a consultancy agreement with MB Hirst Limited on 28 September 2005 which was made effective from 1 September 2005 in terms of which MB Hirst Limited is to receive a fee of £33,000 per annum (excluding VAT) for providing the services, advice and assistance to the Company of Mr Michael Hirst for at least one day in each calendar month in any 12 month period. The Company has further agreed to pay MB Hirst Limited for any additional time over, and above the

periods stated in the consultancy agreement. The agreement is terminable on 3 months written notice from either party. Pursuant to the agreement, the Company agreed to grant to MB Hirst Limited 82,500 Options at an exercise price of 0.5 pence per Ordinary Share pursuant to the Consultants Share Option Schemes.

- 8.5 The Company entered into an agreement with Bernice Oates on 23 September 2005 pursuant to which the Company granted Bernice Oates an option to subscribe for 10,000 Ordinary Shares at an exercise price of 50 pence per Ordinary Share. Such Options shall be granted pursuant to the Consultant Share Option Schemes. 5,000 Ordinary Shares shall vest and be exercisable at the later of: (1) the first anniversary following Admission and (2) at such time as arrangements satisfactory to the Company have been put in place to ensure that the holding of Ordinary Shares following exercise of the Options shall not in any way prejudice the tax position of the Company. The balance of 5,000 Ordinary Shares shall vest and be exercisable at the later of: (1) 18 months following Admission and (2) at such time as arrangements satisfactory to the Company have been put in place to ensure that the holding of Ordinary Shares following exercise of the Options shall not in any way prejudice the tax position of the Company.
- 8.6 Paragon Investment Fund Limited has entered into an agreement dated 21 September 2005 with Daniel Stewart pursuant to which it has undertaken not to dispose of any Ordinary Shares for the period from Admission until 12 months after Admission (subject to limited exceptions set out in the AIM Rules) and not to dispose of its Ordinary Shares for a further period of 12 months during the period commencing on the first anniversary of Admission otherwise than through Daniel Stewart (whilst it is broker to the Company) or any subsequent broker.
- 8.7 Adriatic Capital Holdings Limited has entered into an agreement dated 21 September 2005 with Daniel Stewart pursuant to which it has undertaken not to dispose of any Ordinary Shares for the period from Admission until 12 months after Admission (subject to limited exceptions set out in the AIM Rules) and not to dispose of its Ordinary Shares for a further period of 12 months during the period commencing on the first anniversary of Admission otherwise than through Daniel Stewart (whilst it is broker to the Company) or any subsequent broker.
- 8.8 The Trustees of the Federation Trust has entered into an agreement dated 21 September 2005 with Daniel Stewart pursuant to which it has undertaken not to dispose of any Ordinary Shares for the period from Admission until 12 months after Admission (subject to limited exceptions set out in the AIM Rules) and not to dispose of its Ordinary Shares for a further period of 12 months during the period commencing on the first anniversary of Admission otherwise than through Daniel Stewart (whilst it is broker to the Company) or any subsequent broker.
- 8.9 Paragon Investment Fund Limited (“Paragon”) has entered into an agreement conditional on Admission dated 21 September 2005 with the Company (the “Relationship Agreement”) pursuant to which Paragon has undertaken to the Company that it will exercise all its powers and will procure (so far as it is able to do so) that each of its Associates (as defined in the Relationship Agreement) will exercise all their respective powers for so long as it is a substantial Shareholder (being a person entitled to control in excess of 20 per cent. of the voting share capital of the Company from time to time) with a view to maintaining market confidence in the Company including, *inter alia*, that;
- 8.9.1 the Company is capable at all times of carrying on its business and making decisions independently of Paragon and its Associates;
- 8.9.2 any and all transactions, agreements or arrangements entered into between Paragon and/or any of its Associates on the one hand and any member of the Company’s group on the other hand (or the enforcement, implementation or amendment thereof) are at arm's length and on a normal commercial basis;
- 8.9.3 no variations are made to the Articles which would be contrary to the maintenance of the Company's independence; and
- 8.9.4 the independence of the Board is maintained.

So long as Paragon is a substantial Shareholder, it shall have the right to appoint a Director to the Board.

9 TAXATION

The information below, which is of a general nature only and which relates only to UK and Isle of Man taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK (except where indicated) and who hold Ordinary Shares as an investment. It is based on existing law and practice and is subject to subsequent changes thereto. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK are strongly advised to consult their own professional advisers immediately.

