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This document, which comprises an admission document for the purposes of the AIM Rules, has been drawn up in accordance therewith. This document does not contain an offer of transferable securities to the public within the meaning of section 102B of FSMA and does not require a prospectus within the meaning of section 85 of FSMA and is not a prospectus as defined in the AIM Rules.

The Directors, whose names are set out on page 7 of this document, accept individual and collective responsibility 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.

The Existing Ordinary Shares are currently traded on Ofex. Application has been made for the whole of the issued share capital of the Company and for the Placing Shares to be admitted to trading on AIM and, as a separate class of securities, for the Loan Stock to be admitted to trading on AIM. It is expected that admission to AIM will become effective and that dealing will commence in the Existing Ordinary Shares, the Placing Shares and the Loan Stock on 24 March 2006. At the close of business on 23 March 2006, the Existing Ordinary Shares will cease to be traded on Ofex. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Prospective investors should read the whole text of this document and should be aware that investment in the Company is speculative and involves a degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" set out in Part III of this document. All statements regarding the Company's business should be viewed in the light of these risk factors.

LitComp plc

(Incorporated and registered in England and Wales with registered number 4336531)

Placing of 576,393 new Ordinary Shares

Application for Admission to trading on AIM of the Enlarged Issued Share Capital and the Loan Stock

Nominated Adviser and Broker Daniel Stewart & Company Plc



SHARE CAPITAL AND LOAN STOCK IMMEDIATELY FOLLOWING ADMISSION

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£3,200,000	32,000,000	Ordinary Shares of 10p each	£455,668	4,556,680
£3,605,000	3,605,000	Loan Stock	£3,605,000	3,605,000

The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the Ordinary Share capital and will rank *pari passu* in all respects with all other Ordinary Shares which will be in issue on completion of the Placing and Admission.

Daniel Stewart & Company Plc ("Daniel Stewart"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, has been appointed as the Company's nominated adviser and broker for the purposes of the AIM Rules. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person. Daniel Stewart has not authorised the contents of any part of this document for the purpose of Section 21 of FSMA and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Daniel Stewart for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

Daniel Stewart is acting exclusively for the Company and no one else in connection with the Placing and Admission. Daniel Stewart will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Daniel Stewart nor for providing advice in relation to transactions and arrangements detailed in this document. Daniel Stewart is not making any representation or warranty, express or implied, as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

The Existing Ordinary Shares, the Placing Shares and the Loan Stock have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland. Subject to certain exceptions, the Ordinary Shares, the Placing Shares and the Loan Stock may not be offered or sold, directly or indirectly, in or into the United States, Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy any Existing Ordinary Shares, Placing Shares or Loan Stock to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London EC2R 8DD from the date of this document and for a period of one month from Admission.

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DEFINITIONS AND GLOSSARY OF TERMS

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

“the Act”	the Companies Act 1985 as amended;
“Admission”	the admission of the Enlarged Issued Share Capital, and, as a separate class of security, the Loan Stock to trading on AIM becoming effective in accordance with the AIM Rules;
“AEI”	After the Event Insurance; a form of insurance for solicitors engaged in success fee based litigation in the event that the case is unsuccessful;
“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;
“Bishopsgate”	Bishopsgate Communications Limited, which provides financial public relations advice to the Company;
“Board” or “Directors”	the directors of the Company whose names are set out on page 7 of this document;
“Company” or “LitComp”	LitComp plc, a public company incorporated in England and Wales with registered number 4336531;
“CREST”	the computerised settlement system to facilitate the transfer of title to or interests in securities in uncertificated form, operated by CRESTCo Limited;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);
“Cox Associates”	Cox Associates Limited, a company incorporated in England and Wales with registered number 4705200, being a wholly owned Subsidiary of LitComp Plc;
“Daniel Stewart” or “nominated adviser and broker”	Daniel Stewart & Company Plc, nominated adviser and broker to the Company;
“EU”	European Union;
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company at Admission;
“Elite Insurance Company”	Elite Insurance Company Limited, a company incorporated in Gibraltar, being a wholly owned Subsidiary of Fairmont;
“Elite Business Development”	Elite Business Development Limited, a company incorporated in England and Wales with registered number 5368270, being a wholly owned Subsidiary of LitComp Plc;
“Elite Litigation Funding”	Elite Litigation Funding Limited, a company incorporated in England and Wales with registered number 5064452, being a wholly owned Subsidiary of LitComp Plc;
“EMI Scheme”	the 2003 enterprise management incentive share option plan of the Company, a summary of which is set out in paragraphs 3.5 and 3.6 of Part VI of this document;

“Existing Ordinary Shares”	the 3,980,287 Ordinary Shares in issue at the date of this document;
“Extraordinary Resolution”	means an extraordinary resolution of the Stockholders, pursuant to the provisions of the Trust Deed;
“Fairmont”	Fairmont Holdings Limited, a wholly owned subsidiary of LitComp Plc;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time;
“Group”	the Company and its Subsidiaries from time to time;
“Interest Date”	31 March, 30 June, 30 September and 31 December being the dates when interest is paid on the Loan Stock;
“Legal Reports & Services”	Legal Reports & Services Limited, a wholly owned Subsidiary of Perfect Consulting;
“Lock-In Agreements”	the conditional lock-in agreements dated 20 March 2006 made between the Directors, the Company and Daniel Stewart, details of which are set out in paragraph 7.9 of Part VI;
“London Stock Exchange”	London Stock Exchange plc;
“Loan Stock”	the £3.605 million nominal 10 per cent. convertible secured loan stock 2008 issued pursuant to the Trust Deed, a summary of which is set out in Part II;
“Managers”	Jason Smart, Russell Smart and Paul Lavender;
“Medico-Legal and Psychological Companies”	Perfect Consulting, Legal Reports & Services and Cox Associates;
“Medico-Legal and Psychological Report”	a medical or psychological report providing factual clinical evidence including diagnosis and prognosis specifically for use in litigation;
“Ofex”	a market now operated by Plus Markets Group Plc, a member of the London Stock Exchange and regulated by the Financial Services Authority, which allows trading in the shares of unquoted companies;
“Option Scheme”	the LitComp plc 2005 senior executive share incentive scheme made available to the Directors and senior management of the Group further details of which are set out in paragraph 3.7 of Part VI of this document;
“Ordinary Shares”	the ordinary shares of 10 pence each in the share capital of the Company;
“Perfect Consulting”	Perfect Consulting Limited a company incorporated in England and Wales with registered number 3629679 being a wholly owned Subsidiary of LitComp Plc;
“Placing”	the conditional placing by Daniel Stewart on behalf of the Company of the Placing Shares pursuant to the Placing Agreement;

“Placing Agreement”	the placing agreement dated 20 March 2006 and made between (i) the Company, (ii) the Directors and Mr D A Smith and (iii) Daniel Stewart further details of which are set out in paragraph 7.10 of Part VI of this document;
“Placing Price”	61 pence per Placing Share;
“Placing Shares”	up to 576,393 new Ordinary Shares which are the subject of the Placing;
“QCA Guidelines”	the corporate governance guidelines for AIM companies, devised by the Quoted Companies Alliance and published in July 2005;
“Regulator”	The Gibraltar Financial Services Commission, which is a statutory body corporate established by the Financial Services Commission Ordinance, 1989;
“Shareholder”	a holder of Ordinary Shares;
“Stockholder”	a holder of the Loan Stock;
“Subsidiary”	a subsidiary as defined in Section 736 of the Act and a subsidiary undertaking as defined in Section 258 and Section 10A of the Acts (and “Subsidiaries” shall be construed accordingly);
“Trust Deed”	the trust deed entered into on the 6 October 2005 between (i) the Company and (ii) the Trustee constituting the Loan Stock (as amended by way of a deed of amendment dated 20 March 2006);
“Trustee”	The Continental Trustee Company Limited, a company incorporated in Jersey, which acts as the trustee of the Loan Stock under the Trust Deed;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“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;
“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 Colombia and all other areas subject to its jurisdictions;
“Warrants”	the 792,189 warrants, which are exercisable over Ordinary Shares.

PLACING AND ADMISSION STATISTICS

Number of Existing Ordinary Shares	3,980,287
Placing Price	61p
Number of Placing Shares to be issued	576,393
Proceeds of the Placing	£0.35 million
Placing Shares as a percentage of the Enlarged Issued Share Capital	13 per cent.
Total number of Ordinary Shares at Admission	4,556,680
Market capitalisation on Admission at the Placing Price	£2.8 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2006
Publication of this document	21 March
Admission and dealings expected to commence on AIM in the Enlarged Issued Share Capital and in the Loan Stock	24 March
CREST accounts to be credited	24 March
Despatch of definitive share certificates in respect of the Placing Shares	31 March

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Jason Andrew Smart Paul Anthony Lavender Cyril Hubert Nemeth	<i>Managing Director</i> <i>Finance Director</i> <i>Non-Executive Director</i>
Chairman Designate:	Douglas Andrew Smith	<i>Non-Executive Chairman</i>
Company Secretary:	Paul Anthony Lavender	
Registered Office:	Newton Chambers Newton Business Park Isaac Newton Way Grantham Lincolnshire, NG31 9RT	
Nominated Adviser & Broker:	Daniel Stewart & Company Plc 36 Old Jewry London, EC2R 8DD	
Auditors and reporting accountants:	UHY Hacker Young 22 The Ropewalk Nottingham, NG1 5DT	
Solicitors to the Company:	Irwin Mitchell 150 Holborn London, EC1N 2NS	
Solicitors to Daniel Stewart:	Finers Stephens Innocent LLP 179 Great Portland Street London, W1W 5LS	
Public Relations:	Bishopsgate Communications Limited 4-5 North Mews London, WC1N 2JP	
Trustee to the Loan Stock:	The Continental Trustee Company Limited P.O. Box 829, Forum House Grenville Street St. Helier Jersey Channel Islands, JE4 OUE	
Registrars of the Ordinary Shares and the Loan Stock:	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU	

PART I

INFORMATION ON THE GROUP

1. Introduction

LitComp is a provider, through its trading Subsidiaries, of specialist insurance products including AEI and Medico-Legal and Psychological Reports to solicitors and litigation service companies. The Group has also recently commenced the provision of litigation funding to solicitors, acting as an intermediary for the Bank of Scotland.

On 8 February 2006, the Directors announced the Company's intention to withdraw trading in its Existing Ordinary Shares on the Ofex market and seek admission of the Existing Ordinary Shares and the Placing Shares to AIM at the earliest opportunity. At the same time, the Company announced its intention to seek the admission to AIM of the Loan Stock as a separate class of securities.

The Directors believe that the admission to AIM of the Enlarged Issued Share Capital and the Loan Stock will assist in raising the public profile of the Company. The Company also intends to raise up to £0.35 million from the Placing to provide additional working capital. In addition, the Company is pleased to announce, conditional on Admission, the appointment of Douglas Smith as non-executive Chairman.

Two Extraordinary General Meetings, which were held on 6 March 2006, approved the changes to the Company's Articles of Association, and the Trust Deed necessary to facilitate the Admission of the Enlarged Issued Share Capital and the Loan Stock to AIM.

This document, which constitutes an admission document drawn up in accordance with AIM Rules, sets out the background to the Group and the reasons for the Placing and Admission.

2. Background information on LitComp

LitComp is the holding company, which owns the entire issued share capital of the Medico-Legal and Psychological Companies and Fairmont including its Gibraltar based subsidiary, Elite Insurance Company. Currently the core business activities of the Group are as follows:

- the underwriting of specialist insurance products, particularly AEI insurance provided by Elite Insurance Company;
- the provision of litigation funding through Elite Litigation Funding;
- the supply of Medico-Legal and Psychological Reports through Perfect Consulting, Legal Reports & Services and Cox Associates.

Elite Insurance Company

On the 21 November 2005, LitComp Plc completed the acquisition of Fairmont, which owns the entire issued share capital of Elite Insurance Company. Elite Insurance Company had at the same time received approval from the Regulator to underwrite AEI from its location in Gibraltar, although Elite Business Development had not yet received approval from the FSA to act as an intermediary and market specialist insurance products in the UK, including AEI to potential clients. The future success of Elite Insurance Company is heavily dependent upon Elite Business Development receiving authorisation from the FSA, which is expected to be obtained by the end of March 2006. Further information can be found within Part III of this document.

The principal objective of Elite Insurance Company is the provision of AEI. AEI provides solicitors engaged in success fee based litigation with insurance against their costs (excluding time) in the event that the case is unsuccessful. The provision of litigation funding to solicitors is often conditional upon cases having the appropriate AEI in place. The premiums paid by solicitors may be paid in advance of completion of a personal injury case or deferred until completion.

The Directors believe that the Group will achieve greater growth from AEI activities than from its existing operations in the medico-legal and psychological reporting sector.

AEI requires lower levels of working capital than the medico-legal and psychological reporting sector where extended credit terms are the norm.

Gibraltar has been chosen as the location for the Group's underwriting operations because the Directors consider this location to be adequately regulated, offering a similar standard of regulation to that of the UK. This location allows Elite Insurance Company to underwrite AEI products anywhere within the EU and also offers a comparatively low operational cost base.

Historic claims ratios for AEI are comparatively low partly because success fee based cases tend to be carefully vetted by litigation lawyers. Elite Insurance Company expects to maintain this low claims ratio by individually vetting all cases, to which it offers AEI itself.

Elite Insurance Company has also received approval from the Regulator to underwrite legal and other financial insurances from its location in Gibraltar. Although the main activities will be within the AEI sector, Elite Insurance Company may underwrite other insurance specialist products in the future.

In order for Elite Business Development, a Subsidiary of the Company, to act as an insurance intermediary in the UK and thus commence the marketing of specialist insurance products, including AEI to potential customers, the company is required to obtain approval from the FSA, which the Directors expect to be obtained by the end of March 2006. A significant delay or failure to obtain approval would have a detrimental effect on the business plan. Your attention is drawn to the risk factors set out in Part III of this document.

Once approval has been received from the FSA, Elite Business Development intends to market AEI products partly through the existing client base of Perfect Consulting and Cox Associates. Elite Litigation Funding also intends to introduce litigation funding to selected clients from the existing client base of Perfect Consulting and Cox Associates.

Medico-Legal and Psychological Companies

Perfect Consulting, Legal Reports & Services and Cox Associates ("the Medico-Legal and Psychological Companies") are engaged in the provision of Medico-Legal and Psychological reports, principally to solicitors. This market has increased because more and more firms specialising in personal injury litigation are accepting instructions under a conditional fee agreement and these firms benefit from deferred payment terms offered to them by a company such as the Medico-Legal and Psychological Companies.

The Medico-Legal and Psychological Companies are contacted directly by solicitors or insurance companies to source an expert's report for a claimant. The Medico-Legal and Psychological Companies can call on a panel of vetted experts comprising approximately 2,000 professionals spread throughout the UK. Once an acceptable expert is identified, the solicitor or insurance company issues instructions to the relevant Medico-Legal and Psychological Companies, which similarly instruct the nominated expert.

The medical reports are purchased by the Medico-Legal and Psychological Companies and subsequently sold to solicitors and insurance companies for an amount, dependent upon the writer's expertise together with commission if a referral from a claims management company has been made.

Cox Associates engages purely in the provision of psychological reports in personal injury, family and criminal cases; its clients are mainly solicitors and local authorities. Cox Associates makes use of a panel of around 60 experts located throughout the United Kingdom who provide reports in care proceedings, criminal proceedings, personal injury and other areas of psychology for Cox Associates, which subsequently provides these reports to solicitors and other clients.

Currently Perfect Consulting, Legal Reports & Services and Cox Associates have over 400 clients in aggregate.

3. Market

AEI Sector

The Directors estimate that about 400,000 policies per annum are currently being written within the UK, valuing the market at approximately £250 million. Owing to the specialised nature of the market and the fact that the market is still in comparative infancy, there is very little published data available. DAS, which is a legal expenses insurer, has recorded having written annual premiums of £10 million. It has also been reported by DAS that the expansion of the AEI market is anticipated to continue as solicitors gain greater understanding of the benefits of this type of insurance.

