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The Company and the Directors, whose names appear on page 3 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Company and 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.

No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this Document or any subscriptions made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information in this Document is correct as of any time subsequent to the date of this Document.

Application has been made for the whole of the issued and to be issued ordinary share capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the 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. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority or to any other recognised investment exchange. It is expected that Admission will take place and that dealings in the Ordinary Shares will commence on AIM on 9 May 2006.

ATELIS PLC

*(Incorporated in England and Wales under the Companies Act 1985 (as amended)
with registered number 04905599)*

PLACING OF 5,000,000 ORDINARY SHARES OF 0.25P EACH AT 20P PER ORDINARY SHARE

AND

ADMISSION TO TRADING ON AIM

Nominated Adviser

CITY FINANCIAL ASSOCIATES LIMITED

Broker

LEWIS CHARLES SECURITIES LIMITED

Ordinary Share Capital on Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£2,500,000	1,000,000,000	Ordinary Shares of 0.25p each	62,562.50	25,025,000

The Placing Shares will, following allotment, rank equally in all respects with the Existing Ordinary Shares of the Company, including the right to receive all dividends or other distributions declared or paid on the Ordinary Shares after the date of this Document.

City Financial Associates, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Nominated Adviser and Lewis Charles Securities, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Broker in connection with the Placing and Admission for the purposes of the AIM Rules and each is acting exclusively for the Company and will not be responsible to anyone other than the Company for providing the protections afforded to customers of City Financial Associates and Lewis Charles Securities or for advising any other person on the Placing and other arrangements described in this Document. The responsibilities of City Financial Associates, as Nominated Adviser, are owed solely to the London Stock Exchange. Neither City Financial Associates nor Lewis Charles Securities has authorised the contents of any part of this Document or otherwise and no liability whatsoever is accepted by either City Financial Associates or Lewis Charles Securities for the accuracy of any information or opinions contained in this Document.

This Document does not constitute an offer to sell, or a solicitation to buy, Placing Shares or Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not to be taken, transmitted or distributed, directly or indirectly, in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or any other country outside the United Kingdom where that may lead to a breach of any legal or regulatory requirements. Neither the Placing Shares nor the Ordinary Shares have been nor will be registered under the United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any US person (within the meaning of the regulations made under the US Securities Act 1933 (as amended)) or to any person with an address in Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan.

The distribution of this Document and the placing of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, by the holders of the Existing Ordinary Shares, by City Financial Associates or Lewis Charles Securities that would permit a public offer of Ordinary Shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Copies of this Document will be available free of charge during normal business hours on weekdays (excluding public holidays) from the date hereof until one month after Admission from the office of City Financial Associates, at 6 Laurence Pountney Hill, London EC4R 0BL and the office of Lewis Charles Securities Limited, at 4-7 Chiswell Street, London EC1Y 4UP and from the registered office of the Company.

An investment in Atelis plc may not be suitable for all recipients of this Document. Any such investment is speculative and involves a high degree of risk. Prospective investors should carefully consider whether an investment in the Company is suitable for them in light of their circumstances and the financial resources available to them. Attention is drawn, in particular, to the Risk Factors set out in Part II of this Document.

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DIRECTORS AND ADVISERS

Directors	Andrew Russell Caird, <i>Executive Chairman</i> Rony Aharon Cohen, <i>Chief Executive and Chief Operating Officer</i> Shlomi Nir Simionovich, <i>Chief Technical Officer</i> Raymond Ian Harris, <i>Finance Director</i> Peter William Miller Dodds, <i>Non-Executive Director</i>
	All of:
Registered Office	Acre House, 11-15 William Road, London NW1 3ER
Company Secretary	Fisher Secretaries Limited Acre House 11-15 William Road London NW1 3ER
Nominated Adviser	City Financial Associates Limited Pountney Hill House 6 Laurence Pountney Hill London EC4R 0BL
Broker	Lewis Charles Securities Limited 4-7 Chiswell Street London EC1Y 4UP
Solicitors to the Company	Sprecher Grier Halberstam LLP 30 Farringdon Street London EC4A 4HJ
Solicitors to the Placing	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
Reporting Accountants	H W Fisher & Company 11-15 William Road London NW1 3ER
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

DEFINITIONS

In this Document, where the context permits, the expressions set out below shall bear the following meanings:

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules for companies governing admission to and trading on AIM, published from time to time by the London Stock Exchange
“Asterisk Open Source Code”	a freely available Linux-based code which a global community of developers work on and make the upgrades freely available to anyone
“City Financial Associates”	City Financial Associates Limited
“Articles of Association” or “Articles”	the Articles of Association of the Company from time to time
“Atelis Israel”	Atelis Israel Limited, the wholly owned subsidiary of the Company
“Combined Code”	the combined code on corporate governance published in July 2003 by the United Kingdom Financial Reporting Council
“Company” or “Atelis”	Atelis plc, a company incorporated in England and Wales on 19th September 2003 with company number 04905599
“CREST”	the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo
“CRESTCo”	CRESTCo Limited
“Directors” or “Board”	the directors of the Company whose names are set out on page 3 of this Document
“Director’s Service Contracts”	the service contracts entered into between the Company and each of Andrew Caird, Rony Cohen and Raymond Harris and ‘Director’s Service Contract’ means any one of them
“Document” or “Admission Document”	this document
“Enlarged Diluted Share Capital”	the issued Ordinary Share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the Placing Shares, assuming the exercise of the Options and Warrants
“Enlarged Share Capital”	the issued Ordinary Share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the Placing Shares
“Existing Ordinary Shares”	20,025,000 Ordinary Shares in issue immediately prior to the Placing
“Financial Services and Markets Act” or “FSMA”	the Financial Services and Markets Act 2000
“FSA”	the Financial Services Authority Limited, the single statutory regulator under the FSMA
“Group”	together, Atelis and its wholly owned subsidiary, Atelis Israel

“ISP”	Internet Service Provider
“ITSP”	Internet Telephony Service Provider
“Lewis Charles Securities”	Lewis Charles Securities Limited, broker to the Company
“Listing Rules”	the rules for listing made by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“NIS”	New Israeli Shekels
“Non Executive Director Appointment Letter”	the letter of appointment of Peter Dodds as a non executive director of the Company dated 6 April 2006
“Official List”	the official list of the UK Listing Authority
“Options”	the options granted to Raymond Harris to subscribe for 50,000 new Ordinary Shares as further described in paragraph 6.2 of Part IV of this Document
“Ordinary Shares”	the ordinary shares of 0.25p each in the capital of the Company with ISIN number GB00B13G7008
“Placing”	the conditional placing by Lewis Charles Securities on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 5 May 2006 between the Company, the Directors, Lewis Charles Securities and City Financial Associates, details of which are set out on page 41 of this Document
“Placing Price”	20p per Placing Share
“Placing Shares”	5,000,000 new Ordinary Shares
“PSTN”	public switched telephone network, the conventional system for making and receiving telephone calls
“Prospectus Rules”	the rules made by the FSA pursuant to sections 73A(1) and (3) of FSMA, as defined in section 417(1) of FSMA
“Shareholders”	holders of Ordinary Shares
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“uncertificated form”	shares recorded in the Company’s register of members as being held in uncertificated form, title to which may be transferred by means of CREST
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“VoIP”	Voice Over Internet Protocol, the technology used to transmit voice conversations over a data network using the Internet Protocol which data network may be the Internet or a corporate Intranet
“Warrant Instrument”	the warrant instrument constituting the Warrants adopted by the Company on 5 May 2006, details of which are set out in paragraph 11.4 of Part IV of this Document
“Warrants”	warrants to be granted to Lewis Charles Securities to subscribe for Ordinary Shares on the terms of the Warrant Instrument

PLACING STATISTICS

Placing Price	20 pence
Number of new Ordinary Shares being placed on behalf the Company pursuant to the Placing	5,000,000
Number of Ordinary Shares in issue immediately following the Placing	25,025,000
Percentage of Enlarged Share Capital attributable to the Placing	20 per cent.
Market capitalisation of the Company at the Placing Price on Admission	£5,000,000
Gross proceeds of the Placing	£1,000,000

EXPECTED TIMETABLE

Admission effective and commencement of dealings	9 May 2006
Placing Shares credited to CREST accounts	9 May 2006
Despatch of definitive share certificates (if applicable)	16 May 2006

PART I

INFORMATION ON THE COMPANY

1. Introduction

The Company was formed in September 2003 by Andrew Caird who was later joined by Rony Cohen, with the aim of developing a range of internet telephony which is known as Voice Over Internet Protocol (VoIP) software products to sell via a network of resellers and strategic partners.

Atelis has developed software that, when run on a powerful generic computer server, enables voice telephone calls to be made and received using the Internet as the transit medium ("Internet Telephony" or "VoIP", as it is more commonly called). The Company's software creates what is known as a "Softswitch", and provides the full functionality of a modern-day telephone exchange but at a significant cost saving to the customer.

Rony Cohen recruited Nir Simionovich, a highly qualified engineer and software developer in Israel, who began the project to create a range of software products, that would enable companies ranging from small businesses to Tier 1 National Carriers to benefit from the cost savings derived from broadband telephony. The software products allow customers to utilize the Internet to make and receive free calls on their network as well as cheaper calls to any other phone not on this network.

Reference sites for Atelis' core products have now been installed and accepted by Kayote Networks Inc, and Bezeq International Limited ("Bezeq") as well as a company which is one of the largest chip manufacturers in the world.

Market research suggests that the number of corporate telephone lines that use VoIP will leap from 4% in 2004 to 44% by 2008 and that corporate spending on VoIP will rise from £\$1billion in 2004 to \$5.5billion by 2008¹.