Isle of Man

The Company

For the period ending 5 April 2006 the Company will apply for tax exempt status in the Isle of Man pursuant to the Income Tax (Exempt Companies) Act 1984. As a result, the Company will be exempt from taxation in the Isle of Man for the tax year 2005/06. A fee of £475 will be payable by the Company in return for obtaining tax exemption. It is a condition of obtaining tax exemption that the Company does not make its shares available to Isle of Man residents, subject to certain exceptions.

The Isle of Man does not levy any taxation on capital gains.

The Isle of Man Government has proposed that with effect from a date in the tax year 2006/07, most likely 6 April 2006, all Isle of Man companies except for banks and licensed deposit-takers will become taxable at a rate of 0 per cent. on their income. This rate applies regardless of whether there are Isle of Man resident Shareholders (although to the extent of such Shareholders' interests, the Company will be required to account for tax at 18 per cent. on undistributed profits - see further below). However, such status is likely to be abolished with effect from the tax year 2007/2008 when the 0 per cent. regime becomes applicable.

Isle of Man resident Shareholders will be required to declare and pay tax on dividends received. A further proposal, effective for the same date as the 0 per cent. corporate rate (see above), is that to the extent of any undistributed income attributable to Isle of Man resident Shareholder interests, the Company will account for tax at the rate of 18 per cent. (known as a "distributable profits charge") to the Isle of Man Assessor of Income Tax. Subsequent distributions paid by the Company will carry a tax credit in respect of this amount for Isle of Man resident Shareholders.

The Company will not be required to withhold tax in the Isle of Man in respect of dividends payable so long as it retains its tax exempt status in the Isle of Man.

UK Resident Shareholders

UK resident Shareholders will not incur any liability to Isle of Man non-resident income tax in relation to Ordinary Shares held by them and the Company will not become liable to make any withholding on payments made to a non-resident of the Isle of Man.

No capital gains or inheritance tax is payable in the Isle of Man. A probate fee may be payable in respect of the estate of a deceased Shareholder, up to a current maximum of £539. Stamp duty is not payable in the Isle of Man in relation to the transfer of shares in a Manx company.

United Kingdom

The Company

It is the intention of the Directors to conduct the affairs of the Company so that the management and control of the Company is exercised only in the Isle of Man and so that the Company is not resident in the UK or elsewhere for taxation purposes nor carries on any trade in the UK (whether or not through a permanent establishment situated there). On that basis and on the assumption that it has no UK source income the Company should not be liable for UK taxation on its income or capital gains.

UK Resident Shareholders

The comments below are of a general nature and are based on current UK law and published H.M. Revenue & Customs practice at the date of this document, both of which are subject to change possibly with retrospective effect. The summary only discusses certain UK tax consequences of holding the Ordinary Shares and receiving dividends for the absolute beneficial owners of the Shares who are resident and, in the case of individuals only, ordinarily resident and domiciled in the UK, for tax purposes (“UK holders”). In addition, the summary (1) only addresses the tax consequences for UK holders who hold the Shares as capital assets or investments and does not address the tax consequences which may be relevant to certain other categories of UK holders, for example dealers; (2) assumes that each UK holder does not either directly or indirectly control 10 per cent. or more of the voting power of the Company or any other member of the group and is not otherwise connected with the Company or any other member of the group.

Withholding tax

The Dividend payments in respect of the Shares will not be subject to UK withholding tax.

Taxation of Dividends

A UK holder that receives a dividend on the Ordinary Shares may be subject to UK income tax or corporation tax, as the case may be, on the gross amount of that dividend.

Taxation of Disposals

The disposal by a UK holder of the Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the holder’s circumstances and subject to any available exemption or relief.

An individual holder of the Ordinary Shares who ceases to be resident or ordinarily resident in the UK for UK tax purposes for a period of less than five years and who disposes of such Ordinary Shares during that period may also be liable on returning to the UK for UK capital gains tax despite the fact that the individual may not be resident or ordinarily resident in the UK for UK tax purposes at the time of the disposal.

A corporate UK holder will generally be subject to UK corporation tax on any chargeable gain arising from the disposal of the shares.

Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as dealers, intermediaries and persons connected with voluntary arrangements or clearance services, to whom special rules apply. No UK stamp duty, or stamp duty reserve tax, will be payable on the issue of the Ordinary Shares. UK stamp duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer, rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the Ordinary Shares executed within, or in certain cases brought into, the UK. Provided that the Ordinary Shares are not registered in any register of the Company kept in the UK, any agreement to transfer the Ordinary Shares will not be subject to UK stamp duty reserve tax.

The information in this paragraph is a general summary of certain tax reliefs which may be available and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation adviser.