Elite Insurance Company's target market consists of approximately 300 existing clients of the Medico-Legal and Psychological Companies and approximately 6,000 other solicitor practices which are currently not clients of the Group.

Medico-Legal and Psychological Reporting Sector

The Directors estimate the medico-legal and psychological sector to be worth in the region of £300 million annually in the UK alone. According to Datamonitor, which is a leading market research company within the AEI sector, this represents approximately 755,000 personal injury claims per annum pursued in 2005. This is broken down into two principal categories. Accident claims comprised 579,000 and disease claims comprised 176,000. Of the accident claims, 53 per cent. were road traffic accident claims, 33.5 per cent. were employer liability claims and 11.5 per cent. were public liability claims. The remaining claims fell within other categories including clinical negligence. *Source: Datamonitor 2005.*

The aggregate number of personal injury claims has risen very slightly in recent years and has ranged from approximately 688,500 in 2002 to 770,00 in 2004. In 2005, 755,000 claims were made indicating that growth has leveled off. *Source: Datamonitor 2005.*

Each personal injury claim will require at least one Medico-Legal or Psychological Report although on some occasions such as when road traffic accidents occur, two or more Medico-Legal or Psychological Reports are normally required. In 2004, there were approximately 31,000 serious injuries classified as road traffic accidents. *Source: Datamonitor 2005.*

The Medico-Legal and Psychological Companies provide Medico-Legal and Psychological Reports respectively to solicitors who typically pay for the reports on completion of the case. Although the payment terms are often greater than twelve months, the ratio of bad debts is extremely low due to the fact that the majority of clients are solicitors and the Law Society requires solicitors to accept financial responsibility for making payment for experts' reports.

4. Strategy

The Directors' strategy is to build the Group into a substantial and successful provider of litigation support services through the aggressive expansion of Elite Insurance Company, which offers AEI and other insurance services alongside continued growth within the established Medico-Legal and Psychological Companies. Elite Insurance Company offers the greatest potential for growth and return on capital. The Directors plan to achieve this strategy via strategic marketing through insurance brokers, funders of litigation, solicitor marketing groups and other commercial and non-commercial organisations.

Cross selling between the clients of the Medico-Legal and Psychological Companies and Elite Insurance Company is expected to produce benefits for the Group.

The Group will consider acquisitions in all areas of its business, which have the potential to add significant shareholder value.

5. Competition

Within the AEI sector, the Directors have identified Elite Insurance Company's major competitors as being Allianz Cornhill Legal Protection, Europ Assistance, Templeton, Brit Insurance, DAS Abbey Legal Protection and RSA Pursuit.

Due to an absence of any detailed statistics, it is extremely difficult to quantify the market share of these companies or identify other smaller companies active in this market. None of the companies listed below specialise exclusively within the AEI sector.

The Directors have identified the major competitors of the Medico-Legal and Psychological Companies as being Mobile Doctors Limited, Medico-Legal Reporting Limited, Doctors Chambers Limited, Micrah Services Limited, IMS Litigation Support Limited, Premier Medical Limited, Premex Services Limited, E Witness Limited, HMRS, Speed Medical Examination Services, Medico-Legal Consultancy plc and MAPS.

6. Current trading and prospects

Since regulatory approval was granted by the Regulator to underwrite policies from its location in Gibraltar on 21 November 2005, Elite Insurance Company has underwritten 108 policies to a value of £87,000 and has reached agreement, subject to contract, with four other new clients to supply AEI and related insurance. It is expected that once Elite Business Development has been awarded approval by the FSA, to act as an insurance intermediary and commence the marketing of specialist insurance products, it is anticipated that the number of policies being written by Elite Insurance Company will increase significantly.

In the 6 months to 30 September 2005, the sales of the Medico-Legal and Psychological Companies was ahead of that for the corresponding period in 2004. However, competitive pressures and uncertainties in the market remain, although the Directors believe that there are significant opportunities for organic growth.

In November and December 2005, the numbers of experts nominated by the Medico-Legal and Psychological Companies were 502 and 462 respectively, which is comparable to the beginning of 2005. The Medico-Legal and Psychological Companies continue to gain approximately one new solicitor practice per week and have agreed terms with several claims referrers in the last six months. An improvement in the level of service and effective marketing has resulted in the Medico-Legal and Psychological Companies beginning to win back clients who had switched to competitors.

Cox Associates, which offers the supply of psychological reports, is also trading ahead of expectations during 2006.

7. Details of the Placing

Under the terms of the Placing, which is conditional, *inter alia*, upon Admission, the Company is proposing to raise up to £0.35 million at the Placing Price by the allotment of up to 576,393 Placing Shares. Daniel Stewart has conditionally placed the Placing Shares with institutional and other investors.

The net proceeds of the Placing will be used to provide further working capital for the Group.

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. Dealings in the Placing Shares on AIM are expected to commence on 24 March 2006. It is expected that CREST accounts will be credited on the day of Admission and that (where appropriate) share certificates are expected to be dispatched by first class post by 31 March 2006.

The Placing is conditional, *inter alia*, upon the Placing Agreement becoming unconditional; and on Admission.

The Placing has not been underwritten. Further details of the Placing Agreement are set out in Part VI of this document.

The expenses of Admission totalling approximately £300,000 will be paid from the blocked deposit account set up following the issuance of the Loan Stock in November 2005 (as is permitted under the terms of the Loan Stock).

8. Details of the Loan Stock

On 21 November 2005, the Company issued £3.605 million nominal of 10 per cent. secured convertible loan stock, 2008 (the "Loan Stock") further details of which are set out in Part II of this document.

The Loan Stock was issued to enable the Company to acquire Fairmont and to provide funding for Elite Insurance Company. Approximately £0.2 million was paid as consideration to the vendors for the acquisition of Fairmont, £1.4 million was used to provide sufficient capital in order to satisfy part of the regulatory conditions in Gibraltar for the Elite Insurance Company, approximately £0.6 million will be used for working capital purposes and approximately £1 million has been placed in a blocked deposit account to service part of the interest payments to Stockholders and if required to pay for the costs of Admission. During its three-year term, the Loan Stock is convertible into Ordinary Shares on any Interest Date at a price of 30 pence per Ordinary Share.

The Company may at any time after 21 November 2006, purchase Loan Stock (i) on AIM, at the market price provided that this is not more than 5 per cent. above the average of the middle market quotations of the Loan Stock for the ten dealing days immediately preceding the date of purchase, or (ii) by serving notice to the Stockholders of its intention to purchase Loan Stock by private treaty at a price not exceeding 115 per cent. of the middle market quotation of the Loan Stock.

All Loan Stock not previously purchased or redeemed by the Company or converted will be redeemed on 31 October 2008. All Loan Stock, which is purchased by the Company or redeemed, will be cancelled.

If Elite Insurance Company has not achieved a cumulative net profit before tax for the 12-month period from the date that the first insurance policy is written by the Elite Insurance Company, an Extraordinary Resolution shall be put to the Stockholders to wind up Elite Insurance Company forthwith.

The Company has made application for the Loan Stock to be admitted to trading on AIM as a separate class of securities and it is expected that dealings in the Loan Stock on AIM will also commence on 24 March 2006 at the same time as the Enlarged Issued Share Capital.

9. Share Options

The Directors believe it is important that the employees of the Group are highly motivated and appropriately rewarded. To assist in the recruitment, retention and motivation of employees of high calibre, the Directors consider that the Group must have an effective remuneration policy.

The Group has adopted the Option Scheme for the benefit of its senior management, certain of whom have been granted options to acquire new Ordinary Shares at 30 pence each from a pool, the size of which will be determined by reference to the annual net pre-tax profits of Elite Insurance Company until 31 March 2008. Further details of the Option Scheme are set out in Part VI of this document.

Under the Option Scheme, up to 700,000 new Ordinary Shares will be made available if the annual net pre-tax profits of Elite Insurance Company reach £1.5 million by 31 March 2008 (the lowest stage at which such new Ordinary Shares will be put under option), rising to a maximum of 1,400,000 new Ordinary Shares being put under option if the annual net pre-tax profits of Elite Insurance Company exceed £2.4 million by 31 March 2008. Alternatively, if the average mid market price of an Ordinary Share exceeds 90 pence on 15 or more consecutive dealing days before 31 March 2009, 1,000,000 new Ordinary Shares will be made available for purchase under the Option Scheme.

The senior management members currently eligible to participate in the Option Scheme are Jason Smart, Russell Smart and Paul Lavender, who will do so in the proportions 41.67 per cent., 41.67 per cent. and 16.67 per cent. respectively, although this will be subject to adjustment if the Group decides to admit other senior managers to the Option Scheme.

The Group has also established the EMI Scheme for the benefit of employees and has made available up to 5 per cent. of the fully diluted, issued Ordinary Shares. The rules of the EMI Scheme have been determined by the Group's remuneration committee. Further details concerning the EMI Scheme are set out in Part VI of this document.

10. Reasons for Admission

The Directors believe that the Admission will raise the public profile of the Group and assist in future fundraisings and possible acquisitions should such opportunities arise.

11. Directors and other key individuals

Douglas Smith ACII, FInstD Non-Executive Chairman with effect from Admission (aged 59)

From 1987 until 1996, Douglas was the chairman of Corporate Risk Plc, operating in both Edinburgh and London. Corporate Risk Plc provided corporate insurance and risk management services to the private equity market. The company was subsequently acquired by Johnson & Higgins, which in 1997 was acquired by Marsh & McLennan. From 2000 until 2005, Douglas was chairman of the Marsh Private Equity and Mergers & Acquisitions division, which offered insurance and risk management services to the private equity and mergers and acquisitions sector. In 2005, Douglas elected to take early retirement from this position, and is currently chairman of Eurorisk Partners Limited, which offers risk management consulting services to the private equity sector. He is an industrial advisory board member of the Aberdeen Murray Johnstone Private Equity Fund.

From 2000 until 2004, he was a director of the engineering company Tanfield Group Plc and from 1997 until 2004 he was also a director of Heart of Midlothian Plc, and its Chairman from 1999. He is currently Chairman of Cairns Bond Limited (an executive recruitment company). He also holds and has held a number of other directorships, including those of several charitable organisations.

Jason Smart F.Inst.L.Ex Managing Director (aged 37)

Mr Smart qualified as a Fellow of the Institute of Legal Executives in 1998. He was a college lecturer in law and has fifteen years experience as a litigation lawyer with a number of prominent law firms. Jason established Perfect Consulting in 1998 and Legal Reports & Services in 2000. In 1999, he established Company & Commercial Services Limited, which provided risk assessment services to insurers specialising in AEI. He is also the secretary of the Association of Medical Reporting Organisations, the leading medico-legal reporting trade body.

Paul Lavender FCA, Finance Director (aged 50)

Mr Lavender qualified as a Chartered Accountant in 1978. Paul is the part time Finance Director of LitComp plc although this commitment will increase to four days a week from the 1 July 2006. He is also the part-time Finance Director of Rivington Street Holdings Limited. He has particular experience in corporate finance, and of start-ups and fast growth companies including three successful listings and approximately twenty mergers and acquisitions and other fundraisings. Paul also has experience of the underwriting management, turnarounds and insolvency sectors.

Dr Cyril Nemeth JP, MA, MRCP, MRCS, Non-Executive Director (aged 79)

Dr Nemeth has 40 years experience as a Harley Street General Practitioner. Dr Nemeth has extensive experience in compiling medical reports for use in litigation by solicitors and insurers. He also has extensive knowledge in general medical and rehabilitative issues. He serves on the investment committees of several charities. He was previously Chairman of Hillingdon Medical Advisory Committee, Chairman of the Social Services and Health Committee and Lord Mayor of Westminster City Council.

Other key individuals

Russell Smart, Chief Executive of the Medico-Legal and Psychological Companies (aged 39)

Russell started his professional career in 1984 with a subsidiary of British Caledonian Airways where he rose to become assistant manager of flight operations. From 1987, he spent 11 years working in the corporate hospitality sector, undertaking various roles from managing large events for blue chip companies to designing IT based management systems. In 1998, Russell co-founded Perfect Consulting with his brother Jason as a company sourcing and supplying medical reports and in 2000 they established its Subsidiary, Legal Reports & Services, to specialise in non-medical expert witness reports. Russell Smart developed and

implemented the IT infrastructure with which they work. He now manages the operations of the Medico-Legal and Psychological Companies on a daily basis.

The board of Elite Insurance Company will initially have four executives with insurance experience, two of whom will be Jason Smart and Paul Lavender. Two other executives are detailed below.

Chris Johnson ACII (aged 44)

Mr. Johnson began his insurance career with Norwich Union and qualified as ACII in 1986. He joined AON Insurance Managers (Gibraltar) Limited in 2002 and became a director in 2004. He is also a director of White Rock Insurance (Gibraltar) PCC Limited and of numerous AON Gibraltar clients.

Chris Lathey (aged 37)

Mr. Lathey worked as Finance Director and later Managing Director of a sizeable UK food manufacturer before joining AON Insurance Managers (Gibraltar) Limited in 2002. He is now an Assistant Director of AON Gibraltar with responsibility for financial, regulatory, statutory and general matters within a broad base of clients. Mr. Lathey is also a director of numerous AON Gibraltar clients.

12. Shareholder interests and lock-in arrangements

Upon Admission, the Directors (and persons connected and/or associated with them) will hold, in aggregate 883,659 Ordinary Shares representing approximately 19.39 per cent. of the Enlarged Issued Share Capital.

Upon Admission, the Directors (and persons connected and/or associated with them) will hold, in aggregate, approximately 2.77 per cent. of the Loan Stock.

Each of the Directors has undertaken with the Company and Daniel Stewart (subject to the limited exceptions set out in the AIM Rules, including in connection with a general or partial takeover offer) not to dispose of Ordinary Shares or the Loan Stock held by each of them at any time prior to the first anniversary of Admission.

Furthermore, each of the Directors has undertaken with the Company and Daniel Stewart not to dispose of Ordinary Shares or the Loan Stock for a further twelve months following the first anniversary of Admission otherwise than through Daniel Stewart (whilst it is broker to the Company) or any subsequent broker.

Further details of the option schemes, the Directors' interests in the Ordinary Shares and the Loan Stock and the Lock-In Agreements in place can be found in Part VI of this document.

13. Dividend Policy

The Directors intend to commence the payment of dividends only when it becomes commercially prudent and strategically appropriate to do so, having regard to the resources needed for Company growth.

14. Corporate Governance

The Directors support high standards of corporate governance and confirm that they comply, so far as is practicable taking into account the Company's size and nature, with the provisions of the QCA Guidelines.

The Board meets regularly throughout the year. To enable the Board to perform its duties, all Directors have full access to all relevant information. If necessary, the non-executive Directors may take independent professional advice at the Company's expense.

The Board has delegated specific responsibilities to the committees described below.

An audit committee has been established with the primary responsibility of monitoring the financial affairs of the Company and ensuring that the financial performance of the Company and any subsidiary of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the accounting and internal controls. On Admission, the audit committee will comprise Mr Douglas Smith and Dr Cyril Nemeth.

A remuneration committee has been established to review the performance of the Directors and determine the terms and conditions of service of senior management and any Director appointed to the Board, including the remuneration of and any grant of options to such person under the share option arrangements to be adopted in the future by the Company. On Admission, the remuneration committee will comprise Mr Douglas Smith and Dr Cyril Nemeth.

The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by those of the Company's employees to whom the Rule applies. The Company operates a share dealing code for Directors and employees in accordance with the AIM Rules.

15. Taxation

Information regarding taxation is set out in paragraph 10 of Part VI of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

16. Admission, Settlement and CREST

Application has been made to the London Stock Exchange for all of the Enlarged Issued Share Capital and as a separate class of securities, the Loan Stock to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares and the Loan Stock will commence on 24 March 2006.

CREST is a paperless settlement procedure, which enables securities to be evidenced other than by certificate and transferred other than by written instrument. The Trust Deed permits the holding and transfer of the Loan Stock under CREST.

The Directors have applied for the Loan Stock and the Placing Shares to be held in CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Loan Stock and the Placing Shares following Admission may take place within the CREST system if the Shareholders and Stockholders so wish.