2. Business and Strategy

2.1 Differentiating Technology

The Company's core product is Softswitch software which has been developed from the Asterisk Open Source Code. Atelis has now written several external modules to manage such applications as billing. Atelis' software is competitively advantageous as it enables the applications it has designed/built to run on the same server as the Softswitch. The Directors believe that competing technology typically requires additional servers to provide a similar level of functionality.

The Directors believe that the ability to reduce costs to its customers through the utilisation of fewer servers is one of the key competitive advantages of its Internet telephony software as the additional software modules can all function on a single server.

The Directors believe that installations typically would require multiple servers, with each one responsible for handling a specific function. A full installation telephony service by one of Atelis' competitors typically comprises switching, billing and provisioning, requiring multiple servers, each handling the different functions. This would have added greatly to the complexity of the installation, the overall cost and the space requirements, as well as the reliability and maintenance.

The Company is already selling its Softswitch software which the Directors believe provide businesses with a comprehensive Internet telephony solution at a lower price than products currently offered by its competitors.

All software products currently developed by Atelis are proprietary. The Directors are considering seeking a patent for its software, but believe they have at least a 12-month lead on other entrants to this market. Atelis has a team of developers who are continuing to improve, and provide additional functionality to, its software products. Atelis intends to continue to invest in this area of the business as it believes that maintaining its technological advantage is crucial.

The Directors believe that the key technology differentiator between Atelis and its competitors is the integration of the switching software and Atelis installs its switches on generic Intel servers, which ensures that Atelis is able

¹Article "Dipping costs to fuel corporate VoIP growth" dated 1 June 2004 from website new.zdnet.com

to supply its clients with the latest server technology without the need to manufacture in-house hardware. This further ensures that the Company receives a manufacturer's warranty from Intel supplied back-to-back to its clients and only needs to maintain its software. This is a critical aspect of the Company's competitive price offering.

2.2 Route to Market

Atelis distributes its solutions through a network of resellers which include telecoms and IT systems resellers. The business model has four distinct projected income streams:

1. solutions, whereby Atelis offers a service marketed by the reseller to its customers, which will be branded for the reseller and will run on a generic Intel server;
2. revenue share on external call traffic generated by customers of the resellers;
3. subscriptions paid by the customer to the reseller for broadband telephony; and
4. ongoing support and maintenance, charged to the customer at approximately 12 per cent. of the price of the initial installation.

Atelis will typically share part of the revenue generated from the distinct income streams mentioned above with its resellers.

This core sales strategy by Atelis is intended to provide the end user with a reliable, innovative, affordable telephony solution through a network of authorised resellers. Each reseller would be fully trained in Atelis' range of products, and ideally would be a system integrator, ISP or similar within their country. The Directors believe that they will have ten resellers signed up within 6 months of Admission and are making good progress towards achieving this target. To date, the Company has five agreements in place for the supply of its products, consisting of one strategic agreement (see below on Bezeq) and four reseller agreements.

The precise terms of future contracts will be negotiated separately depending on the needs of each reseller. The Company is currently in negotiation with several other resellers and strategic partners.

The Atelis software solution is expected to retail at between:

- £4,000 – £10,000 for a small business solution; and
- in excess of £100k for a major carrier grade/TISP installation

The Company has signed five major contracts with resellers to offer products in various territories. Details are as follows:

<i>Customer</i>	<i>Territory</i>	<i>Initial Term</i>
Bezeq International Limited	Overseas customers primarily France	24 months
Ebony Enterprises Limited	Uganda and Kenya	24 months
Midas Telecoms Limited	Spain and South Africa	24 Month
TSG Limited	Romania	12 months
Quinlan Limited	Spain and Ireland	24 months

Under the terms of the reseller agreements, the reseller will market and sell Atelis' platforms. Atelis intends to train and support its resellers and offer second level support to them.

Bezeq International Limited (“Bezeq”)

In June 2005, the Company signed an agreement with Bezeq, Israel's largest broadband supplier and the leader in international telecommunications in Israel. The agreement covers the installation of Atelis software that facilitates VoIP switching calls to its overseas subscribers. The Directors believe this relationship will provide a key platform for the Company to demonstrate the quality and reliability of its software switching products. Bezeq was established in 1996 as a wholly-owned subsidiary of Bezeq Telecommunications Corporation Ltd., and is part of Israel's largest telecommunications group.

The contract with Bezeq is for the supply by Atelis of a VoIP platform and direct dial-in services to Bezeq's overseas customers together with support for the services provided including a call centre. Bezeq and Atelis are each entitled to half the revenue from customers for VoIP packages and direct dial in services after the cost of free minutes offered to customers has been deducted.

Atelis is to commence installation of equipment required by the Bezeq contract once appropriate funding for Atelis is in place. In the meantime, Bezeq have separately ordered a VoIP Softswitch from Atelis. Testing and verification was successfully completed on that in March 2006.

Ebony Enterprises Limited ("Ebony")

The Ebony contract was entered into in March 2006 and requires Ebony to identify projects in Uganda and Kenya for Atelis to provide VoIP solutions. The exact split in fees for each project is to be assessed on a case-by-case basis with not less than 20% being due to Ebony. Ebony's holding company, Marathon Corporation, has 20 years' experience in developing government projects in the telecom and utilities sector, has a number of offices throughout Africa and has significant expertise in facilitation of telecoms projects with both governments and national carriers. The Directors believe that the Atelis product offering will greatly enhance the Ebony product portfolio.

Although the contract has been recently completed, Ebony has already provided Atelis with the opportunity to bid for the supply and installation of a VoIP-based telephone system for the Kenya Anti-Corruption Commission.

Midas Telecoms Limited ("Midas")

The Midas contract was signed in March 2006. Midas is working with a property company in Spain to deliver voice and data services to a number of developments. Atelis has been contracted by Midas to deliver a broadband telephony solution for the property company using WiMax technology to 1,800 residential homes in southern Spain. The Directors anticipate further opportunities arising for Atelis from this relationship.

Established in the UK in 1996, Midas hosts a network of subscribers in the UK, Europe and 30 countries worldwide. It has entered into an agreement to act initially as agent for Atelis in Spain and South Africa. The first Midas project for which Atelis is bidding is to create an IP telephone service platform to be installed in three different locations; in Spain, the UK and South Africa, and to enable telephony services to traverse between those three countries and the rest of the world. The Atelis revenue for implementing the proposal is US\$228,800. In addition, Midas has asked for a technical specification for a 70-seat call centre in Cape Town servicing its ISPs and telecoms operations. The total revenue for implementing the proposal is US\$26,590.

Quinlan Communications Limited ("Quinlan")

The Quinlan contract was signed in March 2006. Quinlan is a systems reseller based in Ireland. The contract appoints Quinlan as the agent of Atelis in Ireland to promote Atelis products and use Atelis products in any projects it is involved in where telephone software is required.

TSG Limited ("TSG")

The TSG contract was signed in March 2006. TSG is a major systems re-seller in Romania with an International network of subscribers. The contract appoints TSG as the agent of Atelis in Romania.

The Company is also in an advanced stage of negotiations with other possible resellers.

In addition to reseller agreements, the Company has signed up a distribution agreement.

Digium Inc. ("Digium")

On 28 March 2006 the Company entered into an agreement to be a Channel Distributor for Digium, the creator and primary developer of Asterisk Open Source Code. The agreement authorises Atelis as a reseller of Digium products and services to resellers, turnkey integrators and end users. The Directors believe that becoming a Digium partner will further enhance the Company's growing reputation as a solid player in the VoIP market.

3. Market Background

Introduction to VoIP

In contrast to PSTN (the conventional analogue telephony network), VoIP uses digital technology to slice and bundle the data into packets. These packets are then transmitted from the source end-point to the destination end-point by moving from router to router until they reach their destination. No circuit is closed between the two end-

points as is the case with PSTN. As VoIP is a connectionless mode it is extremely efficient in transporting compressed calls, thus when there is data to transmit, all free bandwidth can be used. By using VoIP to transfer calls over the internet there is no need to have a physical network between switches which means that the service is not only efficient but is also very reliable.

By using a VoIP gateway, it is possible to make calls between a VoIP network and PSTN enabling any customer with broadband-enabled equipment to make calls to any network, albeit at a cost. However, calls on a VoIP network are free to both make and receive.

VoIP versus PSTN

VoIP has a number of advantages over PSTN, as shown below:

	<i>PSTN</i>	<i>VoIP</i>
Bandwidth	Each analogue telephone line uses 64 kbps in each direction	Using compression, VoIP can use as little as 10 kbps in each direction
Upgradeability	Usually requires significant hardware additions	Often requires only internet bandwidth and software upgrades
Cost	Line rental and call costs are more expensive	Calls are free between VoIP users of the same gateway
Carrier Lines	Dedicated lines required from the telco	All voice channels can be transmitted over the one internet connection
Remote private branch exchange extensions	Costly and require dedicated lines	A standard feature

Market Analysis

According to current market research reports, global VoIP traffic grew by 35% in 2004 and international VoIP traffic was expected to exceed 42 billion minutes in 2005, representing over 16% of the total international voice market.¹

Further research shows that as of June 2005 VoIP system sales had grown over the previous year by 31%, while sales of PSTN systems declined by 20% during the same period.² In 2004 global VoIP equipment sales revenues totalled \$1.7 billion, a 36% increase over 2003.³

The highest growth rates for broadband telephony have been seen in developing countries where PSTN telephony is inadequate and limited and national telecoms carriers are less dominant.

In the UK, despite a decreasing customer base, approximately 64% of all telephone lines still use BT services (this compares to over 80% in 2002)⁴. BT is reported to be investing heavily in developing its own VoIP offering for its customers; its large customer base leaves it in a good position to gain a large market share in VoIP. In developing nations VoIP growth is higher and consequently the Directors believe that there is more opportunity for smaller carriers and ISPs to gain a foothold in the VoIP market. It is in these markets where Atelis is focusing its sales.