Any person who is in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult their own professional adviser.

10. LITIGATION

No governmental legal or arbitration proceedings are active, pending or threatened against, or being brought by or against, the Company which have or may have or have had during the 12 months immediately preceding the date of this document, a significant effect on the Company’s financial position.

11. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company is sufficient for the Company's present requirements, that is for at least twelve months from the date of Admission.

12. GENERAL

- 12.1 The total costs and expenses in connection with or incidental to the Placing and Admission (including professional fees, printing, advertising costs and commissions payable under the Placing) are estimated to be approximately £374,000, including VAT and are payable by the Company. The estimated net cash proceeds accruing to the Company from the Placing are expected to be approximately £3,431,000.
- 12.2 The total gross proceeds expected to be raised by the Placing are £3,805,000 (excluding VAT)
- 12.3 Save as set out in Part I of this document, as far as the Directors are aware there are no patents or other intellectual property rights, licences or commercial contracts or new manufacturing processes which are material to the Company's business of profitability.
- 12.4 Save as set out in this document and except for fees payable to the professional advisers as referred to in this document and payments to trade suppliers, no person has received any fees, securities in the Company or other benefit with a value of £10,000 (or currency equivalent) or more, whether directly or indirectly, from the Company within the 12 months preceding the Company's 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.
- 12.5 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 11 April 2005, being the date to which its most recent audited accounts have been drawn up.
- 12.6 The Company is not and has not been, a party to any transactions with related parties which were material to the Company.
- 12.7 Where information has been sourced from a third party, this information has been accurately produced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 12.8 The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the UK Act.
- 12.9 The Company's auditors, BDO Stoy Hayward LLP, were appointed as auditors to the Company in September 2005 and are a member firm of the Institute of Chartered Accountants in England and Wales.
- 12.10 The Directors are not aware of any exceptional factors that have influenced the Company's activities.
- 12.11 The Placing Price of 50 pence per Placing Share is at a premium of 49.5 pence for each new Ordinary Share above the nominal value of each new Ordinary Share.
- 12.12 There is no Director or member of a Director's family who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 12.13 The accounting reference date of the Company is 31 August.
- 12.14 So far as the Directors are aware, there are no known trends, uncertainties, demands or events that are reasonably to have a material effect on the Company's prospects for at least the current financial year.
- 12.15 No dividends have been paid since the Company's incorporation.

- 12.16 No person has made a public takeover bid for the Company's issued share capital since its incorporation or in the current financial period and the Company is not aware of the existence of any takeover bid pursuant to the rules of the City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers.
- 12.17 As far as the Directors are aware, the Company is not directly or indirectly controlled by any one person.
- 12.18 As far as the Directors are aware, there are no arrangements relating to the Company, the operation of which may at a subsequent date result in a change of control of the Company.
- 12.19 As far as the Directors are aware there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 12.20 The Company has no principal investments since incorporation and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- 12.21 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 12.22 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 24 October 2005, application monies will be returned to the placees at their risk without interest.
- 12.23 The Directors have applied for the existing Ordinary Shares and the Placing Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the existing Ordinary Shares and Placing Shares will be enabled for settlement in CREST following Admission. Placees who are system members may elect to have their Placing Shares allocated to them in uncertificated form through CREST.
- 12.24 It is expected that definitive share certificates will be dispatched by hand or first class post by 4 October 2005. In respect of Ordinary Shares in uncertificated form it is expected that CREST stock accounts will be credited on 4 October 2005. If the Placing Agreement does not become unconditional in all respects by 24 October, application monies will be returned to placees at their own risk without interest.
- 12.25 The Registrars are responsible for keeping and maintaining the Company's register of members which register will be held in the IOM.
- 12.26 Members of Gordon & Co., solicitors to the Company in the UK, are interested in the Ordinary Shares by virtue of the Ordinary Shares held by Adriatic Capital Holdings Limited as disclosed at paragraph 3.5 in this Part IV and by virtue of the Warrants granted to Mr Grant Gordon set out in paragraph 7.3 of Part IV.

13 CONSENTS

- 13.1 BDO Stoy Hayward LLP have given and not withdrawn their written consent to the inclusion in this document of their accountant's report in Part IIIA and the references thereto in the form and context in which they are included.
- 13.2 Daniel Stewart has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which such references are included.

14 AVAILABILITY OF DOCUMENTS

Copies of this document will be available free of charge to the public at the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London EC2R 8DD, and at the registered office of the Company from the date of this document during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date falling one month after the date of Admission.

Dated: 28 September 2005