It is expected that the Loan Stock and the Placing Shares will be admitted to CREST on 24 March 2006.

CREST is a voluntary system and the Shareholders or Stockholders who wish to receive and retain Share certificates or Loan Stock certificates in respect of the Placing Shares and the Loan Stock will be able to do so.

17. Additional Information

Prospective investors should carefully consider the information in Parts II to VI of this document, which provide additional information regarding the Group and in particular Part III, which sets out certain risk factors relating to an investment in the Ordinary Shares and the Loan Stock.

PART II

DETAILS OF THE LOAN STOCK

1. Creation of Loan Stock

The Loan Stock was created pursuant to the Trust Deed dated 6 October 2005 entered into between the Company (1) and the Trustee as trustee and security trustee for the Stockholders (2) as amended by way of an amendment deed between the same parties dated 20 March 2006, (the "Amendment Deed"). The Trustee is a professional trustee, regulated in Jersey, which acts with regard to the Loan Stock as trustee on behalf of the Stockholders in accordance with the Trust Deed. All of the Loan Stock was issued on 21 November 2005.

The Trust Deed contains provisions, *inter alia*, to the following effect:

2. Interest

The Stockholders are entitled to interest on the nominal amount of the Loan Stock from time to time outstanding at the rate of 10 per cent. per annum (less any tax required to be deducted by law) which is payable in equal instalments in arrears on 31 March, 30 June, 30 September and 31 December in each year (each an "Interest Date"). All payments to the Trustee, on behalf of the Stockholders, in respect of the Loan Stock are to be made without withholding for or deduction of any present or future taxes or duties of whatever nature imposed unless as required by law.

3. Conversion into Share Capital

Each Stockholder has the right (which may be exercised before 31 October 2008) to convert the whole or any part (in amounts of £1 nominal) of his holding of Loan Stock into fully paid Ordinary Shares on any Interest Date at the rate of one Ordinary Share for each 30p nominal of Loan Stock (such conversion rate as adjusted from time to time as nominated or approved by the Trustee). Prior to the execution of the Amendment Deed, the conversion rate was one ordinary share of 1p each per 3p nominal of Loan Stock converted, which was changed to reflect the consolidation of the Ordinary Shares. The conversion rate shall also be adjusted if the Company makes any issue of Ordinary Shares pursuant to a capitalisation of profits or reserves. Interest on Loan Stock converted accrues up to and including the relevant conversion date.

Ordinary Shares issued on the conversion of Loan Stock shall carry the right to receive in full all dividends and other distributions declared on Ordinary Shares in or in respect of the financial period in which the relevant conversion date falls, and will rank *pari passu* with the Ordinary Shares then in issue.

The Company must use its best endeavours to seek admission to trading of any new Ordinary Shares issued on conversion of Loan Stock on any recognised investment exchange on which the Ordinary Shares are then traded.

If the Company commences liquidation whether voluntary or compulsory, the Stockholders are entitled to elect to be deemed to have converted their Loan Stock into Ordinary Shares immediately prior to the occurrence of each event, and thereby participate in the assets available in the liquidation *pari passu* with the holders of Ordinary Shares.

If any general offer is made to all holders of Ordinary Shares, the Company shall, so far as it is able, procure that a like offer is made to each of the Stockholders. If any offer is made to all holders of Ordinary Shares to acquire such amount of the Ordinary Shares as would result in the offeror obtaining control of more than 50 per cent. of the voting rights in the Company, the Company must give notice of this fact to the Stockholders and the Stockholders are then entitled to convert all or part of their Loan Stock into Ordinary Shares, or elect that the Company redeems the balance of the Loan Stock at a specified price. The Trustee may, at its absolute discretion, following such an offer, exercise any conversion rights not exercised by such conversion date and sell for the benefit of the Stockholders entitled thereto the Ordinary Shares so allotted (provided that a financial adviser has stated that this would be in the best interests of the Stockholders concerned as a body).

The Company must keep available and authorised for issue sufficient Ordinary Shares to satisfy in full all rights of conversion from time to time outstanding.

4. Redemption and Purchase

All Loan Stock not previously purchased or redeemed by the Company or converted will be redeemed on 31 October 2008 at par, together with interest accrued to and including such date.

The Company may at any time after 21 November 2006 purchase Loan Stock (i) on AIM, at the market price provided that this is not more than 5 per cent. above the average of the middle market quotations of the Loan Stock (as derived from the AIM Appendix to the Official List) for the ten dealing days last preceding the date of purchase, or (ii) by serving notice to the Stockholders of its intention to purchase Loan Stock by private treaty at a price (inclusive of accrued interest but exclusive of expenses of purchase) not exceeding 115 per cent. of the middle market quotation of the Loan Stock (as derived from the AIM Appendix to the Official List) on the dealing day last preceding the date of purchase (a "Purchase Notice"). On receipt of a Purchase Notice, the Stockholder must notify the Company as to whether he wishes to accept the price for all or part of his Loan Stock set out in the Purchase Notice, or whether he wishes to convert all or the balance of his Loan Stock into fully paid Ordinary Shares.

All Loan Stock, which is purchased or redeemed by the Company, will be cancelled.

5. Covenants by the Company

The Company has covenanted with the Trustee that whilst any of the Loan Stock is outstanding, it shall take various actions in relation to its business including, *inter alia*, to carry on business in a proper manner and in compliance with all of its obligations and all relevant laws; to keep proper books of account; to keep the Trustee regularly updated with certain specified information and to give to the Trustee such information as the Trustee requires.

6. Restrictions on the Company

Whilst any of the Loan Stock is outstanding, the Company cannot without the prior written consent of the Trustee, take various actions including, *inter alia*, issue any additional loan capital; transfer all or a substantial part of its property or assets; grant any further security over its property or assets; seek Shareholder approval to issue further Ordinary Shares for more than 20 per cent. of its Ordinary Share capital at the date of the Trust Deed; or distribute to its Shareholders any capital profits or capital reserves.

Whilst any of the Loan Stock is outstanding, the Company must not (except with the previous sanction of an Extraordinary Resolution of Stockholders) create any equity share capital with more favourable rights than those attaching to the Ordinary Shares, and must not alter the rights attaching to the Ordinary Shares.

7. Modification of Rights of Stockholders

The Stockholders have the power by Extraordinary Resolution to sanction any modification in respect of any of their rights against the Company and to assent to any modification of the provisions of the Trust Deed. Provision is made for convening separate meetings of the Stockholders in certain circumstances.

The Trustee may at any time and from time to time without the sanction of an Extraordinary Resolution make such modification to the Trust Deed as may be agreed between the Company and the Trustee which is in the opinion of the Trustee not materially prejudicial to the interests of the Stockholders or which is of a technical, minor or formal nature or to correct a manifest error.

The Trustee may without the consent of the Stockholders (but only if in the opinion of the Trustee the interests of the Stockholders will not be materially prejudiced) waive or authorise, on such terms and subject to such conditions, if any, as the Trustee may determine, any breach or proposed breach by the Company of any of the provisions of the Trust Deed or determine that any act or omission which might otherwise constitute an Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not constitute such an event.

8. Extraordinary Resolution of Stockholders

A meeting of the Stockholders may only be convened on at least 21 days' notice. The quorum required for such meetings is Stockholders holding at least 75 per cent. of the Loan Stock outstanding at that time. At all meetings, all resolutions put to the meeting shall be decided by a poll (and not by a show of hands). On a poll, every Stockholder has one vote for every £1 nominal amount of Loan Stock of which he is the holder and a Stockholder may vote either in person or by proxy. The Stockholders can decide various issues by passing an Extraordinary Resolution, being a resolution, which is voted in favour by the holders of at least 75 per cent. of the nominal amount of the Loan Stock outstanding at the relevant time. A duly passed Extraordinary Resolution is binding upon all Stockholders.

9. Indemnification of and Consents by the Trustee

The Trust Deed contains provisions indemnifying the Trustee against all liabilities and expenses incurred by it in connection with the execution of its duties under the Trust Deed. There are also provisions relieving the Trustee from responsibility and providing for its indemnification by the Company in certain circumstances including provisions relieving it, unless indemnified to its satisfaction, from taking any action in connection with the Trust Deed or the Loan Stock. Any consent given by the Trustee may be given on such terms and subject to such conditions, if any, as the Trustee thinks fit and may be given retrospectively.

10. Trustee's Powers

The Trust Deed contains provisions granting the Trustee certain powers in addition to any powers which may from time to time be vested in the Trustee by general law.

11. Retirement and Replacement of the Trustee

The Trust Deed provides that the Trustee may retire at any time on giving not less than three month's prior written notice to the Company, and that the Stockholders may by Extraordinary Resolution remove any trustee. The power to appoint a new trustee is vested in the Company, which must not appoint any new trustee not previously approved by an Extraordinary Resolution of the Stockholders.

12. Transfers

The Loan Stock is registered and freely transferable in integral multiples of £1 nominal. The Loan Stock is capable of being held in uncertificated form. Registration of the Loan Stock is from Admission to be undertaken by Capita Registrars.

13. Security given for Loan Stock

The repayment obligations under the Loan Stock are secured by security documents granted in favour of the Trustee ("the Security Documents"), being a debenture entered into by each of the members of the Group, a shares charge granted by the Company over all of the issued share capital of Fairmont, a charge granted by the Company over a blocked deposit account, a shares charge granted by Fairmont over all of the issued share capital of Elite Insurance Company, cross guarantees by each of the members of the Group, a first charge granted by the Company over a Keyman life insurance policy on the life of Jason Smart which is in the process of being implemented and a priority/intercreditor agreement with Cattles Invoice Discounting Limited ("Cattles") (the "Intercreditor Agreement").

The Group has granted certain security to Cattles, in respect of the provision by Cattles of invoice discounting services to the Group. The Security Documents are subordinated in favour of Cattles by way of the Intercreditor Agreement, so that Cattles takes first priority, except in certain specified circumstances.

The Company will become liable to repay the outstanding amount of the Loan Stock to the Stockholders immediately upon the occurrence of various events, including, *inter alia*, the failure by the Company to pay amounts due under the Loan Stock, the failure of any Group Company to comply with an obligation under the Security Documents, any insolvency event happening to any Group Company or any suspension of the business of any Group Company.

14. Elite Close Down

If Elite Insurance Company has not achieved a cumulative net profit before tax for the 12 month period from the date that the first insurance policy is written by the Elite Insurance Company, which was on 16 December 2005, an Extraordinary Resolution shall be put to the Stockholders to wind up Elite Insurance Company forthwith. If the resolution is approved by the Stockholders, or if not approved, the Managers confirm that Elite Insurance Company should be wound up, then Elite Insurance Company shall be wound up forthwith, and surplus monies (after repayment of all debts and liabilities in the winding up) shall be used to repay to the Stockholders the sums due on the Loan Stock *pro rata*.

15. Remuneration of Trustee

The Company must pay remuneration to the Trustee in advance on an annual basis at such rate as from time to time agreed between the Company and the Trustee, plus VAT if applicable. The current annual remuneration payable to the Trustee is £5,000, plus a time related charge. If the Trustee undertakes duties, which are of an exceptional nature, or otherwise outside the normal scope of the Trustee's duties, the Company must pay to the Trustee such additional remuneration as agreed between them. There is provision for the remuneration to be fixed by an expert if the Company and Trustee fail to agree in this matter. The Company must also pay or discharge all liabilities and expenses incurred by the Trustee in connection with the Trust Deed.

16. Application of Realised Monies

The Trustee must apply all monies it receives in respect of the Loan Stock and Security Documents firstly in payment of all of its costs, charges, expenses, remuneration and liabilities incurred in relation thereto, and secondly towards payment to the Stockholders of all unpaid interest on the Loan Stock, *pro rata* to the amounts held, and thirdly, towards payment of the principal amount of the Loan Stock, *pro rata* to the amounts held. The surplus, if any, is to be paid to the Company or as it shall direct.

17. Unclaimed Monies

The Trust Deed contains a provision that where any money has remained due to any Stockholder after the due date for payment because it has not been claimed or because any cheque or warrant in respect of it has not been presented, then after the expiry of six months from the due date of redemption of the Loan Stock concerned (or such earlier time as the Trustee may agree) the Company shall be entitled to deposit the same into a bank in the name of the Trustee or pay to the Trustee the amount which is due to the Stockholder, and such deposit or payment shall satisfy the Company's obligations in connection with the payment.

18. Jurisdiction

The Trust Deed is governed by and construed in accordance with English law.

PART III

RISK FACTORS

An investment in the Company's Ordinary Shares or Loan Stock may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000, as amended, who specialises in advising upon the acquisition of shares and other securities including without limitation, the Loan Stock, before making a decision to invest.

In addition to the other relevant information set out in this document, the following factors should be considered carefully when evaluating whether to make an investment in the Company's Ordinary Shares or Loan Stock. The risks and other factors described below should be considered carefully together with all the information contained in this document. It should be noted that the risks described below are not the only risks faced by the Group; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware and other risk factors may apply.

The information set out below is not an exhaustive summary of all the risks affecting the Group and is not intended to be presented in any order of priority. If any of these risks referred to in this Part III crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of the Company's Shares or Loan Stock could decline and investors may lose all or part of their investment.

Specific risks relating to LitComp

1. The Group's future performance depends on its ability to retain the services of the Directors and key employees and to be able to attract, motivate and retain the services of suitable personnel. Whilst it has entered into contractual arrangements with the aim of securing the services of the Directors, details of which are set out in Part VI of this document, the retention of the current or future directors and/or employees cannot be guaranteed.
2. The success of the Group going forward is largely reliant on the ability of Elite Insurance Company to grow its business within the AEI sector. The AEI sector is an area in which the Group currently has very little experience.
3. Although Elite Insurance Company has received approval from the Regulator to underwrite legal and other financial insurances from its location in Gibraltar, Elite Business Development, has not received approval from the FSA to act as an insurance intermediary and thus commence the marketing of specialist insurance products, including AEI to potential clients. The Directors expect to obtain FSA approval by the end of March 2006. Should approval from the FSA be delayed or refused, the future operating performance of Elite Insurance Company is likely to be adversely affected.
4. The Directors have relied on a number of factors including current trading trends and industry reports to determine the strategy and focus of the Group's business. There can be no assurance that the Group will be able to achieve the level and rate of growth of sales and profits targeted by the Directors nor is there any assurance that such trends will continue.
5. The ability of the Directors to achieve organic growth within Elite Insurance Company will be heavily dependant upon the rate at which the Group writes new business. This is in turn dependant upon the success of the initial launch, ongoing marketing and the extent to which the Group is able to develop existing client relationships.
6. Although the Group has a positive cash position, approximately £1 million of cash is held within a blocked deposit account for the holders of the Loan Stock and to pay the costs of the Admission. Elite Insurance Company has a requirement by the regulator to maintain net assets of approximately £1.4 million which is effectively ring fenced as a solvency margin for the insurance business. The

solvency margin required will vary depending on the amount of AEI policies written. These funds are not available for the Medico-Legal and Psychological Companies, which have significant borrowings from Cattles Invoice Discounting Limited and are subject to the risks associated with short-term invoice discounting facilities.

7. The Directors intend to continue to develop the Group's business, both organically and through acquisition. The Group's future success will depend, in part, on its ability to manage such expansion. Such expansion may place demands on management, support functions, accounting and financial controls, sales and marketing and other resources. If the Group is unable to manage its expansion effectively, its business and financial results could suffer.
8. If required funds are not available, the Group may not be able to fulfill its strategy, which could have a material adverse effect on the Group's business, financial condition and prospects and may result in a dilution of the Shareholders' holdings if further fund raisings are required.
9. Adverse movements in interest rates may significantly impact upon the Group's margins.
10. 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.
11. The Loan Stock can be converted into Ordinary Shares and therefore the risks facing an investor in the Loan Stock are linked to those risks facing an investor in the Company's Ordinary Shares.
12. The Loan Stock is redeemable by LitComp from 21 November 2006 subject to certain restrictions. Should the Company choose to purchase or redeem the Loan Stock, investors may receive less than the amount they invested.
13. The value of the Loan Stock could be adversely affected by significant changes in interest rates.
14. The Loan Stock is fully repayable by the Company on 31 October 2008. If the Company does not have the funds to make the repayment, the Company may be wound up.