4. Competitors

The market leaders are Cisco Systems (annual revenue of approximately \$25 billion), Avaya (annual revenue of approximately \$4.9 billion) and Nortel Networks (annual revenue of approximately \$10 billion).

The Directors believe that Atelis' solution is priced at a considerable discount in comparison to the products of the above companies, and is therefore better suited to meet the telephony needs of medium sized operators, carriers and ISPs. Other smaller competitors are generally localised and the Directors believe that with the proposed investment Atelis will be well placed to benefit from economies of scale and achieve better penetration

¹ Digital Media Europe 'Global VoIP traffic grew by 35% in 2004', 16/12/05

² CRN report 'VoIP Growth Vastly Outpacing Traditional Voice', 28/11/05, www.crn.com

³ vnunet.com 'Global VoIP market to reach \$1.7bn in 2005', 24/2/05

⁴ Ofcom, 'The Communications Market: August 2005 Quarterly Update'

in local markets than local suppliers.

The Directors believe the following to be the key barriers to entry into the VoIP market:

- Time and expertise required in developing voice software;
- Difficulty in securing first contracts, as carriers require lengthy testing and due diligence; and
- The need for support services, such as billing and maintenance and call centres to deal with customer queries.

5. Company Structure

Originally, the Company used the services of a management company in Israel, Marco Limited, which provided the necessary resources to allow Atelis to develop the software including provision of premises and other office facilities to the Company.

As the business has grown, the Directors believed it prudent to bring these services in house establishing a structure that would allow for growth of the business. The Company incorporated a subsidiary in Israel that employs 4 developers and has taken on premises in Herzelia (the district of Tel Aviv known as 'Silicone Coast' where Cisco Systems, amongst others, has a base).

An agreement has been drawn up between Atelis and its subsidiary, Atelis Israel, to cover the provision of services, development of software and ownership of the intellectual property in the software including the Atelis Virtual PBX (Private Branch Exchange) Platform and the NGX-1 ITSP platform SoftSwitch.

6. Directors

Andrew Caird, Executive Chairman (Age 58)

Andrew Caird is a founding member and director of the Company. Initially he spent 19 years with the RAF in the areas of supply logistics, fuels and personnel management. Since then he has worked for a number of companies including Calor Gas and an Apple computer supplier before concentrating on developing business models to harness the opportunities created by the internet. He set up Atelis in September 2003 and was later joined by Rony Cohen.

In the short term Andrew will act as Chairman of the Company pending the appointment of a non-executive chairman.

Rony Cohen, Chief Executive Officer and Chief Operating Officer (Age 33)

Rony Cohen, the co-founder of Atelis, worked originally for the Israeli Ministry of Defence in London before joining m-Wise Limited, a leading technology provider, where he was responsible for the development of new business in London and Israel. From 2002 he has concentrated on developing cutting edge VOIP technology and telecoms Softswitches in various forms.

Nir Simionovich, Chief Technical Officer (Age 32)

Following his military service in Israel as a System's Analyst for the Israeli Army computer Corp, Nir studied in the Technion in Haifa - IIT until the year 2000. During that time, Nir had been very involved in the Israeli Open Source community. Subsequently, he became a GNU Certified Linux professional (the GNU Project was launched in 1984 to develop a complete operating system which is free software), GNU Certified Linux Administrator, GNU Certified Linux Instructor and Stonebeat FullCluster Engineer, during his position as an Information Security consultant at artNET experts until 2001. He was employed by M-Wise Limited as IT Manager and pre-sale support engineer for 2 years from April 2001, joining Dimitel (UK) Limited as technology director in 2003. Rony Cohen recruited him to join Atelis' business in Israel in April 2004 which was formalised by a contract of employment with Atelis Israel in March 2006. He has published several technical documents regarding IT security and infrastructure and is an active member of the Asterisk Open Source PBX Project.

Raymond Harris, Finance Director (Age 66)

Raymond Harris FCA is a Chartered Accountant. He qualified as a chartered accountant in 1961 and became a partner in Bennett Nash Woolf in 1963. In 1976 he left the partnership and worked as a sole practitioner as Harris & Co. In 1977 Mr Harris founded and began developing a multinational telecommunications business. That business was sold in 1986 and Mr Harris continued to develop his accountancy practice until he merged Harris &

Co with Gerald Edelman in 1989. He retired from Gerald Edelman as a partner in June 2003. From July 2003 to date Mr Harris operates as a business and tax consultant, and is a director of one listed and three AIM listed companies and one OFEX listed company.

Peter Dodds, Non Executive Director (Age 67)

Peter Dodds initially spent 5 years with IBM then provided services to Gemini Computer Systems in Europe before joining the main board of the French division of Cap Gemini where he remained for 7 years. Subsequently he became Group Chief Executive of The Trend Group Limited and then director of an investment fund. More recently he has set up a business consultancy service providing management and non-executive services to companies in the IT and telecommunications fields.

7. Details of the Placing

The Placing Shares will represent approximately 20 per cent of the Enlarged Share Capital and, at the Placing Price, the Company will be valued at £5,000,000. The Company, the Directors and Lewis Charles Securities have entered into the Placing Agreement pursuant to which Lewis Charles Securities has agreed to use reasonable endeavours to procure subscribers for the Placing Shares. The Placing has not been underwritten by Lewis Charles Securities. Further details of the Placing Agreement are set out in paragraph 11.3 of Part IV of this Document.

The Placing Shares, following allotment, will rank equally in all respects with the Existing Ordinary Shares including in respect of any dividends and distributions paid or made in respect of the Ordinary Shares.

It is expected that definitive documents of title to the Placing Shares will be delivered by Share Registrars Limited, the Company's registrars, not later than 14 days after the date of Admission. Placing Shares issued to any Shareholder who does not request a definitive certificate will be registered within the CREST system.

8. Use of Proceeds

The net proceeds of the Placing receivable by the Company are expected to amount to £700,000 and are intended to be applied to fund Atelis Israel's continued development of the software comprising the Atelis modules, to allow for fulfilment of the orders placed to date by Midas Telecoms and others, to conclude negotiations with resellers currently in progress and to pursue further reseller contacts to commence negotiations with them.

9. Reasons for the Placing and for Admission

As stated above the Company believes that the opportunity to develop and market the emerging VoIP technology presents significant business opportunities and in order to exploit these and embark upon the next stage of its development, the Company is seeking a listing on AIM.

10. Admission to AIM and dealings in Ordinary Shares

Application has been made for all the issued and to be issued Ordinary Shares to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 9 May 2006. No application has been or will be made for the Warrants to be admitted to trading on AIM.

11. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Company has applied for the Existing Ordinary Shares and the Placing Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in all Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholders so wish.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates may do so.

12. Lock-ins and Orderly Market Arrangements

At Admission the Directors and persons connected with them will own an aggregate of 9,241,000 Ordinary Shares representing 36.93 per cent. of the Enlarged Share Capital. The Directors each have undertaken to City Financial Associates and Lewis Charles Securities that they will not sell or dispose of, except in certain limited circumstances permitted by the AIM Rules, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission and for the 12 months immediately following such anniversary will effect a sale only through the brokers for the time being of the Company and will only do so following consultation with the broker in relation to any such disposal and further that any such disposal will be made in such a manner as such broker may reasonably require with a view to maintaining an orderly market in the Ordinary Shares.

In addition Dganit Basha, Ian Farrell and Susan Tucker (shareholders in the Company) have entered into Lock In Deeds whereby they undertake that they will not sell or dispose of, except in certain limited circumstances permitted by the AIM Rules, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission and for the 12 months immediately following such anniversary will effect a sale only through the brokers for the time being of the Company and will only do so following consultation with the broker in relation to any such disposal and further that any such disposal will be made in such a manner as such broker may reasonably require with a view to maintaining an orderly market in the Ordinary Shares.

The Directors together with Dganit Basha, Ian Farrell and Susan Tucker comprise the related parties and applicable employees required by Rule 7 of the AIM Rules to enter into Lock in Deeds upon Admission.

13. Dividend Policy

The nature of the Company's business and the early stage of its development mean it is unlikely that the Directors will recommend a dividend in the early years following Admission. No dividend has ever been paid on the shares. The Directors believe that the Company should seek to generate capital growth for its shareholders but may recommend dividend distributions in the future, depending on the generation of sustainable profits, when it becomes commercially prudent to do so.

14. Corporate Governance

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and interests of Shareholders. The Directors intend that the Company will comply with the Combined Code in so far as it is practicable for a company of its size. At Admission, the Board will comprise 4 executive and 1 non-executive directors.

The Board has also considered the guidance issued by the Institute of Chartered Accountants in England and Wales (commonly known as the Turnbull Report) concerning the internal control requirements of the Combined Code. The Board intends regularly to review key business as well as financial risks facing the Company in the operation of its business.

The Company will operate a share dealing code for Directors and applicable employees on the basis set out in the Listing Rules.

The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities.

Following admission the audit committee will consist of Andrew Caird and Peter Dodds (as chair) and will have responsibility for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on, for meeting the auditors and discussing their reports on the accounts and the financial controls and for recommending the appointment of auditors.

Following admission the remuneration committee will consist of Peter Dodds (as chair) and Raymond Harris and will have responsibility for reviewing the performance of the executive Directors, setting their remuneration, determining the bonuses and considering the grant of share options. The remuneration and terms and conditions of the appointment of non-executive Directors are determined by the Board. No Director may participate in any meeting at which discussions or decisions regarding his own remuneration take place.

15. Employees

The Company currently has no employees other than the executive directors, Andrew Caird, Rony Cohen and Raymond Harris. Atelis Israel has 5 employees including Nir Simionovich. Four of the five employees were engaged during March 2006. Prior to that services were supplied to the Company by a research and development service company called Marco Limited based in Israel.

16. Warrants

Conditional on Admission the Company will issue 360,000 Warrants, equivalent to 1.4 per cent. of the Enlarged Share Capital, to Lewis Charles Securities. The Warrants are exercisable at the Placing Price pursuant to and on the terms of the Warrant Instrument as further described in paragraph 11.4 of Part IV of this Document.

17. Taxation

Information regarding taxation is set out in paragraph 15 of Part IV of this Document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to his or her tax position he or she should consult his or her own independent financial adviser immediately.

18. Enterprise Investment Scheme and Venture Capital Trusts

The Company has applied for provisional approval from HM Revenue and Customs that the Placing Shares are capable of being a “qualifying holding” for the purpose of investment by Venture Capital Trusts (“VCTs”) and will rank as “eligible shares” for the purpose of the Enterprise Investment Scheme (“EIS”).

The availability of EIS reliefs will be dependent, inter alia, on the personal circumstances of the individual investor and the Company continuing to satisfy the requirements for a qualifying company throughout a qualifying period from the date of issue of the Placing Shares. Tax reliefs for investments through VCTs should be available as long as the Placing Shares represent a “qualifying holding” for VCT purposes. The Company does not make any representations as to whether any such investment will be or will continue to be one in respect of which relief under the EIS or VCT legislation will be available.

EIS allows the following tax reliefs for qualifying individual investors provided investments are held for the qualifying period in respect of investment of up to their annual subscription limit, which in the tax year 2006/2007 is £400,000 per individual. This is on the basis that neither the company nor the investor breach any of the conditions during the three-year period:

- Initial income tax relief of 20 per cent. of the amount subscribed limited to the income tax liability of the investor for the year of subscription; and
- Exemption from capital gains tax (“CGT”) on a disposal, provided income tax relief was given in respect of the cash subscription and not withdrawn.

The EIS also allows CGT payable on any chargeable gains realised by individuals and certain trustees to be deferred until the EIS investment comes to an end. To qualify for CGT deferral, a sum up to the amount of the chargeable gain must be subscribed (not more than one year before nor more than three years after the date on which the chargeable gain arises) in new “eligible shares in a qualifying company” for the purposes of the EIS.

A claim for CGT deferral relief is made by the individual investors and certain trustees claiming the relief. There is no maximum investment limit for CGT deferral purposes.

Investors considering taking advantage of any of the reliefs under the EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.

19. The City Code on Takeovers and Mergers

Under Rule 9 of the City Code on Takeovers and Mergers (the “City Code”) any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all its shareholders to acquire for cash the remaining shares in that company at not less than the highest price paid by him or any persons acting in concert with him within the preceding twelve months.

Rule 9 of the City Code also provides, inter alia, that where any person, together with persons acting in concert with him, holds shares carrying not less than 30 per cent. but not more than 50 per cent. of a company's voting rights, and such person, or any other person acting in concert with him, acquires additional shares which increase his percentage of voting rights of such company, that person is normally required to make a general offer to all shareholders of the company for the shares not owned by him at not less than the highest price paid by him or any person acting in concert with him within the preceding twelve months.

After consultation with The Panel on Takeovers and Mergers the parties below have been identified as forming a concert party (the “Concert Party”) for the purposes of the City Code as they are considered founder members of the Company. Their shareholding in the Enlarged Share Capital is set out in the table below:-

	<i>Ordinary Shares</i>	<i>Percentage</i>
Dganit Basha	6,680,000	26.69%
Andrew Caird	4,876,000	19.48%
Rony Cohen	3,340,000	13.35%
Nir Simionovich	1,000,000	4.00%
Robert Jackson	160,000	0.64%
Andrew Mitchell	144,000	0.58%
Total	16,200,000	64.74%

Prospective investors should be aware that the Concert Party will collectively hold more than 50 per cent. of the Enlarged Share Capital of the Company and would, normally, be entitled to increase their aggregate shareholding without triggering any obligation under Rule 9 of the Code. However, Rule 9 of the Code would also apply to each of the members of the Concert Party separately, such that the Panel may regard, inter alia, any acquisition by any of them which increases their individual shareholding to 30 per cent. or more as giving rise to an obligation on that person to make an offer under Rule 9 of the Code.

20. Additional Information

Your attention is drawn to the information contained in the rest of this Document. In particular, you are advised to carefully consider the Risk Factors contained in Part II of this Document.

PART II

RISK FACTORS

AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.

In addition to the other relevant information in this Document, the Directors consider the following risk factors to be of particular relevance to the Company's activities and to any investment in the Company. If any of these risks actually occur, the Company's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment. Prospective investors are strongly encouraged to consult their own investment advisers prior to making an investment decision and should only do so if they are able to sustain a total loss of their investment.

Strategic Risks

Certain statements within this Document constitute statements of the current intention of the Directors based on their assessment of opportunities for increasing shareholder value. It is possible that such opportunities do not present themselves or are no longer appropriate and that the strategy of the Company will therefore need to be adjusted or changed in due course to take account of changing circumstances and new opportunities as they arise.

Political, Economic and Exchange Risks

The Company has offices in both Israel and in the UK. It currently has contracts to deliver VoIP with companies including those which operate in Turkey, Africa and Israel. Israel has a relatively stable political system and a developed financial and legal infrastructure and Turkey is applying to join the European Union. Despite this, the risk of political disruption in these countries that might affect the ability of the Company to continue to operate, particularly in Africa, is greater than the risk an investor might expect in relation to a country in Western Europe.

The Company has an Israeli subsidiary and two of its directors are domiciled there. Accordingly, political, economic and military conditions in Israel directly affect the Company's operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbours. A state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. The future of peace efforts between Israel and its Arab neighbours remains uncertain. Any future armed conflicts or political instability in the region could negatively affect business conditions and harm the Company's operations.

The Company's Israeli subsidiary is subject to Israeli tax legislation which differs in material respects from UK tax legislation.

The Company's core activities generate revenues in both Sterling and US dollars, whilst the majority of its cost base is currently denominated in US dollars. There is a small risk that the exchange rates of these currencies will move in a direction that is unfavourable to the Company.

Regulatory Risk

It is always possible that the trend to de-regulate the telecoms industry will be reversed and governments will again seek to regulate the market and limit competition. Such regulation may also involve subsidised calling which would make the Company's business less likely to succeed. Such reform may also outlaw private VoIP carriers and the business of the Company could no longer be carried on in those countries. The Company does not believe this to be a likely scenario.

Technological Risk

The Company operates in an industry where a competitive advantage is heavily dependent on both technology and speed to market. It is possible that some future technological developments might reduce the importance of the Company's function in the telecommunications market or render the equipment on which they operate redundant.

There is also the risk of the failure of third party networks or third party hosted equipment whether due to deliberate vandalism/terrorism or acts of God. This would prevent telecoms in general from operating and re-routing would be required. The level of disruption would depend on the severity of the failure. Viruses are a feature of the Internet and can cause disruption although the telecoms transmissions are less prone to attack than other forms of data transmission. Telecoms transmissions necessary for the operation of the business rely not only

on the internet functioning but also on the availability of points of presence on the Internet which conceivably could be disrupted by terrorism, power shortages and failure of the carriers' equipment. The disruption of the electricity supply is more common in certain countries the Company is doing business in or has identified as an area where they wish to undertake business (Turkey and Africa) The Company is or will arrange for back up power supplies to prevent or limit disruption to the VoIP services.

Additionally, there is a risk of loss of data and/or code, although the Company creates hourly back-ups of each version of the code to minimise the risk of loss of data and stores copies of the back-ups externally. This reduces the amount of data loss to, in the worst case, one day's work.

Control of the Internet

It is possible that political considerations may force a radical re-assessment of the method of operation of the Internet, and with it, further restrictions and limitations may be imposed by governments and regulatory bodies they appoint. The likelihood of this happening is extremely remote, but cannot be ruled out.

Competitive Risk

The telecommunications market has never been more competitive and there is a risk that the Company's suppliers will be unable to withstand the commercial pressures and will become insolvent or re-structure themselves in such a way that the benefit for the Company is lost.

There is also the risk that a large telecoms company could seek to undercut all current VoIP providers in order to gain a foothold in the market.

Additional Requirements for Capital

Whilst the Company expects that the capital it will raise through the Placing will be sufficient to support its current business plan in the medium term, it is possible that unforeseen events or new business opportunities will necessitate the raising of further capital. Such an eventuality might result in the dilution of the holdings of existing shareholders or a requirement for additional investment from existing shareholders.

AIM and Liquidity of the Ordinary Shares

Notwithstanding that Admission becomes effective and dealings commence in the Ordinary Shares, this should not be taken as implying that there will be a liquid market for the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which the Ordinary Shares will be traded and the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its proposed operations, and some which may affect the business sectors in which the Company operates. Such factors could also include the performance of the Company's projects, large purchases or sales of the Ordinary Shares, liquidity or the absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Company and general economic conditions.

Taxation Framework

This Document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Such legislation and practice may change and the current interpretation may therefore no longer apply.

International Financial Reporting Standards

In June 2002, the Council of Ministers of the European Union approved a regulation (the "Regulation") requiring all companies that are governed by the law of a member state of the European Union and whose securities are admitted to trading on a regulated market of any member state to prepare their consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Regulation is to be effective for each financial year starting on or after 1 January 2005. On 12 October 2004, AIM changed its regulatory status and it is now regulated by London Stock Exchange. Therefore, it is no longer a regulated market under European Union regulations. On 7 October 2004, London Stock Exchange issued guidance to Rule 17 of the AIM Rules which stated that the London Stock Exchange intends to mandate

International Accounting Standards for all AIM companies for financial years commencing on or after 1 January 2007. AIM companies are encouraged to prepare for this change well in advance of this date.