Industry specific risks

Industry specific risks considered within this document are those, which are generic within the sectors in which the Group operates.

1. The economic size and attractiveness of the market sectors in which the Group operates is heavily dependant upon current legislation, outcomes of case law or civil procedures. Adverse changes in this sector could materially impact the future success of the Group.
2. The issue of recoverability of a medical agency's profit element against the losing party was tested in 2005 in the Supreme Court Costs Office where it was ruled irrecoverable. This decision is being appealed and the advice of counsel has been obtained, which predicts a possible positive outcome. Solicitors remain wholly liable for the medical agencies' fees and the decision does not affect the issue of recoverability as against the solicitor client. It is also expected that this decision will be evaluated by the insurers and the Civil Justice Council.
3. Should the regulatory status of Gibraltar change, the ability of Elite Insurance Company to offer AEI products may be adversely affected.
4. The Department of Constitutional Affairs is currently reviewing whether the minimum small claims size should be increased beyond the current £1,000. At present it is only claims over £1,000 where there is protection for legal fees associated with the case to be received from the other party. Accordingly if this limit were raised substantially there could be a return to "an increase in contingency fee" arrangements with a consequential reduction in the sale of insurance policies. This may reduce the number of insurance backed claims cases within the UK and thus Elite Insurance Company's potential market.

5. The Group has experienced, and expects to continue to experience, competition from a number of companies. The Group's competitors may announce new solutions or services that better meet the needs of customers. Changing industry standards, new competitors or alliances among competitors could emerge increasing competition for the Group. Increased competition may cause the need for price reductions and loss of market share, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

General risks

1. The price at which investors realise their Shares or Loan Stock in the Company will be influenced by a large number of factors; some specific to the Company and its operations, and some general. These factors could include the performance of the Company's operations, large purchases or sales of shares in the Company, absence of liquidity in the market for the Company's Shares or Loan Stock, legislative or regulatory changes affecting the business of the Company and general economic conditions. An investment in the Shares or Loan Stock may be volatile and investors could lose some or all of their investment.
2. Potential investors should be aware that the value of the Shares or Loan Stock issued by the Company can go down as well as up and that an investment in a Share or Loan Stock 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 or Loan Stock listed on the Official List.

PART IV

ACCOUNTANTS REPORT ON THE COMPANY



St Alphage House, 2 Fore Street, London EC2Y 5DH

The Directors
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Isaac Newton Way
Grantham
Lincolnshire NG31 9RT

The Directors
Daniel Stewart & Company Plc
Beckett House
36 Old Jewry
London EC2R 8DD

21 March 2006

Dear Sirs

LitComp Plc

We report on the financial information set out in Part IV of the Admission Document. This financial information has been prepared for inclusion in the AIM admission document dated 21 March 2006 of LitComp Plc on the basis of the accounting policies set out in paragraph 4.1. This report is required by the AIM Rules and is given for the purpose of complying with the AIM Rules and for no other purpose.

Responsibilities

The Directors of LitComp Plc are responsible for preparing the financial information on the basis of preparation set out in paragraph 4.1 and in accordance with accounting principles generally accepted in the United Kingdom.

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

Basis of opinion

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 21 March 2006, a true and fair view of the state of affairs of LitComp Plc as at the dates stated and of its profits and cash flows for the periods then ended in accordance with the basis of preparation set out in Note 4.1 and has been prepared in a form that is consistent with the accounting policies adopted in LitComp Plcs' latest annual accounts.

Declaration

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

Yours faithfully

UHY Hacker Young
Chartered Accountants

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<i>From 7 December 2001 to 31 March 2003</i>	<i>Year to 31 March 2004</i>	<i>Year to 31 March 2005</i>	<i>Period to 30 September 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Turnover	4.2	1,756,319	2,416,303	3,195,249	1,581,697
Cost of sales		<u>(1,061,960)</u>	<u>(1,440,711)</u>	<u>(1,957,338)</u>	<u>(925,839)</u>
Gross profit		694,359	975,592	1,237,911	655,858
Administrative expenses		<u>(605,010)</u>	<u>(820,746)</u>	<u>(978,489)</u>	<u>(486,430)</u>
Operating profit	4.3	89,349	154,846	259,422	169,428
Interest receivable	4.6	4,786	1,507	395	1,698
Interest payable	4.7	<u>(4,914)</u>	<u>(23,703)</u>	<u>(62,339)</u>	<u>(55,370)</u>
Profit on ordinary activities before taxation		89,221	132,650	197,478	115,756
Tax on profit on ordinary activities	4.8	<u>(14,345)</u>	<u>(33,562)</u>	<u>(49,215)</u>	<u>(29,003)</u>
Retained profit for the financial year	4.22	<u>74,876</u>	<u>99,088</u>	<u>148,263</u>	<u>86,753</u>
Earnings per share					
Basic	4.25	0.192p	0.253p	0.377p	0.221p
Diluted	4.26	<u>0.192p</u>	<u>0.253p</u>	<u>0.377p</u>	<u>0.221p</u>

All amounts relate to continuing activities.

There are no recognised gains or losses other than those reported in the profit and loss account.

2 CONSOLIDATED BALANCE SHEETS

		<i>At</i> <i>31 March</i> <i>2003</i> £	<i>At</i> <i>31 March</i> <i>2004</i> £	<i>At</i> <i>31 March</i> <i>2005</i> £	<i>At</i> <i>30 September</i> <i>2005</i> £
	<i>Notes</i>				
Fixed assets					
Intangible assets	4.9	–	94,101	90,502	87,160
Tangible assets	4.10	59,560	63,417	58,222	49,824
		<u>59,560</u>	<u>157,518</u>	<u>148,724</u>	<u>136,984</u>
Current assets					
Stocks	4.11	34,317	37,592	19,362	22,861
Debtors	4.12	2,143,208	2,863,192	3,631,891	3,896,620
Cash at bank and in hand		188,909	173,006	107,674	178,270
		<u>2,366,434</u>	<u>3,073,790</u>	<u>3,758,927</u>	<u>4,097,751</u>
Creditors: amounts falling due within one year	4.13	(1,648,243)	(2,333,100)	(2,860,746)	(3,104,867)
Net current assets		<u>718,191</u>	<u>740,690</u>	<u>898,181</u>	<u>992,884</u>
Total assets less current liabilities		<u>777,751</u>	<u>898,208</u>	<u>1,046,905</u>	<u>1,129,868</u>
Creditors: amounts falling due after more than one year	4.14	–	–	(414)	–
Provisions for liabilities and charges					
Deferred taxation	4.16	(2,673)	(9,042)	(9,062)	(5,686)
		<u>775,078</u>	<u>889,166</u>	<u>1,037,429</u>	<u>1,124,182</u>
Capital and reserves					
Called up equity share capital	4.20	389,587	393,291	393,291	393,291
Share premium reserve	4.21	441,651	452,947	452,947	452,947
Profit and loss account	4.22	(56,160)	42,928	191,191	277,944
Equity shareholders' funds	4.23	<u>775,078</u>	<u>889,166</u>	<u>1,037,429</u>	<u>1,124,182</u>

3 CONSOLIDATED CASH FLOW STATEMENTS

		<i>From 7 December 2001 to 31 March 2003</i>	<i>Year to 31 March 2004</i>	<i>Year to 31 March 2005</i>	<i>Six months to 30 September 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Net cash inflow from operating activities	4.24	(282,679)	(108,397)	(194,475)	(22,936)
Returns on investments and servicing of finance	4.24	(128)	(22,196)	(61,944)	(53,672)
Taxation	4.24	(8,634)	(14,990)	260	(24,376)
Capital expenditure and financial investment	4.24	(42,424)	(125,170)	(37,782)	(12,022)
Cash outflow before financing		(333,865)	(270,753)	(293,941)	(113,006)
Financing	4.24	(16,849)	(2,269)	250,315	151,599
(Decrease)/increase in cash		<u>(350,714)</u>	<u>(273,022)</u>	<u>(43,626)</u>	<u>38,593</u>

Reconciliation of net cash flow to movement in net debt

		<i>From 7 December 2001 to 31 March 2003</i>	<i>Year to 31 March 2004</i>	<i>Year to 31 March 2005</i>	<i>Period to 30 September 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
(Decrease)/Increase in cash in the period		(350,714)	(273,022)	(43,626)	38,593
Cash outflow in respect of finance leases		4,250	17,269	4,936	2,466
Other funding		–	–	(255,251)	(154,065)
New finance leases		(17,000)	(14,800)	–	–
Change in net debt	4.24	(363,464)	(270,553)	(293,941)	(113,006)
Net (debt) brought forward	4.24	249,309	(114,155)	(384,708)	(678,649)
Net (debt) carried forward	4.24	<u>(114,155)</u>	<u>(384,708)</u>	<u>(678,649)</u>	<u>(791,655)</u>

4 NOTES TO THE FINANCIAL INFORMATION

4.1 Accounting policies

4.1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

4.1.2 Basis of consolidation

For the purpose of this report the consolidated financial statements of LitComp Plc and its subsidiaries (together the LitComp Group) include the following companies:

(a) *Period 7 December 2001 to 31 March 2003*

LitComp Plc	7 December 2001 to 31 March 2003	Dormant
Perfect Consulting Limited	1 January 2002 to 31 March 2003	Trading
Legal Reports & Services Limited	1 January 2002 to 31 March 2003	Trading
Cox Associates Limited	20 March 2003 to 31 March 2003	Dormant

(b) *Year ended 31 March 2004*

LitComp Plc	Year to 31 March 2004	Dormant
Perfect Consulting Limited	Year to 31 March 2004	Trading
Legal Reports & Services Limited	Year to 31 March 2004	Trading
Cox Associates Limited	1 April 2003 to 31 March 2004	Trading

(c) *Year ended 31 March 2005*

LitComp Plc	Year to 31 March 2005	Dormant
Perfect Consulting Limited	Year to 31 March 2005	Trading
Legal Reports & Services Limited	Year to 31 March 2005	Trading
Cox Associates Limited	Year to 31 March 2005	Trading
Elite Litigation Funding Limited	1 April 2004 to 31 March 2005	Dormant
Elite Business Development Limited	17 February 2005 to 31 March 2005	Dormant

(d) *Period to 30 September 2005*

LitComp Plc	Period to 30 September 2005	Dormant
Perfect Consulting Limited	Period to 30 September 2005	Trading
Legal Reports & Services Limited	Period to 30 September 2005	Trading
Cox Associates Limited	Period to 30 September 2005	Trading
Elite Litigation Funding Limited	Period to 30 September 2005	Dormant
Elite Business Development Limited	Period to 30 September 2005	Dormant

LitComp Plc was incorporated on the 7 December 2001. On 1 January 2002 LitComp Plc acquired the entire shareholding of Perfect Consulting Limited and its wholly owned subsidiary, Legal Reports & Services Limited in a share for share swap. Accordingly, this acquisition is accounted for on a merger basis. The LitComp Plc Group's results for the period 7 December 2001 to 31 March 2003 incorporate the Perfect Consulting Limited and Legal Reports & Services Limited results for the period 1 April 2002 to 31 March 2003.

On 20 March 2003 LitComp Plc acquired the entire shareholding of Cox Associates Limited. On 4 September 2003, Cox Associates Limited acquired the trade and certain assets of an unincorporated entity, Cox Associates. Cox Associates Limited trade commenced on 4 September 2003. This acquisition is accounted for on an acquisition (equity) basis.

On 17 February 2005, LitComp Plc acquired the entire shareholding of Elite Business Development Limited. Elite Business Development Limited has not yet commenced trading. The acquisition has been accounted for on an acquisition (equity) basis.

On 5 March 2005, LitComp Plc acquired the entire shareholding of Elite Litigation Funding Limited. Elite Litigation Funding Limited has not yet commenced trading activities. The acquisition has been accounted for on an acquisition (equity) basis.

4.1.3 Turnover

Turnover is recognised by LitComp Plc upon the issue of the medico-legal reports to the clients, on a case by case basis net of VAT and trade discounts.

4.1.4 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that life of that asset as follows:

Plant & Machinery	33½ per cent. per annum straight line
Fixtures & Fittings	33½ per cent. per annum straight line
Motor vehicles	33½ per cent. per annum straight line

4.1.5 Amortisation

Goodwill is amortised at a rate to reflect its expected useful economic life. Goodwill purchased is written off over 15 years.

4.1.6 Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

4.1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of change on the net obligation outstanding in each period.

4.1.8 Operating lease agreements

Rentals applicable to operating leases are charged against income on a straight line basis over the lease term.

4.1.9 Pension costs

The LitComp Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the LitComp Group. The annual contributions payable are charged to the profit and loss account.

4.1.10 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

4.1.11 Share based payment

No expense has been recognised in respect of options granted to directors and employees in respect of their services to the group.

4.2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the LitComp Group.

An analysis of turnover is given below:

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
United Kingdom	<u>1,756,319</u>	<u>2,416,303</u>	<u>3,195,249</u>	<u>1,581,697</u>

4.3 Operating profit

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Operating profit is stated after charging:				
Depreciation of owned fixed assets	24,846	38,767	39,768	17,955
Depreciation of assets held under finance lease agreements	4,860	–	4,931	2,466
Amortisation on goodwill	–	3,245	1,877	3,342
Auditors' remuneration				
– in respect of audit services	13,642	14,352	8,237	6,300
– in respect of non-audit services	–	–	–	–

LitComp Plc has not presented its own profit and loss as permitted by Section 230 of the Companies Act 1985. LitComp Plc did not trade in the above periods.

4.4 Particulars of employees

The average number of staff employed by the LitComp Group during the financial year amounted to:

	<i>From 7 December 2001 to 31 March 2003 Number</i>	<i>Year to 31 March 2004 Number</i>	<i>Year to 31 March 2005 Number</i>	<i>Period to 30 September 2005 Number</i>
Administration	15	15	20	20
Management	5	5	4	5
	<u>20</u>	<u>20</u>	<u>24</u>	<u>25</u>

The aggregate payroll costs of the above were:

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Wages	325,481	331,379	437,903	201,839
Other pension costs	15,890	7,255	7,785	3,611
	<u>341,371</u>	<u>338,634</u>	<u>445,688</u>	<u>205,450</u>

4.5 Directors' emoluments

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

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Emoluments receivable	86,589	116,436	111,285	80,160
Value of company pension contributions to money purchase schemes	3,275	4,500	5,200	2,600
	<u>89,864</u>	<u>120,936</u>	<u>116,485</u>	<u>82,760</u>
Number of directors accruing pension benefits	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>

4.6 Interest receivable

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Bank interest receivable	<u>4,786</u>	<u>1,507</u>	<u>395</u>	<u>1,698</u>

4.7 Interest payable

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Interest payable on bank borrowing	4,284	22,563	1,263	2,315
Finance charges	630	1,140	61,076	52,334
Hire purchase	–	–	–	721
	<u>4,914</u>	<u>23,703</u>	<u>62,339</u>	<u>55,370</u>

4.8 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Current tax in respect of the year:				
UK Corporation Tax based on the results for the year	14,345	24,520	52,099	31,907
Prior year adjustments	–	–	(2,644)	–
Total current tax	<u>14,345</u>	<u>24,520</u>	<u>49,455</u>	<u>31,907</u>
Deferred tax:				
Movement in deferred tax provision	–	9,042	20	(3,376)
Prior year adjustments	–	–	(260)	472
Tax on profit on ordinary activities	<u>14,345</u>	<u>33,562</u>	<u>49,215</u>	<u>29,003</u>
Rate of UK Corporation Tax	<u>19%</u>	<u>19%</u>	<u>19%</u>	<u>30%</u>

4.8 Tax on profit on ordinary activities (continued)

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK:

	<i>Rate</i>			
31 March 2003	18.46%			
31 March 2004	19.0%			
31 March 2005	19.0%			
30 September 2005	29.0%			
		<i>From</i>		
		<i>7 December</i>		
		<i>2001</i>	<i>Year to</i>	<i>Year to</i>
		<i>to 31 March</i>	<i>31 March</i>	<i>31 March</i>
		<i>2003</i>	<i>2004</i>	<i>2005</i>
		<i>£</i>	<i>£</i>	<i>£</i>
				<i>Period to</i>
				<i>30 September</i>
				<i>2005</i>
				<i>£</i>
Profit on ordinary activities before taxation	89,221	132,650	197,478	115,756
Profit on ordinary activities multiplied by the relevant rate of tax	16,467	25,204	37,521	33,574
Expenses not deductible for tax purposes	875	450	3,118	1,670
Capital allowances in period in excess of depreciation	(2,997)	(1,134)	(7,360)	(2,506)
Depreciation add back	–	–	13,026	6,126
Prior year adjustments	–	–	(2,644)	–
Other tax adjustments	–	–	(9,475)	–
Tax suffered at marginal rate	–	–	15,269	(6,957)
Total current tax (note 4.8(a))	<u>14,345</u>	<u>24,520</u>	<u>49,455</u>	<u>31,907</u>

4.9 Intangible fixed assets

	<i>Purchased Goodwill</i> £
Cost	
At 1 April 2002	–
Additions	–
At 31 March 2003	–
Additions	97,346
At 31 March 2004	97,346
Additions	2,891
At 31 March 2005	100,237
Additions	–
At 30 September 2005	100,237
Amortisation	
At 1 April 2002	–
Charge for the year	–
At 31 March 2003	–
Charge for the year	3,245
At 31 March 2004	3,245
Charge for the year	6,490
At 31 March 2005	9,735
Charge for the period	3,342
At 30 September 2005	13,077
Net Book Value	
At 31 March 2003	–
At 31 March 2004	94,101
At 31 March 2005	90,502
At 30 September 2005	87,160

Purchased goodwill arises from the acquisition of the trade and various assets from an unincorporated business called “Cox Associates” during the period to 31 March 2003.