It is expected that there will be significant continuing developments in IFRS between now and the date of adoption of IFRS by the Company and consequently there is uncertainty about exactly what IFRS will require at that time. In the meantime, the UK Accounting Standards Board is adopting a phased transition to the conversion of existing UK financial reporting standards (“UK FRS”) to IFRS and as a result is in the process of issuing a number of new standards or revisions to existing standards over the next two years.

However, it is likely that, by the IFRS implementation date set by the London Stock Exchange, UK FRS will not be fully aligned with IFRS. Therefore the transition of UK FRS to IFRS and/or the adoption of IFRS could possibly have a material impact on the Group’s financial position and reported results, although it is not possible for the Directors to quantify the impact at this time.

General

The risks noted above are not intended to be presented in any assumed order of priority.

PART III
FINANCIAL INFORMATION ON THE COMPANY
ACCOUNTANTS REPORT ON ATELIS PLC

The Directors
Atelis Plc
Acre House
11/15 William Road
London
NW1 3ER

And

The Directors
City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

And

The Directors
Lewis Charles Securities Limited
4-7 Chiswell Street
London
EC1Y 4UP

5 May 2006

ATELIS PLC (the “Company”)

Dear Sirs

We report on the financial information set out below relating to Atelis Plc. This financial information has been prepared for inclusion in the admission document dated 5 May 2006 2006 of Atelis Plc on the basis of the accounting policies set out in paragraph 4.1.

Introduction

The Company was incorporated as NRG Software Limited on 19 September 2003 with the registered number 05310224. The total authorised share capital of the Company on incorporation was £100 comprising 100 ordinary shares of £1 each. On 17 May 2005, the Company increased its total authorised share capital to £50,000 by the creation of 49,900 ordinary shares of £1 each. On the same date, the 50,000 ordinary shares of £1 each were subdivided into 20,000,000 ordinary shares of £0.0025 each. On 1 July the Company further increased its authorised share capital to £2.5m, with the creation of 980 million ordinary shares of £0.0025 each.

The Company re-registered as a public company on 22 June 2005.

The Company has one wholly owned subsidiary, Atelis Israel Limited. Atelis Israel Limited was incorporated in Tel Aviv, Israel on 9 March 2006, it has an authorised share capital of 100 shares of NIS 1 each of which 100 shares have been issued and are held by the Company. Atelis Israel Limited has not traded since incorporation.

The Company has not paid dividends or made any other distribution since incorporation.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 4.1.2 to the financial information and in accordance with UK Generally Accepted Accounting Principles (“UK GAAP”).

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

Basis of opinion

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the admission document dated • 2006, a true and fair view of the state of affairs of Atelis Plc, as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 4.1.2 and in accordance with UK GAAP.

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.

H W Fisher & Company
Acre House
11-15 William Road
London
NW1 3ER

1. PROFIT AND LOSS ACCOUNT

		<i>Period ended</i> <i>31 December</i> 2005	<i>Period ended</i> <i>30 September</i> 2004
	<i>Notes</i>	£	£
Turnover	4.2	73,294	—
Cost of sales		(21,921)	—
Gross profit		51,373	—
Administrative expenses		(63,905)	—
Operating loss on ordinary activities before taxation	4.3	(12,532)	—
Tax on loss on ordinary activities	4.5	(18,324)	—
Loss on ordinary activities after taxation		(30,856)	—
Accumulated profit brought forward		—	—
Accumulated loss carried forward		(30,856)	—

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

2. BALANCE SHEET

		<i>As at</i> <i>31 December</i> 2005 £	<i>As at</i> <i>30 September</i> 2004 £
Fixed assets			
Tangible assets	4.6	1,001	–
Current assets			
Debtors	4.7	73,294	1
Cash at bank and in hand		173	–
		<u>73,467</u>	<u>1</u>
Creditors: amounts falling due within one year	4.8	<u>(55,324)</u>	–
Net Current Assets		<u>18,143</u>	<u>1</u>
Net Assets		<u>19,144</u>	<u>1</u>
Capital and reserves			
Called up share capital	4.9	50,000	1
Profit and loss		<u>(30,856)</u>	–
Shareholders' fund - equity interests	4.10	<u>19,144</u>	<u>1</u>

3. CASH FLOW STATEMENT

		<i>Period ended 31 December 2005</i>	<i>Period ended 30 September 2004</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Net cash outflow from operating activities	4.11	(48,825)	(1)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,001)	—
Net cash outflow from capital expenditure		(1,001)	—
Net cash outflow before financing		(49,826)	(1)
Financing			
Issue of ordinary share capital		49,999	1
Net cash inflow from financing		49,999	1
Increase in cash	4.12	173	—

4. NOTES TO THE FINANCIAL INFORMATION

4.1 Accounting policies

4.1.1 Accounting convention

The accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

4.1.2 Basis of preparation

The financial information set out in Sections 1 to 3 for the period from incorporation to 31 December 2005 (the "Relevant Period") is based on audited dormant financial statement for the period from incorporation to 30 September 2004 and on non-audited financial statements for the period from 1 October 2004 to 31 December 2005 on the basis described in Note 4.1.1 to which no adjustments were considered necessary.

A non-statutory audit was prepared for the Company for the period from 1 October 2004 to 31 December 2005.

The financial statements for the periods ended 30 September 2004 and 31 December 2005 did not include statements of cash flows in accordance with Financial Reporting Standard No. 1 as the Company was exempt from the requirement to do so. The Statements of Cash Flows included in this report for those periods have therefore been specifically prepared for inclusion in this report.

4.1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment 12.5% straight line

4.1.4 Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the assets. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

4.1.5 Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

4.2 Turnover

The total turnover for the Company has been derived from its principal activity undertaken as follows:

	2005	2004
	£	£
Israel	49,176	–
Gibraltar	1,765	–
Spain	22,353	–
	<u>73,294</u>	<u>–</u>

4.3 Operating loss

	2005 £	2004 £
Operating loss is stated after charging:		
Auditors' remuneration	2,000	—

4.4 Directors' emoluments

	2005 £	2004 £
Director's emoluments	7,000	—

4.5 Tax on profit/loss on ordinary activities

	2005 £	2004 £
Current tax		
UK corporation tax		
Current tax on income for the period	—	—
Israeli turnover tax	18,324	—
	<u>18,324</u>	<u>—</u>

Factors affecting the tax charge

	2005 £	2004 £
Loss on ordinary activities before taxation	<u>(12,532)</u>	<u>—</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2004: 30%)	(3,760)	—
Effects of:		
Israeli Turnover Tax	18,324	—
Movement in tax losses	3,760	—
Current tax charge	<u>18,324</u>	<u>—</u>

Factors that may affect future tax charges

Atelis Plc has estimated trading losses of £30,856 available for carry forward against future trading profits, giving rise to a deferred tax asset of £9,256. This asset has not been recognised in these accounts.

4.6 Tangible fixed assets

	<i>Detail</i>
	£
Cost	
At 19 September 2003	—
Additions	—
At 30 September 2004	—
Additions	1,001
At 31 December 2005	1,001
Depreciation	
At 19 September 2003	—
Charge for the year	—
At 30 September 2004	—
Charge for the year	—
At 31 December 2005	—
Net book value	
At 31 December 2005	1,001
At 30 September 2004	—

4.7 Debtors

	<i>2005</i>	<i>2004</i>
	£	£
Trade Debtors	73,294	—
Other debtors	—	1
	<u>73,294</u>	<u>1</u>

4.8 Creditors: amounts falling due within one year

	<i>2005</i>	<i>2004</i>
	£	£
Other creditors	35,000	—
Other taxes and social security costs	18,324	—
Accruals	2,000	—
	<u>55,324</u>	<u>—</u>

4.9 Share capital

	<i>2005</i>	<i>2004</i>
	£	£
Authorised:		
1,000,000,000 ordinary shares of £0.0025 each (2004: 100 ordinary shares of £1 each)	<u>2,500,000</u>	<u>100</u>
Allotted, called up and fully paid:		
20,000,000 ordinary shares of £0.0025 each (2004: 1 ordinary share of £1 each)	<u>50,000</u>	<u>1</u>

The Company was incorporated with an authorised share capital of £100 divided into 100 ordinary shares of £1 each, of which one was issued. On 17 May 2005 the authorised share capital was increased by

£49,900 to £50,000 and on the same date the 50,000 ordinary shares of £1 each were subdivided into 20,000,000 of £0.0025 each.

On the same date the Company issued 19,999,600 ordinary shares in lieu of expenses and consultancy fees incurred by the individuals on behalf of the Company.

On 1 July 2005, the company further increased its authorised share capital to £2.5m with the creation of 980 million ordinary shares of £0.0025 each.

4.10 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Loss for the financial period	(30,856)	–
New share capital subscribed	49,999	1
Net addition in shareholders' funds	<u>19,143</u>	<u>1</u>
Opening shareholders' funds	1	–
Closing shareholders' funds	<u>19,144</u>	<u>1</u>

4.11 Net cash outflow from operating activities

	2005 £	2004 £
Reconciliation to operating loss:		
Operating loss	(12,532)	–
Increase in debtors	(73,293)	(1)
Increase in creditors	37,000	–
	<u>(48,825)</u>	<u>(1)</u>

4.12 Reconciliation of net cash flow to movement in net cash

	2005 £	2004 £
Increase in cash	173	–
Opening net cash	–	–
Closing net cash	<u>173</u>	<u>–</u>

4.13 Analysis of net cash

	<i>At</i> 19 September 2003 £	<i>Cash flow</i> £	<i>At</i> 19 September 2004 £
Cash at bank and in hand	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>
	<i>At</i> 1 October 2004 £	<i>Cash flow</i> £	<i>At</i> 31 December 2005 £
Cash at bank and in hand	–	173	173
	<u>–</u>	<u>173</u>	<u>173</u>
	<u>–</u>	<u>173</u>	<u>173</u>

4.14 Post balance sheet events

On 9 March 2006 the Company acquired the entire issued share capital of Atelis Israel Limited.

On 10 April 2006 the Company issued 25,000 ordinary shares of £0.0025 each at £0.25 per share.

PART IV

ADDITIONAL INFORMATION

Responsibility Statement

The Directors of the Company whose names appear in page 3 of this document accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (having taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

1. The Company and its subsidiary

- 1.1 The Company was incorporated and registered in England and Wales on 19 September 2003 under the Act as a private limited company with the name NRG Software Limited. By a Special Resolution of the shareholders passed on 17 November 2004 the Company changed its name to Atelis Limited. Atelis Limited was re-registered as a public company on 22 June 2005 when it adopted new memorandum and Articles of Association. Its registered number is 04905599. The principal legislation under which the Company operates and under which the Ordinary Shares have been created is the Act and the regulations made thereunder.
- 1.2 The principal purpose of the Company is to develop a range of telecommunication products in the VoIP market that offer significant commercial benefits to the telecoms industry and its associated partners.
- 1.4 The Company's registered office is at Acre House, 11-15 William Road, London NW1 3ER and its office address is London City Point, 1 Ropemaker Street, London EC2Y 9HT. Its place of business in Israel is at 3 Sapir Street, Ampa Building, Herzelia, Israel. The liability of the Company's members is limited. The telephone number of the registered office is 0207 388 7000 and of the place of business in the UK is 0870 4788248. The Company's trading name is 'Atelis'. The ISIN of the Ordinary Shares is GB00B13G7008.
- 1.5 The Company has a subsidiary, Atelis Israel Limited, incorporated in Tel Aviv, Israel on 9 March 2006. It has an authorised share capital of 100 shares of NIS 1 each of which 100 shares have been issued and are held by the Company. Its registered number is 513808386 and its registered office is 3 Sapir Street, Ampa Building, Herzelia, Israel. Together the Company and its subsidiary are referred to as "the Group".

2. Share Capital

- 2.1 The Company was incorporated with an authorised share capital of £100 divided into 100 Ordinary Shares of £1 each of which 1 was issued fully paid up to Andrew Caird. On 17th May 2005 the Company increased its total authorised share capital to £50,000 by the creation of 49,900 ordinary shares of £1 each. On the same date, the 50,000 ordinary shares of £1 each were subdivided into 20,000,000 ordinary shares of £0.0025p each. On 1 July the Company further increased its authorised share capital to £2.5m, with the creation of a further 980 million ordinary shares of £0.0025 each.
- 2.2 On 17 May 2005 the following further Ordinary Shares were issued fully paid:

<i>Name</i>	<i>No of shares</i>	<i>Percentage shareholding</i>
Dganit Basha	6,680,000	33.4%
Andrew Caird	4,876,000	24.4%
Rony Cohen	3,340,000	16.7%
Ian Farrell	1,900,000	9.5%
Susan Tucker	1,900,000	9.5%
Nir Simionovich	1,000,000	5.0%
Robert Jackson	160,000	0.8%
Andrew Mitchell	144,000	0.72%
Total issued Ordinary Shares	20,000,000	100%

- 2.3 Upon his appointment as a non-executive director on 6 April 2006 Peter Dodds subscribed for 25,000 Ordinary Shares at 25 pence per share.

2.4 The authorised and issued share capital of the Company as at the date of this document is as follows:

<i>Authorised</i>		<i>Share denomination</i>	<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£2,500,000	1,000,000,000	Ordinary shares of £0.0025p each	£50,062.50	20,025,000

2.5 The authorised and issued share capital of the Company immediately following Admission will be as follows:

<i>Authorised</i>		<i>Share denomination</i>	<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£2,500,000	1,000,000,000	Ordinary shares of £0.0025p each	£62,562.50	25,025,000

The Ordinary Shares are in registered form and following Admission may be held in either certificated or uncertificated form through CREST.

2.5 The Articles of Association of the Company provide the following:

- (a) Article 4.4 – the directors were generally and unconditionally authorised pursuant to and in accordance with section 80 of the Act to exercise for the period expiring five years after the date of incorporation of the Company and thereafter for any period (not exceeding five years on any occasion) for which the authority conferred by Article 4.4 is renewed or extended by resolution of the Company in general meeting stating the section 80 amount for such period all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £50,000; and
- (b) Article 4.5 – the directors were empowered, until the date of the annual general meeting in 2006, or the date not later than 18 months following the incorporation of the Company, whichever is earlier and during any other period (not exceeding 15 months on any occasion) for which this power may be renewed by special resolution, to allot equity securities wholly for cash pursuant to and within the terms of the said authority in connection with a rights issue and otherwise than in connection with a rights issue, up to an aggregate nominal amount equal to £50,000 as if section 89(1) of the Act did not apply to any such allotment and by such authority and power the directors may during such period make offers or agreements which would or might require the allotment of securities after the expiry of such period.

2.6 No securities of the Company 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.

2.7 The Ordinary Shares are not redeemable. No person has any preferential subscription rights in relation to the Share Capital of the Company.

2.8 Save as disclosed in this Part IV and apart from the issue of Ordinary Shares and Warrants pursuant to the Placing:

- (a) no share or loan capital of the Company has, since the date of incorporation of the Company been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;
- (b) no commissions, discounts, brokerages or other special terms have been granted by the Company since the date of its incorporation in connection with the issue or sale of any such share or loan capital; and
- (c) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

3. Memorandum of Association

3.1 The Memorandum of Association of the Company sets out in full the principal objects of the Company and includes carrying on the business of a general commercial company. The Company's Memorandum of Association is available for inspection at the address specified in paragraph 17 of this Part IV.

4. Articles of Association

The Company's Articles of Association contain, inter alia, provisions to the following effect:

4.1 *Voting*

- (a) Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held, and subject to the provisions of Articles 11 and 18.1 (b), upon a show of hands every Member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and in each case is entitled to vote shall have one vote and upon a poll every Member present in person or by proxy and entitled to vote shall have one vote for every Ordinary Share held by him.
- (b) If
 - (i) at any time when the Company is not subject to the UK City Code on Takeovers and Mergers (the "Code") or any successor regime (whether statutory or non-statutory) governing the conduct of takeovers and mergers in the UK (any of such being the "Takeover Regime");
 - (ii) any person (together with any persons held to be acting with him) acquires any shares in the Company and as a result he (whether or not with the other persons) would (in the opinion of the Board) have been obliged under the Takeover Regime to extend an offer (a "Mandatory Offer") to the holders of any other shares in the Company had the Takeover Regime applied to the Company (such person or persons who would from time to time have been required to have made such an offer being the "Mandatory Offeror(s)"; and
 - (iii) the Mandatory Offeror(s) fail(s) to make such an offer on terms no less favourable (in the opinion of the Board) to the other shareholders than he/they would have been obliged to offer under the provisions of the Takeover Regime had it applied (a "Compliant Offer") within 21 days following the date on which the obligation would have arisen,

the Board shall be entitled, but not obliged, to suspend with immediate effect, with notification thereof being given to the Mandatory Offeror(s) or (if different) the registered holders of the shares in the Company in which they have an interest, all voting rights attributable to the shares in the Company in which the Board considers the Mandatory Offeror(s) from time to time to have an interest. Any such suspension may, at the discretion of the Board extend for any period during which the obligation to make a Mandatory Offer would have continued to exist under the Takeover Regime unless and until a Compliant Offer is made.

If two or more persons are jointly entitled to a share, then, in voting upon any question, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders of the share, and for this purpose seniority shall be determined by the order in which the names stand in the Register.

No Member shall be entitled to be present or to be counted in the quorum at any General Meeting unless he shall be the holder of one or more shares giving the right to attend thereat upon which all calls or other moneys due and payable in respect of the same shall have been paid and no Member shall be entitled to vote at any General Meeting or upon a poll either personally or by proxy in respect of any share upon which any call or other moneys due and payable have not been paid.

Votes may be given either personally or by proxy. On a show of hands a Member (other than a corporation) present only by proxy shall have no vote, but a proxy for or representative of a corporation may vote on a show of hands. A proxy need not be a Member of the Company and a Member may appoint one or more than one person to act as his proxy.

4.2 *Variation of rights*

Subject to the Statutes, none of the rights, privileges or conditions for the time being attached or belonging to any class of shares forming part of the issued capital for the time being of the Company shall (unless otherwise provided by the terms of issue of the shares of that class) be modified, varied or abrogated in any manner, whether the Company is being wound up or not, except with the consent in writing of the holders

of not less than 75% in nominal value of the issued shares of the class or the sanction of an extraordinary resolution passed at a separate meeting of the members of that class, and then only subject to the provisions of Section 127 of the Act. To any such separate meeting all the provisions of these Articles as to General Meetings shall mutatis mutandis apply but so that the necessary quorum (other than at an adjourned Meeting) shall be not less than two persons personally present and holding or representing, either by proxy or as the duly appointed representative of a corporation which is a Member, at least 33.33% of the capital paid up on the issued shares of the class and, at an adjourned Meeting, one Member holding shares of the class in question or his proxy, and so that any holder of shares of the class in question present in person or by proxy may demand a poll and shall be entitled on a poll to one vote for every such share held by him. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by these Articles or by the terms of issue of the shares of that class, be deemed to be modified, varied or abrogated by the creation or issue of further shares ranking *pari passu* in all respects (save as the date from which such new shares shall rank for dividend) therewith or subsequent to those already issued.

4.3 *Alteration of capital*

The Company may from time to time by ordinary resolution, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid or not, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution directs.

Except as otherwise provided by or pursuant to the Articles or by the conditions of issue, any new share capital shall be considered as part of the existing share capital, and shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as the existing share capital.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
- (c) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of Section 121(3) of the Act and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any such restrictions, as compared with the others, as the Company has power to attach to unissued or new shares.