During the year to 31 March 2005, some adjustments to the value of the net assets acquired have become necessary resulting in a net £2,891 addition to the purchased goodwill.

4.10 Tangible fixed assets

	<i>Plant & machinery</i> £	<i>Fixtures & fittings</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost				
At 1 April 2002	30,086	20,191	–	50,277
Additions	39,574	2,340	17,510	59,424
Disposals	–	–	–	–
At 31 March 2003	69,660	22,531	17,510	109,701
Additions	46,114	9,160	–	55,274
Disposals	–	–	(17,510)	(17,510)
At 31 March 2004	115,774	31,691	–	147,465
Additions	16,967	18,424	–	35,391
Disposals	(9,117)	–	–	(9,117)
At 31 March 2005	123,624	50,115	–	173,739
Additions	11,560	462	–	12,022
Disposals	–	–	–	–
At 30 September 2005	135,184	50,577	–	185,761
Depreciation				
At 1 April 2002	11,287	9,148	–	20,435
Charge for the year	17,660	7,186	4,860	29,706
On disposal	–	–	–	–
At 31 March 2003	28,947	16,334	4,860	50,141
Charge for the year	32,565	6,202	–	38,767
On disposals	–	–	(4,860)	(4,860)
At 31 March 2004	61,512	22,536	–	84,048
Charge for the year	31,476	8,610	–	40,086
On disposals	(8,617)	–	–	(8,617)
At 31 March 2005	84,371	31,146	–	115,517
Charge for the period	15,505	4,915	–	20,420
On disposals	–	–	–	–
At 30 September 2005	99,876	36,061	–	135,937
Net book value				
At 31 March 2003	40,713	6,197	12,650	59,560
At 31 March 2004	54,262	9,155	–	63,417
At 31 March 2005	39,253	18,969	–	58,222
At 30 September 2005	35,308	14,516	–	49,824
Finance lease agreements				
	<i>From 7 December 2001 to 31 March 2003</i> £	<i>Year to 31 March 2004</i> £	<i>Year to 31 March 2005</i> £	<i>Period to 30 September 2005</i> £
Net book value of assets held under finance lease	12,650	14,800	5,344	2,883
Depreciation charged in respect of assets held under finance lease	4,860	4,522	4,931	2,466

4.11 Stocks

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Work in progress	<u>34,317</u>	<u>37,592</u>	<u>19,362</u>	<u>22,861</u>

4.12 Debtors

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Trade debtors	2,056,659	2,756,926	3,513,911	3,767,689
Other debtors	61,463	82,459	101,307	92,633
Prepayments and accrued income	25,086	23,807	16,673	36,298
	<u>2,143,208</u>	<u>2,863,192</u>	<u>3,631,891</u>	<u>3,896,620</u>

The LitComp Group's business terms state that the sales invoice is due for payment on completion or settlement of the personal injury claim. This period may be in excess of 12 months and accordingly an element of the trade debtor balance will fall due more than 12 months from the balance sheet date.

4.13 Creditors: Amounts falling due within one year

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Bank loans and overdrafts	290,314	187,966	166,260	198,263
Trade creditors	1,206,388	1,529,518	1,816,796	1,850,796
Corporation tax	14,345	26,548	76,004	84,007
Other taxation and social security	23,258	39,581	79,854	57,744
Finance lease agreements	12,750	10,281	4,931	2,879
Other creditors	101,188	95,217	8,335	15,242
Accruals and deferred income	–	84,522	93,848	127,153
Factor agreement	–	359,467	614,718	768,783
	<u>1,648,243</u>	<u>2,333,100</u>	<u>2,860,746</u>	<u>3,104,867</u>
Value included within other creditors which is secured upon the book debts of LitComp Plc	<u>–</u>	<u>359,467</u>	<u>614,718</u>	<u>768,783</u>

4.14 Creditors: Amounts falling due after one year

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Finance lease agreements	–	–	414	–

Finance lease agreements are secured on the assets to which they relate.

Bank loans and overdrafts and other loans are secured on the assets of LitComp Plc.

4.15 Commitments under finance lease agreements

Further commitments under finance lease agreements are as follows:

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Amounts payable within one year	12,750	10,281	4,931	2,879
Amounts payable after one year	–	–	414	–
	<u>12,750</u>	<u>10,281</u>	<u>5,345</u>	<u>2,879</u>

4.16 Deferred taxation

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
The movement in the deferred taxation provision during the year was:				
Provision brought forward	2,673	2,673	9,042	9,062
Profit and loss account movement arising during the year	–	6,369	20	(3,376)
Provision carried forward	<u>2,673</u>	<u>9,042</u>	<u>9,062</u>	<u>5,686</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Excess of taxation allowances over depreciation on fixed assets	2,673	9,042	9,062	5,686
Provision carried forward	<u>2,673</u>	<u>9,042</u>	<u>9,062</u>	<u>5,686</u>

4.17 Commitments under operating leases

	<i>Expiration date</i>			<i>Total</i> £
	<i>Within</i> <i>1 year</i> £	<i>Within</i> <i>2-5 years</i> £	<i>Over</i> <i>5 years</i> £	
As at 31 March 2003				
Land and buildings				
Other items			4,089	4,089
As at 31 March 2004				
Land and buildings			20,000	20,000
Other items			4,089	4,089
As at 31 March 2005				
Land and buildings			20,000	20,000
Other items			4,089	4,089
As at 30 September 2005				
Land and buildings			20,000	20,000
Other items			4,089	4,089

4.18 Related party transactions

In accordance with FRS 8, exemption is taken not to disclose transactions between LitComp Group undertakings where 90 per cent. or more of the voting rights are controlled within the LitComp Group or of amounts eliminated on consolidation and the consolidated financial statements are publicly available.

During the year ended 31 March 2005 the LitComp Group contracted for a 15 year lease on its current premises, which are owned by 9NBP Limited, a company wholly owned by Mr J Smart who is also a director of LitComp Plc. The cost to LitComp Plc is £20,000 per annum.

A full review of premises available was carried out at a Board Meeting where advice from independent professional experts was presented.

4.19 Pension costs

LitComp Plc operates a defined contribution pension scheme. The assets of the scheme are held separately from those of LitComp Plc in an independently administered fund. The pension cost charge represents contributions payable by LitComp Plc to the fund.

Defined contribution

	<i>From</i>	<i>Year to</i>	<i>Year to</i>	<i>Period to</i>
	<i>7 December</i>			
	<i>2001</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>to 31 March</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>
	£	£	£	£
Contributions payable by LitComp Plc for the year	15,890	11,755	12,985	6,211

4.20 Share capital

Authorised share capital:

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
100,000,000 Ordinary shares of £0.01 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	<i>From 7 December 2001 to 31 March 2003 Number</i>	<i>Year to 31 March 2004 Number</i>	<i>Year to 31 March 2005 Number</i>	<i>Period to 30 September 2005 Number</i>
Ordinary shares of £0.01 each	<u>38,958,660</u>	<u>39,329,100</u>	<u>39,329,100</u>	<u>39,329,100</u>
	<u>£</u> 389,587	<u>£</u> 393,291	<u>£</u> 393,291	<u>£</u> 393,291

Shares issued

On 4 September 2003 370,440 Ordinary £0.01 shares were issued at a premium of £11,296. This was due to aid in financing the acquisition of Cox Associates.

Directors share options

The following options have been granted to subscribe for Ordinary shares of 1p each in LitComp Plc as follows:

<i>Number</i>	<i>Subscription price per share</i>	<i>Period within which options are exercisable</i>
800,000	5p	14 January 2002 to 14 January 2007
700,000	6p	20 October 2005 to 20 October 2007
150,000	3p	20 October 2005 to 20 October 2007

Other option holders

<i>Number</i>	<i>Subscription price per share</i>	<i>Period within which options are exercisable</i>
500,000	5p	14 January 2002 to 14 January 2007
850,000	6p	20 October 2005 to 20 October 2007
100,000	3p	20 October 2005 to 20 October 2007
200,000	4p	14 February 2006 to 14 February 2011
250,000	3p	5 October 2006 to 5 October 2008
200,000	3p	21 January 2007 to 31 January 2009

4.20 Share capital (continued)

Share options

The following options have been conditionally granted from a share pool created by LitComp Plc on 31 October 2005. The conditions of the scheme relate to the net pre tax profits of Elite Insurance Company Limited.

<i>Number</i>	<i>Subscription price per share £</i>	<i>Pre tax profits 2 years to 31 March 2008 £</i>
7,000,000	3p	1,500,000
14,000,000	3p	2,400,000

Alternatively if the mid market price of an Ordinary share exceeds 9p on 15 or more consecutive dealing days before 31 March 2009, 10,000,000 new Ordinary shares will be made available for purchase under the scheme.

The following options were granted to LitComp Plc's advisors on completion of the issue of the Loan Stock.

<i>Number</i>	<i>Subscription price per share</i>	<i>Period within which options are exercisable</i>
9,216,067	3p	7 October 2005 to 7 October 2010

Share warrants

The following Committed Investor Warrants have been granted to various parties enabling them to subscribe for Ordinary shares of 1p each in LitComp Plc as follows:

<i>Number</i>	<i>Subscription price per share</i>	<i>Period within which options are exercisable</i>
7,921,899	5p	14 January 2002 to 14 January 2007

4.21 Share premium account

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Balance brought forward	–	441,651	452,947	452,947
Premium on shares issued in the period	441,651	11,296	–	–
Balance carried forward	<u>441,651</u>	<u>452,947</u>	<u>452,947</u>	<u>452,947</u>

4.22 Profit and loss reserve

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Opening reserve	(131,036)	(56,160)	42,928	191,191
Profit retained for the year/period	74,876	99,088	148,263	86,753
Closing reserve	<u>(56,160)</u>	<u>42,928</u>	<u>191,191</u>	<u>277,944</u>

4.23 Reconciliation of movements in shareholders' funds

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Profit for the financial year	74,876	99,088	148,263	86,753
New equity share capital subscribed	–	3,704	–	–
Net premium on new share capital subscribed	(12,599)	11,296	–	–
Net additions to funds	<u>62,277</u>	<u>114,088</u>	<u>148,263</u>	<u>86,753</u>
Opening shareholders' equity funds	712,801	775,078	889,166	1,037,429
Closing shareholders' equity funds	<u>775,078</u>	<u>889,166</u>	<u>1,037,429</u>	<u>1,124,182</u>

4.24 Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Operating profit	89,349	154,846	259,423	169,428
Depreciation	29,706	38,767	40,086	20,420
Amortisation	–	3,245	6,490	3,342
Decrease in stocks	(34,317)	(3,275)	18,230	(3,499)
Increase in debtors	(816,093)	(719,984)	(768,699)	(264,729)
Increase in creditors	448,676	418,004	249,995	52,102
Net cash outflow from operating activities	<u>(282,679)</u>	<u>(108,397)</u>	<u>(194,475)</u>	<u>(22,936)</u>

4.24 Notes to the statement of cash flows (continued)

(b) Returns on investments and servicing of finance

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Interest received	4,786	1,507	395	1,698
Interest paid	(4,284)	(22,563)	(61,261)	(54,649)
Interest element of finance leases	(630)	(1,140)	(1,078)	(721)
Net cash outflow from returns on Investments and servicing of finance	<u>(128)</u>	<u>(22,196)</u>	<u>(61,944)</u>	<u>(53,672)</u>

(c) Taxation

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Taxation	<u>(8,634)</u>	<u>(14,990)</u>	<u>260</u>	<u>(24,376)</u>

(d) Capital expenditure

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Payments to acquire intangible fixed assets	–	(97,346)	–	–
Payments to acquire tangible fixed assets	(42,424)	(40,474)	(34,891)	–
Proceeds from sale of tangible assets	–	12,650	–	–
Further capital expenditure	–	–	(2,891)	(12,022)
Net cash outflow from capital expenditure	<u>(42,424)</u>	<u>(125,170)</u>	<u>(37,782)</u>	<u>(12,022)</u>

4.24 Notes to the statement of cash flows (continued)

(e) *Financing*

	<i>From 7 December 2001 to 31 March 2003 £</i>	<i>Year to 31 March 2004 £</i>	<i>Year to 31 March 2005 £</i>	<i>Period to 30 September 2005 £</i>
Issue of equity share capital		3,704	–	–
Share premium on issue of equity shares		11,296	–	–
Other funding	(12,599)	–	255,251	154,065
Capital element of finance leases	(4,250)	(17,269)	(4,936)	(2,466)
Net cash (outflow)/inflow from financing	<u>(16,849)</u>	<u>(2,269)</u>	<u>250,315</u>	<u>151,599</u>

(f) *Analysis of changes in net debt*

	<i>Cash in hand & bank £</i>	<i>Overdraft £</i>	<i>Net cash £</i>	<i>Finance lease agreements £</i>	<i>Factor agreement £</i>	<i>Net debt £</i>
At 1 April 2002	256,128	(6,819)	249,309	–	–	249,309
Cash flows	(67,219)	(283,495)	(350,714)	4,250	–	(346,464)
Non cash items	–	–	–	(17,000)	–	(17,000)
At 31 March 2003	188,909	(290,314)	(101,405)	(12,750)	–	(114,155)
Cash flows	(15,903)	102,348	86,445	17,269	(359,467)	(255,753)
Non cash items	–	–	–	(14,800)	–	(14,800)
At 31 March 2004	173,006	(187,966)	(14,960)	(10,281)	(359,467)	(384,708)
Cash flows	(65,332)	21,706	(43,626)	4,936	(255,251)	(293,941)
Non cash items	–	–	–	–	–	–
At 31 March 2005	107,674	(166,260)	(58,586)	(5,345)	(614,718)	(678,649)
Cash flows	70,596	(32,003)	38,593	2,466	(154,065)	(113,006)
Non cash items	–	–	–	–	–	–
At 30 September 2005	<u>178,270</u>	<u>(198,263)</u>	<u>(19,993)</u>	<u>(2,879)</u>	<u>(768,783)</u>	<u>(791,655)</u>

4.25 Earnings per share

	<i>From 7 December 2001 to 31 March 2003 pence</i>	<i>Year to 31 March 2004 pence</i>	<i>Year to 31 March 2005 pence</i>	<i>Period to 30 September 2005 pence</i>
Earnings per ordinary share	<u>0.192</u>	<u>0.253</u>	<u>0.377</u>	<u>0.221</u>

The calculation of basic earnings per ordinary share is based on:

	<i>Earnings £</i>	<i>Weighted average number equity shares</i>
Period ended 31 March 2003	<u>74,876</u>	<u>38,958,660</u>
Year ended 31 March 2004	<u>99,088</u>	<u>39,171,208</u>
Year ended 31 March 2005	<u>148,263</u>	<u>39,329,100</u>
Period ended 30 September 2005	<u>86,753</u>	<u>39,329,100</u>

4.26 Diluted earnings per share

	<i>From 7 December 2001 to 31 March 2003 pence</i>	<i>Year to 31 March 2004 pence</i>	<i>Year to 31 March 2005 pence</i>	<i>Period to 30 September 2005 pence</i>
Earnings per ordinary share	<u>0.192</u>	<u>0.253</u>	<u>0.377</u>	<u>0.221</u>

The calculation of diluted earnings per ordinary share allows for the exercise of outstanding share options exercisable at a price below the average value during the period and is based on:

	<i>Earnings £</i>	<i>Weighted average number equity shares</i>
Period ended 31 March 2003	<u>74,876</u>	<u>38,958,660</u>
Year ended 31 March 2004	<u>99,088</u>	<u>39,175,536</u>
Year ended 31 March 2005	<u>148,263</u>	<u>39,362,557</u>
Period ended 30 September 2005	<u>86,753</u>	<u>39,333,704</u>

4.26 Diluted earnings per share (continued)

Reconciliation of the weighted average number of ordinary shares used to calculate basic and diluted EPS

	<i>From 7 December 2001 to 31 March 2003</i>	<i>Year to 31 March 2004</i>	<i>Year to 31 March 2005</i>	<i>Period to 30 September 2005</i>
Weighted average number of ordinary shares outstanding during the year	38,958,660	39,171,208	39,329,100	39,329,100
Weighted average number of additional potential dilutive ordinary shares during the year	–	4,328	33,457	4,604
	<u>38,958,660</u>	<u>39,175,536</u>	<u>39,362,557</u>	<u>39,333,704</u>

4.27 Post balance sheet events

On 6 October 2005, LitComp Plc issued £3,605,000 of loan stock. The loan stock carries interest, payable quarterly in arrears at 10 per cent. The loan stock is redeemable at any time by LitComp Plc on or after 21 November 2006 at 115 per cent. of the middle market quotations. The final redemption date is 21 November 2008 and is at par value.

The holders of the loan stock may convert the whole or part of their holding of loan stock on any date interest is payable on the loan stock at a conversion price of 3p per new Ordinary Share. The new Ordinary Shares issued following conversion of any of the loan stock will rank *pari passu* in all respects with the existing shares in issue.

The loan stock was raised for the following purposes:

- to acquire Fairmont Holdings Limited;
- to capitalise Elite Insurance Company Limited;
- to fund the costs of admission to AIM; and
- to meet interest payments on the loan stock.

On 15 November 2005 LitComp Plc completed the acquisition of Fairmont Holdings Limited and its dormant subsidiary Elite Insurance Company Limited. The consideration for the acquisition was £200,000. LitComp Plc subsequently capitalised £2 million in Elite Insurance Company Limited in order for it to meet the Gibraltar regulatory authority requirements. Elite Insurance Company Limited began trading on 15 November 2005.

The balance of loan stock funds retained by LitComp Plc was £1,050,000, once the Fairmont Holdings Limited and Elite Insurance Company Limited acquisitions were completed and all associated costs paid.

On 6 March 2006 the authorised share capital of LitComp Plc was further increased to £3,200,000 by the creation of 20,000,000 ordinary shares of 1p each ranking *pari passu* in all respects with the then existing ordinary shares of 1p each. At the same time the authorised and issued ordinary shares of 1p each in the capital of LitComp Plc were consolidated into ordinary shares of 10p each on a 1 for 10 basis, and certain adjustments made to deal with fractional entitlements, as a consequence of which the authorised share capital at the date of this document is £3,200,000 divided into 32,000,000 ordinary shares of 10p each and the issued share capital of LitComp Plc at the date of this document (prior to the issue of the Placing Shares) is 3,980,283 ordinary shares. As a consequence of this consolidation the subscription price for ordinary shares on the exercise of existing options and the conversion price for the loan stock will each increase by a factor of 10.

PART V

PRO FORMA STATEMENT OF NET ASSETS



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The Directors
LitComp Plc
Newton Chambers
Newton Business Park
Isaac Newton Way
Grantham
Lincolnshire
NG31 9RT

Daniel Stewart & Co Plc
Becket House
36 Old Jewry
London
EC2R 8DD

21 March 2006

Dear Sirs

LitComp Plc (LitComp) – Admission to AIM

We report on the unaudited pro forma statement of net assets (the Pro forma financial information) set out in Part V of the admission document dated 21 March 2006 (Admission Document), which has been prepared, for illustrative purposes only, to provide information about how the admission to AIM might have affected the financial information presented on the basis of the accounting policies adopted by LitComp in preparing the financial information for the period ended 30 September 2005 set out in Part IV of the Admission Document. This report is required by guidance issued by the London Stock Exchange with respect to the AIM market and is given for the purpose of complying with that guidance issued by the London Stock Exchange and for no other purpose.

RESPONSIBILITIES

It is the responsibility of the Directors of LitComp to prepare the pro forma financial information, which has been prepared in accordance with Schedule Two of the AIM Rules with reference to paragraph 20.2 of Annex I of the PD Regulation attached to the AIM Rules as if it had been applicable.

It is our responsibility to form an opinion, which would have been required by paragraph 7 of Annex II of the PD Regulation attached to the AIM Rules if it had been applicable, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the date of their issue.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the

evidence supporting the adjustments and discussing the Pro forma financial information with the directors of LitComp.

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 reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of LitComp.

OPINION

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of LitComp.

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

UHY Hacker Young

The unaudited pro forma statement of net assets of the Group is provided for illustrative purposes only to show the effect on the balance sheet of the Group had the Placing and AIM admission occurred on 30 September 2005. It has been compiled on the basis described below from the balance sheet of the Group as at 30 September 2005 as set out in Part IV of this document. Due to its nature, the pro forma statement of net assets may not give a true picture of the financial position of the Group and is designed to give only an indication of the net assets of the Group.

	<i>As at</i> 30 September 2005 £	<i>Loan notes</i> <i>issued</i> £	<i>Fairmont</i> <i>acquisition</i> £	<i>Net proceeds</i> <i>from AIM</i> <i>admission</i> £	<i>Pro forma</i> <i>as at</i> 30 September 2005 £
Fixed assets					
Intangible assets	87,160	–	396,212	–	483,372
Tangible assets	49,824	–	–	–	49,824
	<u>136,984</u>	<u>–</u>	<u>396,212</u>	<u>–</u>	<u>533,196</u>
Current assets					
Stocks	22,861	–	–	–	22,861
Trade debtors	3,767,689	–	–	–	3,767,689
Other debtors	92,633	–	–	–	92,633
Prepayments & accrued income	36,298	–	(22,619)	–	13,679
Cash at bank and in hand	178,270	3,230,000	(373,593)	51,600	3,086,277
	<u>4,097,751</u>	<u>3,230,000</u>	<u>(396,212)</u>	<u>51,600</u>	<u>6,983,139</u>
Creditors: amounts due falling due within one year	<u>(3,104,867)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,104,867)</u>
Net current assets	<u>992,884</u>	<u>3,230,000</u>	<u>(396,212)</u>	<u>51,600</u>	<u>3,878,272</u>
Total assets less current liabilities	1,129,868	3,230,000	–	51,600	4,411,468
Creditors: amounts falling due after more than one year					
Loans	–	(3,230,000)	–	–	(3,230,000)
Provisions for liabilities and charges					
Deferred tax	(5,686)	–	–	–	(5,686)
	<u>1,124,182</u>	<u>–</u>	<u>–</u>	<u>51,600</u>	<u>1,175,782</u>

Notes:

1. The financial information has been extracted from the audited accounts of the Group as at 30 September 2005, which are included in the accountants' report set out in Part IV of this document.
2. The issue of £3,605,000 loan stock on the 6 October 2005, net of costs of £375,000 further details of which are set out in Part II.
3. The acquisition on the 21 November 2005 of Fairmont Holdings Limited and its subsidiary company Elite Insurance Company Limited, further details of which are set out in Part I, paragraph 7.
4. The proceeds of the Placing of £351,600 less estimated expenses of the Admission to AIM of £300,000 leaving an amount of £51,600 receivable by the Company.
5. Apart from the above, no other adjustments have been made to reflect any trading or changes in working capital since 30 September 2005.

PART VI

ADDITIONAL INFORMATION

1. Incorporation and Registration

- 1.1 LitComp Plc was incorporated in England and Wales on 7 December 2001 as a public company with liability limited by shares under registration number 4336531. On 10 January 2002, the Company received a certificate entitling it to do business and borrow pursuant to the provisions of section 117(1) of the Act.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made under it.
- 1.3 The liability of the members of the Company is limited.
- 1.4 The Company has 6 wholly owned Subsidiaries as follows, each of which was incorporated in England and Wales as a private company with liability limited by shares;
 - 1.4.1 Perfect Consulting Limited, incorporated on 18 March 1998 under registration number 3529679.
 - 1.4.2 Legal Reports and Services Limited, incorporated on 6 March 2000 under registration number 3940510, which is a subsidiary of Perfect Consulting.
 - 1.4.3 Cox Associates Limited, incorporated on 20 March 2003 under registration number 4705200.
 - 1.4.4 Elite Business Development Limited, incorporated on 17 February 2005 under registration number 5368270.
 - 1.4.5 Elite Litigation Funding Limited, incorporated on 5 March 2004 under registration number 5064452.
 - 1.4.6 Fairmont Holdings Limited, incorporated on 23 March 2003 under registration number 4708002.
- 1.5 In addition, Fairmont has one wholly owned subsidiary, Elite Insurance Company Limited, which was incorporated in Gibraltar on 19 April 2004 under the Companies Ordinance of the Laws of Gibraltar as a private company with liability limited by shares under registration number 91111.

2. Share Capital

- 2.1 The Company was incorporated with an authorised share capital of £1,000,000 divided into 100,000,000 ordinary shares of 1 penny each. On incorporation, 2 subscriber shares were issued, nil paid.
- 2.2 On 1 January 2002, 3,958,658 ordinary shares were issued credited as fully paid to the then shareholders of Perfect Consulting and the two subscriber shares were credited as fully paid up.
- 2.3 On 21 January 2002, 15,000,000 ordinary shares were issued credited as fully paid to applicants in the Company's Offer for Subscription dated 17 January 2002, following which the Company was admitted to Ofex.
- 2.4 On 4 September 2003, 370,370 ordinary shares were issued to the vendors of the Cox Associates business in satisfaction of the consideration payable on its acquisition by the Company.
- 2.5 Pursuant to a resolution passed on 31 October 2005, the authorised share capital of the Company was increased to £3,000,000 by the creation of an additional 200,000,000 ordinary shares of 1 penny each ranking *pari passu* in all respects with the then existing ordinary shares of 1 penny each in the capital of the Company.

- 2.6 Pursuant to a resolution passed on 6 March 2006, the authorised share capital of the Company was further increased to £3,200,000 by the creation of 20,000,000 ordinary shares of 1 penny each ranking *pari passu* in all respects with the then existing ordinary shares of 1 penny each in the capital of the Company.
- 2.7 Pursuant to resolutions passed on 6 March 2006, the authorised and issued ordinary shares of 1 penny each in the capital of the Company were consolidated into ordinary shares of 10 pence each on a 10 for 1 basis, and certain adjustments made to deal with fractional entitlements, as a consequence of which the authorised share capital at the date of this document is £3,200,000 divided into 32,000,000 Ordinary Shares of 10 pence each and the issued share capital of the Company at the date of this document (prior to the issue of the Placing Shares) is 3,980,287 Ordinary Shares.
- 2.8 Pursuant to resolutions passed on 6 March 2006, it was resolved *inter alia*:
- 2.8.1 that the Directors be generally and unconditionally authorised pursuant to section 80 of the Act, to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,893,700 provided that this authority shall expire on 28 February 2011, or on the date of the next annual general meeting of the Company after the passing of the resolution (whichever is earlier); and
- 2.8.2 that the Directors be authorised pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by the resolution referred to in paragraph 2.8.1 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in any way; and
- (ii) the allotment (otherwise than as referred to in paragraph 2.8.2(i)) of equity securities up to the aggregate nominal value of £1,893,700;
- and shall expire on the date of the next Annual General Meeting of the Company after the passing of the resolution or on 31 May 2008 (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.
- 2.9 Save as disclosed in this document
- 2.9.1 there has been no issue of share or loan capital of the Company for cash or otherwise nor any change in the number of classes of which any such capital is comprised and no such issue is proposed;
- 2.9.2 no person has any preferential subscription rights for any shares of the Company that are unissued;
- 2.9.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option;
- 2.9.4 no commission, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company;
- 2.9.5 no shares are currently in issue with a fixed date on which entitlement to a dividend arises, and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

2.10 The Company does not provide for any rights of preemption attaching to its securities in its Articles of Association. The rights of preemption provided for by Section 89 of the Act will apply to its securities, unless disapplied. The procedure for exercise of the right of preemption would be as detailed in Section 90 of the Act. The statutory rights arising under section 89 of the Act are currently disapplied as described in paragraph 2.8.

3. Options and Warrants

- 3.1 On 14 January 2002, the Company granted options to each of Mr J Wigglesworth, Dr CH Nemeth and Mr FH Robertson to subscribe for (after the lapse of part of Mr J Wigglesworth's opinions and adjustment for the consolidation referred to in paragraph 2.7) 20,000; 30,000 and 30,000 Ordinary Shares respectively and to Mr PA Lavender an option to subscribe for up to 50,000 Ordinary Shares, all at the exercise price of 50p per Ordinary Share exercisable at any time in the 5 years following admission to Ofex (which occurred on 7 February 2002).
- 3.2 By deeds of warrant dated 14 January 2002, the Company granted certain individuals who had agreed to take shares in the Company's 2002 offer for subscription the right to subscribe (after adjustment for the consolidation referred to in paragraph 2.7) for an aggregate of 500,000 Ordinary Shares at 50p per Share at any time prior to 17 January 2007. These remain outstanding.
- 3.3 By deeds of warrant dated 14 February 2002, the Company granted certain further individuals who had agreed to take shares in the 2002 offer for subscription, the right to subscribe for Ordinary Shares at 50p per Share at any time prior to 17 January 2007. Rights over 600,000 Ordinary Shares (after adjustment for the consolidation referred to in paragraph 2.7) remain outstanding.
- 3.4 By a deed of warrant dated 14 February 2002, the Company granted to Ruegg & Co Limited (after adjustment for the consolidation referred to in paragraph 2.7) the right to subscribe for 222,189 Ordinary Shares at 50p per Share. The warrant is exercisable in whole or in part at any time before 17 January 2007.
- 3.5 On 20 October 2003, options were granted to employees under the EMI Scheme (after adjustment for the consolidation referred to in paragraph 2.7) to subscribe for up to 155,000 Ordinary Shares, at the exercise price of 60p per Ordinary Share at any time between 20 October 2005 and 20 October 2007.
- 3.6 Options over Ordinary Shares (after adjustment for the consolidation referred to in paragraph 2.7) were issued to Mr R McLaughlin on 14 February 2004 to subscribe for up to 20,000 Ordinary Shares at the exercise price of 37.5p per Ordinary Share to be exercised at any time during the period of 14 February 2006 until 14 February 2011 and on 21 June 2005 to subscribe for up to 20,000 Ordinary Shares at the exercise price of 32.5p per Ordinary Share to be exercised at any time during the period of 21 June 2007 until 21 June 2009; to Mr RG Smart on 9 September 2004 to subscribe for up to 10,000 Ordinary Shares at the exercise price of 29.4p per Ordinary Share to be exercised at any time between 20 October 2005 and 20 October 2007; and to Mr F Harrold to subscribe for up to 25,000 Ordinary Shares at the exercise price of 29.38p per Ordinary Share to be exercised any time between 5 October 2006 and 5 October 2008.
- 3.7 On 16 November 2005, Mr JA Smart, Mr RG Smart and Mr PA Lavender became participants in the Option Scheme under which they may become eligible to purchase Shares from a pool of (after adjustment for the consolidation referred to in paragraph 2.7) up to 1,400,000 Ordinary Shares at a price of 30 pence per Ordinary Share. The exact number of Shares to be available in the pool will be determined by the Remuneration Committee by reference to the annual net pre-tax profits of Elite Insurance Company in the period of 2 years from 1 April 2006 with different numbers of Shares being available at specific thresholds. These options will be exercisable by the relevant executive giving notice to the Company within the exercise period. No allocation of Shares under the Option Scheme has yet been made.
- 3.8 On 7 October 2005, the Company issued options (after adjustment for the consolidation referred to in paragraph 2.7) over 921,606 Ordinary Shares to Daniel Stewart exercisable in the 5 years commencing

with the completion of the placing of the Loan Stock on 21 November 2005. The options may be exercised in whole or in part at a price of 30 pence per Ordinary Share.

- 3.9 The Loan Stock is convertible at the option of the Stockholders into Ordinary Shares at the rate of one Ordinary Share for each 30 pence nominal of Loan Stock converted. Further details are given in Part II of this document.

4. Directors' and other interests

- 4.1 The interests of the Directors and persons connected with them (within the meaning of section 346 of the Act) and their immediate families in the issued ordinary share capital of the Company, which have been notified to the Company pursuant to sections 324 and 328 of the Act and which are recorded in the Company's register of Directors' interests maintained under section 325 of the Act are as follows at the date of this document and as they are expected to be immediately following admission:

<i>Director</i>	<i>At the date of this document</i>		<i>Following Admission (assuming full subscription of the Placing Shares)</i>		<i>Options over Ordinary Shares</i>
	<i>Number of Existing Ordinary Shares</i>	<i>% of the Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Issued Share Capital</i>	
Mr JA Smart	866,766*	21.78%	866,766	19.02	60,000
Mr PA Lavender	500	0.01%	500	0.01	75,000
Dr CH Nemeth	0	0	0	0	30,000
Mr DA Smith	0	0	16,393	0.36	0

*866,121 of these Shares are registered in the name of Lloyds Bank (Branches) Nominees Limited (A/c SMART 341).

Save as disclosed otherwise, all of these interests are beneficial.

- 4.2 As well as the interests in Ordinary Shares and options noted above the following Directors have the following interests in Loan Stock, which in accordance with its terms is convertible into Ordinary Shares as follows:

<i>Director</i>	<i>Amount of Loan Stock</i>	<i>Ordinary Shares into which convertible</i>
Mr JA Smart	£82,500 (of which £7,500 is being held for Mr PA Lavender)	275,000 (less 25,000)
Mr PA Lavender	£12,500 (plus £7,500 being held for him by Mr JA Smart)	41,666 (plus 25,000)
Dr CH Nemeth	£5,000	16,666
Mr DA Smith	0	0

Save as indicated, all of these interests are beneficial.

- 4.3 At the date of this document and immediately following Admission, the Company is only aware of the persons shown in paragraphs 4.1 and 4.2 above and in the table below who are interested or will be interested whether directly or indirectly, jointly or severally in 3 per cent. or more of the issued share capital of the Company or would otherwise directly or indirectly exercise control over the Company.

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Following Admission (assuming full subscription of the Placing Shares)</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Issued Share Capital</i>
SA Carter	367,200	9.23	367,200	8.06%
L Dunsford (the wife of Mr RG Smart)	626,121	15.73	626,121	13.74%
K Howell-Jones	367,200	9.23	367,200	8.06%
Pershing Keen Nominees Limited (A/C DYCLT)	165,000	4.2	165,000	3.62%
Pershing Keen Nominees Limited (A/C MDCLT)	505,000	12.8	505,000	11.08%
N Smart (the father of Messrs JA and RG Smart)	199,600	5.1	199,600	4.38%

- 4.4 At the date of this document and immediately following Admission, the Company is only aware of the persons shown in the table below who are interested or will be interested whether directly or indirectly, jointly or severally in 3 per cent. or more of the issued Loan Stock.

<i>Stock Holder</i>	<i>At the date of this Document and on Admission</i>	
	<i>Nominal amount of Loan Stock</i>	<i>% of Loan Stock</i>
Mr NW Wray	1,000,000	27.74%
Mr JE Story	400,000	11.10%
HSBC Global Custody Nominees (UK) Limited	285,000	7.91%
Aberdeen Growth VCT 1 Plc	250,000	6.93%
Chancery Hall	203,000	5.63%
Daniel Stewart Securities Plc	200,000	5.55%
HSBC Global Custody Nominees (UK) Limited	200,000	5.55%
Valhalla Investments Inc	200,000	5.55%
Pershing Keen Nominees Limited	195,000	5.41%
HSBC Global Custody Nominees (UK) Limited	150,000	4.16%
Productive Nominees Limited	125,000	3.47%

- 4.5 There are no outstanding loans or guarantees which have been granted or provided by the Company to or for the benefit of any of the Directors.
- 4.6 Save as disclosed in this document, none of the Directors has any interest in any transaction which is of an unusual nature or contains unusual conditions or which is significant to the business of the Company and which remains in any respect outstanding or unperformed.
- 4.7 Save as specified in paragraph 5, there are no service agreements or proposed service agreements between any of the Directors and the Company (excluding contracts expiring or determinable by the Company within one year without payment of compensation).
- 4.8 The aggregate remuneration to be paid and benefits in kind (including pension contributions) to be granted to the Directors by the Company under the arrangements in force at the date of this document are estimated to be £194,760 for the financial period ending on 31 March 2006. For the financial period ended 31 March 2005, they were £116,485.
- 4.9 Save as disclosed, no Director has, or has had, any direct or indirect interest in any asset which, during the 5 years immediately preceding publication of this document, has been, or is proposed to be, acquired or disposed of by, or leased to, the Company.

4.10 The Directors have not been partners in a partnership within the last 5 years. In addition to their directorships of the Company, the Directors have held the following directorships of UK companies within the 5 years prior to the date of this document:

<i>Director</i>	<i>Current Directorships</i>	<i>Past directorships within the last 5 years</i>
Mr JA Smart	Perfect Consulting Limited Legal Reports and Services Limited 9NBP Limited Cox Associates Limited Fairmont Holdings Limited Exante Legal Protection Limited Elite Litigation Funding Limited Elite Business Development Limited Complete Credit Repair Limited	Company and Commercial Services Limited The Litigation Company Limited Pointright Limited The Directors Lodge Club Limited Garden Inns Plc
Mr PA Lavender	Perfect Consulting Limited Legal Reports and Services Limited Cox Associates Limited Elite Litigation Funding Limited Bioseal Limited Bioseal Services Limited Rivington Street Holdings Limited Rivington Street Systems Limited TIPS.COM Limited Bishopsgate Communications Limited Rivington Street Software Limited United Bright Bar Co Limited	Stelmores Properties Limited Albion Corporate Finance Limited Juicyjoos Limited Metallus International Limited Genovar Diagnostics Limited Genovar Holdings Limited Genovar Limited Genovar Bioscience Limited Genovar Research Limited
Dr CH Nemeth	Perfect Consulting Limited Honourable Society of Knights of the Round Table	
Mr DA Smith	Premium Trust plc Instant Group Limited SES Strategies Limited Eurorisk Partners Limited Cairns Bond Limited	Heart of Midlothian Plc Heart of Midlothian Football Club Limited Football Aid Trading Limited Edinburgh Income and Value Trust Plc Edinburgh Value Zeros plc Comeleon plc (now Tanfield Group plc) Corporate Risk Limited Field of Dreams Instant Leasing Limited Instant Data Insurance Management Limited Instant Archive Limited Vestech Limited Lemonthyme Limited

4.11 Mr JA Smart was a director of Acecrown Computer & Software Limited (“Acecrown”) when it went into creditors’ voluntary liquidation in 1990. Acecrown was dissolved on 10 September 1991.

Mr DA Smith was a director of Vestech Limited which was dissolved on 13 August 2004 after being put into creditors’ voluntary liquidation on 29 October 2002. The liquidation resulted in a total deficit to creditors and members of approximately £285,000. Mr Smith was a director of Instant Archive Limited which was put into creditors’ voluntary liquidation on 11 May 2005. The Liquidator wrote to known creditors on 9 February 2006 asking for final claims to be made, following which he stated that he intended to pay a distribution to unsecured creditors of an as yet unascertained amount.

Mr Smith was also a director of Edinburgh Income and Value Trust plc and Edinburgh Value Zeros plc, both of which were put into members' voluntary liquidation on 31 May 2005 as part of their planned exit strategy. The winding up is continuing, but is expected to realize a surplus for the shareholders of both companies.

- 4.12 Save as disclosed in paragraph 4.11, no Director of the Company has been a director of any company or a partner of a partnership that, whilst he was a director or partner or during the 12 months preceding such event, was subject to any insolvency arrangement or procedure (including administration, administrative receivership, company voluntary arrangement, partnership voluntary arrangement or insolvent liquidation).
- 4.13 No Director:
- 4.13.1 has any unspent convictions in relation to any offence involving deception or fraud; or
- 4.13.2 has ever been declared bankrupt or has been the subject of an individual voluntary arrangement; or
- 4.13.3 has ever had any public criticism by any professional, statutory or regulatory authority including any order or undertaking disqualifying him from serving as a director of a company from acting in the management or conduct of the affairs of any company (whether in the UK or overseas).
- 4.14 On completion of the Placing, the Company will effectively continue to be controlled by its present Shareholders who will be in a position to influence substantially the outcome of any matters requiring a vote of Shareholders.

5. Directors' Service Contracts and Emoluments

- 5.1 Mr JA Smart is employed by the Company as managing director under a service agreement dated 20 March 2006. The appointment is terminable at any time by either party on 12 months' notice. The salary payable is £65,000 per annum and in addition, he is entitled to participate in the Executive Directors' Incentive Bonus Scheme which entitles him to be paid 5 per cent. of his gross salary for every 10 per cent. improvement in earnings per Share in the corresponding period, capped at 10 per cent. of the Group's net pre-tax profit. He also receives a salary of £34,000 per annum from Elite Insurance Company. He also receives the benefit of a company car, medical insurance cover and pension contributions.
- 5.2 Mr PA Lavender provides his services as part time Financial Director and Company Secretary pursuant to an agreement dated 20 March 2006. The appointment is terminable at any time by either party on 12 months' notice. Fees of £35,000 per annum are payable in respect of his services and in addition, he is entitled to participate in the Executive Directors' Incentive Bonus Scheme which entitles him to be paid 5 per cent. of his gross salary for every 10 per cent. improvement in earnings per Share in the corresponding period, capped at 10 per cent. of the Group's net pre-tax profit. His present commitment to work 3 days per week for the Group will rise to 4 days per week with effect from 1 July 2006 and the fees payable will increase proportionately. He also receives a salary of £19,200 per annum from Elite Insurance Company. He also receives the benefit of a company car, medical insurance cover and pension contributions.
- 5.3 Dr CH Nemeth provides his services as a Non-Executive Director pursuant to a letter of appointment dated 20 March 2006. The appointment is terminable at any time by either party on 3 months' notice. The fee payable for his services is currently £9,500.
- 5.4 Mr DA Smith will be appointed as a Non-Executive Director and Chairman of the Company with effect from Admission on the terms of a letter of appointment with Eurorisk Partners Limited dated 20 March 2006. The appointment will be for an initial term of 12 months, and thereafter will be terminable at any time by either party on 3 months' notice. The fee payable for his services will be £25,000 per annum. He will also serve as a director of Elite Insurance Company.

6. Memorandum and Articles of Association

6.1 Clause 4 of the Company's Memorandum of Association provides that its principal objects and activities are to carry on the business of a holding and investment company and the business of a general commercial company.

6.2 The provisions of the Company's Articles of Association are summarised below:

6.2.1 Dividends

Subject to relevant statutory provisions, and to the rights attaching to any class of shares, the holders of the Ordinary Shares are entitled, *pari passu* amongst themselves, to the profits of the Company available for distribution and resolved to be distributed according to the amounts paid up on the Ordinary Shares held by them provided that no dividend shall be declared in excess of the amount recommended by the Directors. Interim dividends may be paid if profits are available for distribution and if the Directors so resolve. No dividends payable in respect of an Ordinary Share shall bear interest. The Directors may, with the prior sanction of an ordinary resolution of the Company, offer the holders of the Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of such dividends.

6.2.2 Return of Capital

On a winding up of the Company, the balance of the assets available for distribution shall, subject to any sanction required by statute, be divided among the members in proportion to the amount of capital paid up on each Ordinary Share.

6.2.3 Voting

The provisions governing the convening and holding of general meetings of the Company are the same as are to be found in the Act.

Subject to any special rights or restrictions as to voting attached to any class of shares, on a show of hands at any general meeting every holder of Ordinary Shares who is present in person shall have one vote, and on a poll, every such holder who is present in person or by proxy shall have one vote for each Ordinary Share held by him. No distinction is made in the case of major shareholders. A corporate member may, by resolution of its directors or other governing body, authorise a person to act as its representative at general meetings, and such person shall be entitled to exercise such powers as the corporate member could exercise if it were an individual member.

6.2.4 Restrictions on Voting

6.2.4.1 A member of the Company shall not be entitled, in respect of any Ordinary Share held by him, to vote (either personally or by proxy) at any general meeting of the Company unless all amounts payable by him in respect of that Ordinary Share have been paid.

6.2.4.2 A member of the Company shall not, if the Directors so determine, be entitled to attend or vote, or to exercise rights of membership as aforesaid, if he or any other person appearing to be interested in such Ordinary Shares has failed to comply with a notice given under section 212 of the Act within 14 days from the date of service of such notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the Ordinary Shares in question are transferred or sold in the circumstances set out in the Articles.

6.2.5 Record Dates and Unclaimed Dividends

The Company or its Directors may fix any date as the record date on which registered holders of Ordinary Shares shall be entitled to receipt of any dividend provided that such record date may be on or at any time within 6 months before or after any date on which the dividend is

declared or paid. Any dividend unclaimed after a period of 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

6.2.6 *Variation of Rights*

Subject to the statutory provisions, any rights attaching to any class of share in the Company may be varied with the written consent 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 the relevant class. The quorum for any such separate general meeting shall be persons holding, or representing by proxy, not less than one third in nominal value of the issued shares of the relevant class.

6.2.7 *Transfer*

Except as may be required by any procedures implemented pursuant to the Articles in accordance with the Act following the introduction of paperless trading, all transfers of shares must be effected by written instrument in any usual form or in any other form acceptable to the Directors and must be executed by or on behalf of the transferor and (in the case of a partly paid Ordinary Share) the transferee. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of them. The Directors have discretion to refuse to register a transfer of any share which is not fully paid without giving a reason, but must provide the transferee with a notice of the refusal within 2 months. The Directors may also decline to register any instrument of transfer unless (i) it is in respect of only one class of share; (ii) it is lodged with the Company, together with the relevant share certificate(s); and (iii) it is in favour of not more than 4 transferees jointly.

The Directors may, subject to the provision of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under section 212 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class, and in respect of which the required information has not been received by the Company within 14 days.

6.2.8 *Alteration of Capital*

The Company may alter its share capital as follows:

- 6.2.8.1 by ordinary resolution, it may increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person; and
- 6.2.8.2 by special resolution and subject to the statutory provisions, it may reduce its share capital, any capital redemption reserve or any share premium account in any manner.
- 6.2.8.3 Subject to the provisions of the Act and with the sanction of an extraordinary resolution of the holders of any class of shares carrying rights to convert into equity share capital of the Company, the Company may purchase any of its own shares.

6.2.9 *Directors*

- 6.2.9.1 Unless altered by ordinary resolution of the Company, the minimum number of Directors of the Company is 2, and the maximum is 10. A Director is not required to hold any shares in the Company.
- 6.2.9.2 The aggregate fees paid to the Directors for their services in the office of Director in addition to any remuneration payable to a Director as the Board may in its discretion determine by reason of his appointment to any executive office or payable to a Director who performs services which, in the opinion of the Directors, go beyond the ordinary

duties of a Director, shall not exceed £100,000 or such amount as may be determined by the Board.

6.2.9.3 At each annual general meeting of the Company one-third of the Directors who are subject to retirement by rotation (or, if their number is not 3 or a multiple of 3, the number nearest to but not more than one-third) shall retire from office by rotation.

6.2.9.4 A person shall not be prevented from being appointed a Director and shall not be required to vacate the office of Director, by reason only of the fact that such person has attained the age of 70 years.

6.2.10 *Directors' interests*

Save as provided in the Company's Articles of Association, a Director shall not vote or be counted in a quorum at a meeting in relation to any resolution concerning any contract or arrangement in which he is to his knowledge materially interested.

6.2.11 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and to issue debentures and other securities. The Directors shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to any subsidiary or subsidiary undertaking so as to secure (so far, as regards subsidiaries and subsidiary undertakings, as by such exercise they can secure) that the aggregate amount at any one time outstanding in respect of all money borrowed by the Company and/or any of its subsidiaries or subsidiary undertakings (other than intra-group borrowing) shall not, without the previous sanction of an ordinary resolution of the Company exceed £7,000,000.

7. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group in the 2 years prior to the date of this document and are or may be material:

- 7.1 A letter of engagement dated 30 November 2005 whereby the Company appointed Daniel Stewart as financial advisors and nominated advisors in connection with the Company's application for Admission. A fee will become payable upon Admission. The Company must also reimburse fees, VAT and disbursements together with disbursements to Daniel Stewart's solicitors. Following Admission, an annual fee will be payable by installments on a recurrent basis. The letter of engagement also appointed Daniel Stewart as brokers to the Company for the Placing prior to Admission.
- 7.2 A letter of engagement dated 14 December 2005 whereby the Company appointed UHY Hacker Young as reporting accountants in preparation for the Placing and Admission.
- 7.3 An agreement dated 9 February 2006 whereby the Company appointed Capita IRG plc as registrars and to deal with consolidating shares, preparing, sealing and dispatching certificates and/or crediting CREST accounts.
- 7.4 A letter of engagement dated 23 December 2005 whereby the Company appointed Irwin Mitchell as its solicitors in relation to the Placing and Admission.
- 7.5 A letter of engagement dated 1 March 2006 whereby the Company appointed Bishopsgate as financial PR advisors.
- 7.6 By a Trust Deed dated 6 October 2005 and made between the Company (1) and the Trustee (2), the Loan Stock was constituted and the Trustee appointed to act as its trustee. Further details of the Loan Stock are set out in Part II of this document. The Trust Deed was subsequently amended by a deed of amendment dated 20 March 2006.
- 7.7 The option agreements and warrants referred to in paragraphs 3.1 to 3.8 inclusive.

- 7.8 The Group has replaced its previous bank facilities with a confidential invoice discounting facility with Cattles Invoice Finance Limited (“Cattles”) under which the Company has access to a maximum facility of £1.3 million by financing 50 per cent. of trade debtors less than 12 months old. Cattles has the benefit of a debenture granted by the Company creating fixed and floating charges over all present and future assets. Cattles has entered into a deed of waiver and priorities with the Trustee and the Company to regulate the priority of Cattles’ security and that of the Trustee.
- 7.9 On 20 March 2006, the Directors undertook by way of the Lock-In Agreements that subject to certain exceptions, they would not sell or otherwise dispose of, or agree to dispose of, any of their respective interests in the Ordinary Shares and Loan Stock held by them on Admission for a minimum period of 12 months following Admission and that if they wished to dispose of such interests in the subsequent 12 months, they would do so through Daniel Stewart after first giving notice of their intentions.
- 7.10 On 20 March 2006, the Company, the Directors, Mr D A Smith and Daniel Stewart entered into the Placing Agreement in which Daniel Stewart agreed (subject to the satisfaction of certain conditions, the last of which is Admission) as agent for the Company to use its reasonable endeavours to procure places for the Placing Shares in the Placing. Warranties were made and undertakings given to Daniel Stewart by the Company, the Directors and Mr D A Smith. Under the Placing Agreement, Daniel Stewart is entitled to receive a corporate finance fee and a commission of the gross proceeds of the Placing. In addition, the Company is to pay the fees, VAT and disbursements of the solicitors acting for Daniel Stewart.

8. Litigation

There are no governmental, legal or arbitration proceedings active in which any member of the Group is involved or which (so far as the Directors are aware) is pending or threatened against or being brought by any member of the Group, in the twelve months preceding the date of this document which have, or may have had, a significant effect on the financial position or profitability of any member of the Group.

9. Working Capital

The Directors are of the opinion that the working capital of the Group will be sufficient for its present requirements, ie for at least 12 months from the date of Admission.

10. United Kingdom Taxation

The following statements are intended as a general guide only and are based upon current legislation and HM Revenue and Customs (“HMR&C”) practice as at the date of this document and do not constitute advice to any shareholder or Warrant Holder or Loan Stock holder on that person’s tax position. They relate only to persons who are absolute beneficial owners of shares and or Loan Stock, and are resident or (if individuals) ordinarily resident in the United Kingdom for UK tax purposes and who hold shares and /or Loan Stock as investments and not as trading stock. They do not deal with the position of the Warrant Holders, certain classes of shareholders, such as dealers in securities, market makers, brokers, intermediaries, collective investment schemes, pension funds or UK insurance companies or whose shares are held under a personal equity plan or an individual savings account or are “employment related securities” as defined in Section 421B of the Income Tax (Earnings and Pensions) Act 2003. Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisors immediately.

10.1 Taxation of the Company

The Company will be liable to UK corporation tax on its profits chargeable to corporation tax at the prevailing rate. The rate may depend upon; inter alia, the level of its profits for each accounting period.

10.2 *Taxation of Shareholders*

Dividends paid by the Company will carry an associated tax credit of one ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and associated tax credit. A UK resident shareholder who is an individual receiving a dividend will be liable to income tax on the aggregate of the net dividend and associated tax credit at the distribution income ordinary rate (10 per cent.) or the distribution income upper rate (32.5 per cent.).

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower or basic rate of income tax will have no further liability to income tax in respect of such a dividend. To the extent that the tax credit exceeds that shareholder's liability to UK income tax, such shareholder will not be entitled to claim payment of the excess from HMRC.

A shareholder who is liable to income tax at the higher rate will have an additional tax liability (after taking into account the tax credit) of 22.5% of the aggregate of the dividend and associated tax credit.

A UK tax resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless the corporate shareholder is carrying on a trade of dealing in shares. UK pension funds (together with other tax exempt funds) and most UK corporate shareholders will not be entitled to obtain repayments of any tax credit associated with dividends.

Persons who are not resident in the UK should consult their own tax advisors on the taxation of dividend income received in the jurisdiction in which they are resident and on what relief or credit may be claimed.

10.3 *Taxation of Chargeable Gains*

If an individual shareholder disposes of all or some of his shares, a liability to tax on chargeable gains may, depending on their circumstances, arise subject to, in the case of individuals, a deduction for taper relief the amount of which depends on various factors, in particular the length of the period of ownership of the shares.

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain.

10.4 *Inheritance Tax – Business Property Relief (“BPR”)*

Unquoted ordinary shares in trading companies potentially qualify for 100 per cent. BPR which gives up to 100 per cent. exemption from inheritance tax. Where an investor makes a lifetime gift of shares or dies while still the owner of the shares, no inheritance tax should be payable in respect of the value of the shares, provided the relevant conditions are met. In the case of the Company, any such relief may be unavailable to shareholders if the Company carries on certain excluded activities including the making or holding of investments. BPR is restricted to the extent that the value of any of a company's business includes excepted assets.

10.5 *Taxation of Loan Stock Holders*

Interest paid to holders

10.5.1 The Company will deduct income tax at the applicable rate, which is currently 20%, from interest paid to an individual resident in the United Kingdom who is beneficially entitled to the Loan Stock. The Company will account to HMRC for the income tax deducted.

10.5.2 The Company may make payments of interest without deducting income tax at the applicable rate where it is satisfied that the beneficial holder of the Loan Stock is, inter alia, a UK resident company or the UK trading branch of a non resident company that is subject to UK corporation tax in respect of its UK branch profits.

10.5.3 The Company will deduct income tax at the applicable rate from interest it pays to persons that are not resident in the United Kingdom. Where an application is made by the non resident loan

stock holder so as to benefit from double taxation treaty arrangements, and the Company is provided by HMRC with a relevant exemption notice, the Company will deduct tax from interest paid at the rate applicable under the double tax treaty concerned. Where no such notice is given to the Company income tax will be deducted at 20%.

Interest received by Stockholders

UK resident individuals

10.5.4 As regards a UK resident individual, Loan Stock interest will constitute savings income. A UK resident individual will be assessed to UK income tax on the aggregate of the net interest income that he receives and the income tax deducted by the Company at source. Savings income will be chargeable to income tax at the lower rate, currently 20%, provided that the individual is not chargeable at the starting rate or the higher rate. Savings income is chargeable at the higher rate to the extent that it falls within the individual's higher rate band and credit will be given for the income tax deducted by the Company. Income tax deducted at source by the Company may be reclaimed by the individual where the individual's total income tax liability falls below the income tax so deducted.

Companies paying UK corporation tax

10.5.5 A UK resident company including a UK trading branch of a non resident company that is subject to UK corporation tax will in general be liable to UK corporation tax on the amount recognised in the accounts in accordance with generally accepted accounting practice under the loan relationship rules as they relate to loan stock with rights to conversion.

Generally

10.5.6 As a general matter, there are circumstances in which interest accrued in respect of the Loan Stock may be charged to taxation where Loan Stock is transferred or where accrued interest is converted to Shares.

Non resident Loan Stockholders

10.5.7 Non UK resident persons should consult their own tax advisors regarding the taxation of interest income derived in respect of Loan Stock in their own tax jurisdiction.

Conversion

10.5.8 The Loan Stock is defined for UK tax purposes as a qualifying corporate bond. Where the Stockholder is a UK resident individual or a UK company or UK trading branch of a non resident company, the conversion of the Loan Stock to Shares of the Company will comprise a reorganisation for capital gains tax purposes and special rules may apply. If there is a conversion at a premium to nominal value, there may be an interest income consequence as mentioned in paragraph 10.5.9 below.

Redemption and purchase

10.5.9 A premium to the quoted price as derived by the Stockholder on the purchase by the Company of Loan Stock may depending upon the circumstances be categorised as interest income in the hands of the Stockholder.

10.5.10 Shares acquired by a Stockholder in the market other than by way of conversion or redemption will be treated as a separate asset from his existing holding of Loan Stock.

10.6 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

10.6.1 The allotment and issue of new Ordinary Shares by the Company pursuant to the Placing will not give rise to a charge to stamp duty or SDRT.

- 10.6.2 Transfers of Ordinary Shares will be liable to stamp duty at the rate of 50 pence per £100 (or part thereof) on the actual consideration paid, subject to a minimum duty of £5. An unconditional agreement to transfer such shares will be subject to SDRT at the rate of 0.5 per cent. of the consideration paid, payable at the end of the month following the date of the agreement or if the agreement was conditional. However, when an instrument of transfer is executed and duly stamped before the expiry of a period of 6 years beginning with the date of that agreement, a claim can normally be made to cancel or obtain a repayment of the SDRT liability. The purchaser will normally assume the liability to pay the stamp duty and will be liable to pay the SDRT.
- 10.6.3 Special rules apply to the agreements made by market makers in the ordinary course of their business, broker-dealers, and certain other persons. Agreements for the transfer of shares to charities will not give rise to SDRT or stamp duty.
- 10.6.4 Where Ordinary Shares are issued to, or transferred to issuers of clearance services, or in certain circumstances, their nominees or agents, stamp duty will be payable at the higher rate of £1.50 per £100 (or part thereof) on the amount or value of the consideration provided, or SDRT will be payable at the higher rate of 1.5 per cent. of the consideration, or, in certain cases, the value of the shares transferred.

11. General

- 11.1 The total amount being raised by the Company through the Placing is £351,599.
- 11.1.1 The Company intends to pay for the expenses of Admission totalling approximately £300,000 from the blocked deposit account set up following the issue of the Loan Stock.
- 11.1.2 No expenses of the Placing are being specifically charged to subscribers under the Placing and no commission is payable by the Company to any person in consideration of them agreeing to subscribe for Ordinary Shares.
- 11.2 The Placing Price of 61 pence per Placing Share represents a premium of 51 pence above the nominal value of 10 pence per Ordinary Share. The Placing Price is payable in full on application. Share certificates will be sent to successful placees by first class post at the risk of the placees within 10 days of the close of the Placing.
- 11.3 There have been no interruptions in the Company's business in the last 12 months which may have or have had a significant effect on its financial position.
- 11.4 The Existing Ordinary Shares have previously been subject to dealings on Ofex. The Company intends to apply for admission of the Enlarged Issued Share Capital and the Loan Stock to trading on AIM immediately after the successful closing of the Placing.
- 11.5 The accounting reference date of the Company is 31 March of each year.
- 11.6 Save as disclosed elsewhere in this document, the Group has no investments in progress which are significant.
- 11.7 The financial information set out in this document does not constitute statutory accounts. That for the financial periods prior to 31 March 2005 given in Part IV is derived from statements audited by Brebner Allen & Trapp. The statements for the 6 month period ended 30 September 2005 were audited by UHY Hacker Young.
- 11.8 Save as described in this document, there are no patents or intellectual property rights, licences, or particular contracts which are or may be of fundamental importance to the Group's business.
- 11.9 Save as disclosed elsewhere, no person directly or indirectly (other than the Company's professional advisers and trade suppliers) has in the last 12 months received, or is contractually entitled to receive, directly or indirectly from the Company on, or after Admission, any payment or benefit from the

Company to the value of £10,000 or more, or securities in the Company to such value or has entered into any contractual arrangements to receive the same from the Company at the date of this document.

- 11.10 Daniel Stewart has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which it appears. It has made no enquiries and accepts no liability whatsoever for the content of or omissions from this document for which the Directors are solely responsible.
- 11.11 UHY Hacker Young has given and not withdrawn its written consent to the issue of this document with the inclusion of its reports as set out in Part IV of this document, together with the references to its name in the form and context in which it appears.
- 11.12 The Directors are the promoters. There are no payments to promoters planned other than those set out in this document.
- 11.13 Mr JA Smart is a director of 9NBP Limited, which is the landlord of the premises in Grantham occupied by the Group on commercial terms. The appropriate percentage of the Group's annual turnover represented by these payments over the periods covered by the financial statements set out in Part IV is between 0 and 0.85 per cent. He is retained as a consultant by JMP Solicitors, which is a major customer of the Group and to which the Group provides payroll services. He also acts as company secretary to The JM Practice Limited.
- 11.14 Mr PA Lavender is a director of Rivington Street Holdings Limited and a number of its subsidiaries, including Bishopsgate. Bishopsgate provides financial public relations services to the Group on commercial terms. The appropriate percentage of the Group's annual turnover represented by these payments over the periods covered by the financial statements set out in Part IV is between 0.2 and 0.4 per cent.
- 11.15 The ISIN allocated to the Ordinary Shares is GB00B0Z08D12. The ISIN allocated to the Loan Stock is B00B0Y5LY13.
- 11.16 The general telephone number of the Company's principal place of business and registered office is 01476 560113.
- 11.17 The number of employees of the Group at the end of each of the last financial periods was 20 (31 March 2003 and 2004) and 24 (31 March 2005).
- 11.18 Save as disclosed in this document, the Directors are not aware of any exceptional factors that have influenced the Group's activities.

Dated 21 March 2006