Subject to the provisions of the Statutes the Company may from time to time by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

4.4 *Dividends*

Subject to the Statutes and any preferential or other special rights for the time being attached to any special class of shares, the profits of the Company available for dividend in accordance with the Statutes which it shall from time to time determine to distribute by way of dividend shall be applied in payment of dividends upon the shares of the Company to the Members at the date of record in accordance with their respective rights and priorities.

All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares (otherwise than amounts paid up in advance of calls) during any part or parts of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

The Company in General Meeting may from time to time declare by ordinary resolution dividends but no such dividends shall (except as by the Statutes expressly authorised) be payable otherwise than out of the profits of the Company available for the purpose in accordance with the Statutes. No higher dividend shall be paid than is recommended by the Board and the declaration of the Board as to the amount of the profits at any time available for dividend shall be conclusive.

Subject to the provisions of the Statutes the Board may if it thinks fit from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and the Board may also pay 6 monthly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if it is of the opinion that the profits justify the payment, Provided the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares, having deferred or non-preferred rights.

Notwithstanding any other provision of these Articles the Directors may fix a date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time within 6 months before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made.

With the sanction of a General Meeting, dividends may be paid wholly or in part in specie and may be satisfied in whole or in part by the distribution amongst Members in accordance with the rights of fully paid shares debentures or other securities of the Company or of any other company, or of any other property suitable for distribution as aforesaid provided that no distribution shall be made which would amount to a reduction of capital except in the manner approved by law. The Board shall have full liberty to make all such valuations, adjustments and arrangements (including cash payments to Members upon the basis of the value fixed in order to adjust the rights of Members and vesting any specific assets in trustees upon trust for the persons entitled to the dividend), and to issue, in the case of certificated shares, all such certificates or documents of title as may in its opinion be necessary or expedient with a view to facilitating the equitable distribution amongst the Members of any dividends or portions of dividends to be satisfied as aforesaid or to giving them the benefit of their proper shares and interests in the property and no valuation, adjustment or arrangement so made shall be questioned by any Member.

Subject as follows, the Directors may resolve that ordinary shareholders will be entitled to elect to receive an allotment of further Ordinary Shares (“a scrip dividend”) credited as fully paid in lieu of any cash dividend or any part of a cash dividend, subject to such exclusions or restrictions as the Directors may in their absolute discretion deem necessary or desirable in relation to compliance with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory.

The Board may deduct from any dividend or other moneys payable in respect of any shares held by a Member, either alone or jointly with any other Member, all such sums of money (if any) as may be due and payable by him either alone or jointly with any other person to the Company on account of calls or otherwise in respect of shares of the Company.

All unclaimed dividends or other monies payable on or in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the payment of any such dividend into a separate account or the investment of such dividend shall not constitute the Company a trustee in respect thereof. No dividend shall bear interest as against the Company. Any dividend which has remained unclaimed for a period of 12 years from the date of declaration and payment thereof shall, if the Board so resolve, at the expiration of that period be forfeited and cease to remain owing by the Company and shall thenceforth belong to the Company absolutely.

4.5 *Return of Capital*

If the Company shall be wound up (whether the liquidation is altogether voluntary, under supervision or by the Court) the liquidator may, with the authority of an extraordinary resolution and any other sanction or authority required by the Act or the Insolvency Act 1986, divide among the Members in proportion to

their shareholdings in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon anyone or more class or classes of property, and may determine how such division shall be carried out as between the Members or different classes of Members. The Liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but 50 that no Member shall be compelled by the Liquidator to accept any assets in respect of which there is attached a liability or potential liability.

4.6 *Transfer of Shares*

Subject to the conditions and restrictions contained in the Articles any Member may transfer all or any of his certificated shares by instrument of transfer but not more than one class of shares shall be transferred by one instrument of transfer.

Every transfer of a certificated share must be in writing in the usual common form or in such other form as the Board may approve, and need not be under seal. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee but need not be under seal.

In relation to all transfers of shares, the transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof.

The Directors may refuse to register any transfer of certificated shares unless the instrument of transfer:

- (a) is duly stamped and deposited at the office of the Registrar of the Company for the time being, (or such other place as the Directors may appoint) accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognised person to whom a certificate has not been issued) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and
- (b) is in respect of only one class of shares.

The Directors may, in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any share which is not fully paid or on which the Company has a lien provided that such refusal does not prevent dealings in the shares from taking place on an open and proper basis.

The Directors may also refuse to register a transfer of any share (whether a certificated share or not and whether fully paid or not):

- (a) to an entity which is not a natural or legal person;
- (b) to a minor, to a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which remains undischarged or to a person who is then suffering from mental disorder and where any of the events specified in Articles 25.1(c) or (d) have occurred in relation to him; or
- (c) to be held jointly by more than 4 persons.

The Directors may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted by the Regulations and the requirements of the relevant system concerned.

If the Board refuses to register a transfer of any shares it shall send to the transferee notice of the refusal, as required by Section 183(5) of the Act, within 2 months after the date on which, in respect of certificated shares, the transfer was lodged with the Company, or, in respect of uncertificated shares, the date on which the appropriate instruction was received by or on behalf of the Company, in each case in accordance with the facilities and requirements of the relevant system concerned.

Subject to the provisions of Section 358 of the Act, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine provided that the Register shall not be closed for more than 30 days in any year.

Nothing in the Articles shall preclude the Board, before an allottee has been entered in the Register as the holder, from recognising a renunciation of the allotment of any share by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

4.7 *Suspension of rights*

Article 11 provides that if a Member, or any other person appearing to be interested in shares held by that Member, has been issued with a notice requiring disclosure pursuant to Section 212 of the Act and has failed in relation to any shares (“the default shares”) to give the Company the information thereby required in the form of a disclosure statement within the prescribed period from the date of the notice requiring disclosure, the following sanctions shall apply unless the Board otherwise determines:

- (a) the Member or any transferee who acquires shares other than by an excepted transfer shall not be entitled in respect of the default shares and any other share held by the Member or the transferee to receive notice of or be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares, or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- (b) where the default shares represent at least 0.25% of their class:
 - (i) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the Member shall not be entitled to elect to receive Ordinary Shares instead of that dividend; and
 - (ii) no transfer, other than an excepted transfer, of any shares held by the Member shall be registered unless:
 - (A) the Member is not himself in default as regards supplying the information required; and
 - (B) the Member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

Sanctions imposed on shares shall only be effective if the Company despatches a restriction notice to the relevant Member, or person appearing to be interested in shares held by that Member, on the day after the end of the prescribed period or on the next following business day.

Where the sanctions under Article 11 apply in relation to any shares, they shall cease to have effect (and any dividends withheld under Article 11.2(b) shall become payable) on the earlier of:

- (a) the shares being transferred by means of an excepted transfer; and
- (b) at the end of the period of 7 days (or such shorter period as the Board may determine) following receipt by the Company of a disclosure statement required by the notice mentioned in that paragraph, despite being received after the end of the prescribed period, and the Board being fully satisfied that such information in such statement is full and complete.

In addition, the Directors may by resolution:

- (a) suspend all or any sanctions which have been imposed on shares under Article 11, either as regards all those shares or some only of them, either permanently or for a particular period and either unconditionally or on terms; and/or .
- (b) pay, issue or transfer to a trustee for application in accordance with the Articles, any distribution in respect of any shares which are subject to a sanction concerning distributions.

The Company shall give written notice to the relevant Member, or other person appearing to be interested in shares held by that Member, of any resolution passed by the Directors under the previous paragraph.

4.8 *Purchase of own shares*

Subject to the provisions of the Statutes the Company may from time to time by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

4.9 *Untraced shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable any shares of a Member or any shares to which a person is entitled by virtue of transmission on death or bankruptcy if and provided that:

- (a) during the period of 12 years prior to the date of the publication of the advertisements referred to in Article 37.1(b) (or, if published on different dates the earlier or earliest thereof) at least 3 dividends in respect of the Shares in question have become payable and all warrants and cheques in respect of the Shares in question sent in the manner authorised by these presents have been returned or remained uncashed and unclaimed or, following one such occasion, reasonable enquiries have failed to establish any new address of the registered holder; and
- (b) the Company on expiry of the said period of 12 years shall have inserted advertisements (which if not published on the same day, shall have been published within 30 days of each other), both in a leading national newspaper published in the United Kingdom and in a newspaper circulating in the area of the last known address of the Member or person entitled by transmission or the registered address as appearing in the Register of such Member, giving notice of its intention to sell the said shares; and
- (c) during the said period of 12 years and the period of three months following the date of publication of the said advertisements (or, if published on different dates, the later or latest thereof) and prior to the exercise of the power of sale the Company shall not have received indication, either of the whereabouts or of the existence of such Member or person and no dividend which has become payable during that period has been claimed; and
- (d) notice shall have been given to the Quotations Department of the London Stock Exchange of its intention to make such sale, if shares of the class concerned are listed or dealt in on that exchange.

4.10 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of its undertaking, property and assets both present and future, including uncalled capital, and subject to the provisions of Section 80 of the Act to issue debentures, and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.11 *Notice of meetings*

At least 21 clear days notice of every Annual General Meeting and of every Extraordinary General Meeting at which it is proposed to pass a special resolution and at least 14 clear days' notice of every other Extraordinary General Meeting shall be given in manner hereinafter mentioned to such Members as are under the provisions of these Articles entitled to receive such notices from the Company and to the auditors of the Company. Every notice of Meeting shall specify the place, day and hour of meeting and, in the case of special business, the general nature of such business and shall also state with reasonable prominence that a Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a Member. In the case of a Meeting convened for passing a special or extraordinary resolution the notice shall specify the intention to propose the resolution as a special or extraordinary resolution as the case may be. Subject to the provisions of these Articles, to the rights attaching to any class of shares and to any restrictions imposed on any holder, notice shall be given to all Members, the Directors and the auditors.

A Meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in the last preceding Article be deemed to have been duly called if it is so agreed:

- (a) in the case of a Meeting called as the Annual General Meeting, by all the Members entitled to attend and vote thereat; and
- (b) in the case of any other Meeting, by a majority in number of the Members having a right to attend and vote at the Meeting being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote at the Meeting.

The accidental omission to give notice of any Meeting to or (where forms of proxy are sent with the notices) to send a form of proxy with a notice to any person entitled to receive the same, or the non-receipt of notice of any Meeting or form of proxy by such person shall not invalidate any resolution passed or proceeding had at that Meeting.

5. Directors' Interests

5.1 As at 4 May 2006 (the latest practicable date prior to the publication of this Document) and immediately following the Placing, the interests, all of which are beneficial, of the Directors in the issued share capital of the Company which:

- (a) have been notified to the Company pursuant to section 324 or under section 328 of the Act; and
- (b) are required to be entered in the register maintained under section 325 of the Act; or
- (c) are the interest of a person connected with a Director (within the meaning of section 346 of the Act) which, if the connected person were a Director, would be required to be disclosed under (a) and (b) of this paragraph 5.1 and the existence of which is known to the Director or could with reasonable diligence be ascertained by that Director were and will be as follows:

<i>Director</i>	<i>Number of Ordinary Shares as at the latest practicable date before this Document</i>	<i>Percentage of issued ordinary share capital at the latest practicable date before this Document</i>	<i>Number of Ordinary Shares immediately following Admission</i>	<i>Percentage of issued ordinary share capital immediately following Admission</i>
Andrew Caird	4,876,000	24.4%	4,876,000	19.48%
Rony Cohen	3,340,000	16.7%	3,340,000	13.35%
Nir Simionovich	1,000,000	5.0%	1,000,000	4.00%
Peter Dodds	25,000	1.3%	25,000	0.10%

On Admission Raymond Harris will be granted 50,000 options to subscribe for Ordinary Shares at the Placing Price to be exercisable at any time within 2 years from Admission.

- 5.2 Save as disclosed in paragraph 5.1 above, as at 4 May 2006 (the latest practicable date prior to the publication of this Document) none of the Directors nor any person connected with them (within the meaning of section 346 of the Act) had any interest, beneficial or otherwise, in the share capital of the Company.
- 5.3 There are no loans or guarantees provided by the Company for the benefit of any of the Directors nor are there any loans or guarantees provided by any of the Directors for the Company save that Andrew Caird has provided a guarantee for repayment of the loan made to the Company by Susan Tucker in October 2005 in the sum of £35,000. Interest accrues on the loan at the rate of 1.75% per month.
- 5.4 Save as disclosed in this Document, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company since its incorporation or which is or was unusual in its nature or conditions or significant to the business of the Company.

6. Directors' service contracts, remuneration and benefits in kind

6.1 Andrew Caird and Rony Cohen have agreed to provide full time executive director's services to the Company on the terms of the Director's Service Contracts which terms include:

- (a) The appointments were effective on 12 December 2003 by contract dated 12 April 2006 and are terminable upon six months notice in writing by either the Company or the director.
 - (b) The amount of annual gross remuneration is £75,000 in the case of Andrew Caird and £75,000 in the case of Rony Cohen subject to annual review.
 - (c) The benefits payable to each of the directors includes pension contributions paid by the Company at the rate of 10% of annual remuneration, membership of the Company's private medical expenses scheme and provision of a company car. The service contracts also include sick pay for 6 weeks at full pay and 6 weeks at half pay in any 12 month period, post termination restrictions of 12 months, garden leave, confidentiality restrictions and protection of intellectual property rights.
 - (d) No pension contributions have yet been paid by the Company and consequently there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits.
 - (e) There is no expiration date of the director's term of office and no contractual benefits are due or payable upon the termination of their employment.
- 6.2 Raymond Harris has agreed to provide part time executive director's services to the Company upon Admission on the terms of the Director's Service Contract dated 12 April 2006 which terms include:
- (a) The appointment will commence on Admission and is for 2 days per month and is terminable upon three months notice in writing by either the Company or the director.
 - (b) The amount of annual gross remuneration is £25,000 subject to annual review.
 - (c) Mr Harris is to be granted options over 50,000 Ordinary Shares at the Placing Price to be exercised within 2 years of Admission.
 - (d) There is no expiration date of the director's term of office and no contractual benefits are due or payable upon the termination of their employment.
- 6.3 Nir Simionovich is a Director of the Company and employed by Atelis Israel on terms which are subject to the laws of Israel. His employment contract is dated 23 March 2006. The terms include:
- (a) The appointment is terminable upon one months notice in writing by either Atelis Israel or the employee.
 - (b) The amount of annual gross remuneration is £36,000 subject to adjustment in accordance with the cost of living index.
 - (c) The benefits payable includes provision of a company car, a contribution of 15.83% of salary towards a Manager's Insurance Policy (comprising 8.33% on account of severance pay, 5% on account of pension fund payments and 2.5% on account of disability pension payments). The service contract also includes sick pay of the statutory minimum, post termination restrictions of 12 months, confidentiality restrictions and protection of intellectual property rights.
 - (d) No pension contributions have yet been paid by the Company and consequently there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits.
 - (e) No contractual benefits are due or payable upon the termination of his employment.
 - (f) There is no expiration date of his directorship of the Company.
- 6.4 Peter Dodds has agreed to provide non executive director services to the Company on the terms of the Non Executive Director Appointment Letter dated 6 April 2006 which terms include:
- (a) The appointment is for an initial period of three years terminable upon one months notice in writing by either the Company or the director.
 - (b) The amount of annual gross fees are £18,000 and he will also be paid a joining fee of £6,250.

- (c) There are no contractual benefits due or payable upon the termination of his engagement.
- 6.5 Save as set out above there are no existing or proposed service agreements between the Company and any of its Directors whether providing for benefits upon termination of employment or otherwise.
- 6.6 Save as set out in this Document there are no contracts existing or proposed between any Director and the Group. There is not now nor has there ever been any arrangement under which any Director has agreed to waive future emoluments.
- 6.7 The aggregate remuneration paid to the Directors including salaries, fees, pension contributions, bonus payments and benefits in kind in respect of the financial year ended 31 December 2005 was £7,000.
- 6.8 It is estimated that under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors by the Company, for the financial year ending 31 December 2006 will be approximately £200,000.
- 6.9 Dimitel (UK) Limited (“Dimitel”) is a related party by virtue of the shares Rony Cohen holds in Dimitel and his directorship of that company. Dimitel assisted the Company in the creation of its software prior to Marco Limited (a research & development company based in Israel) providing software development services. It had always been intended by Atelis and Dimitel that the intellectual property rights in the software created would be owned by Atelis. On 10 March 2006 Dimitel assigned to Atelis by a deed of assignment all intellectual property rights in software created by Dimitel in respect of voice switching technology and platforms for telecoms operators and service providers including source code and copyright. The consideration for the assignment was £100.

7. Additional information on the Directors

- 7.1 In addition to their directorship of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this Document:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Andrew Russell Caird	Xtend Management Limited Andanta Limited	Dimitel (UK) Limited Utrade 365 Limited IPSC Limited Cellest Limited Ebility Limited Pier-39 Limited
Rony Aharon Cohen	Dimitel (UK) Ltd	None
Shlomi Nir Simionovich	None	None
Raymond Ian Harris	Your Space Plc Workspace (North West) Plc Location Properties Limited Golf Club Investment Holdings Limited Leisure Perspectives Plc Marchpole Holdings Plc Matisse Holdings Plc Your Space Clerkenwell Limited Hay & Robertson Plc Your Space (UK) Limited Conduit Capital Limited The Jewish Association for the Mentally Ill Auction Underwriting Limited Falconstate Limited JAMI Sales and Services Limited Trialtir Group Plc	Azure Holdings Plc Equity Portfolio Plc The Niche Group Plc The Creative Education Corporation Plc Microcap Equities Plc Zetox Limited Berkeley Company Management (UK) Limited Berkeley Company Management (UK) Limited Global Health Products Plc Gerald Edelman Financial Solutions Limited Berkeley Leasing and Finance (UK) Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Raymond Ian Harris (continued)	Aston House Nominees Limited Fundus Holdings Plc Trading New Homes Plc Fundus Limited Academy Childcare Group Plc BPR 1 Limited BPR 2 Limited BPR 3 Limited	
Peter William Miller Dodds	Coleshill Consultants Limited	M906 Limited MVI Now Limited Imagecom Limited

Save as set out above, the Directors hold or have held no other directorships or been partners in any partnership within the five years preceding the date of this Document. No directors are related to each other.

7.2 Save as disclosed below none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets of a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

7.3 Andrew Caird has been a director of three companies that have been placed into creditors voluntary liquidation. Logical Engineering Limited, Orchard Computer Systems Limited and Profyle Limited. Logical Engineering was a business set up to work with Eastman Kodak Inc. designing CD jukeboxes. After some initial work Kodak decided not to pursue the project and the company was placed into liquidation and dissolved in 2001. The shortfall to creditors was £56,167. Orchard Computers was a reseller for Apple Computers which, having increased its overheads in order to comply with Apple's demands (larger premises and more staff) was faced with competition from an expansion in the number of authorised Apple dealers in the area. It was placed in liquidation and dissolved in 1993. The shortfall to creditors was £196,656. Profyle hived off its distribution business to Orchard Computer Systems Limited and found the remainder of the business (importing computers from the US) was hit by bad debts and could not continue profitably. It went into liquidation and was dissolved in 2001. The shortfall to creditors was £34,373.

7.4 Raymond Harris was until 7 December 2000 a director of Simpliciti Telecommunications Ltd which was the subject of a compulsory winding up order on 4 June 2001. He was a director of Data Processing (UK) Ltd and Rushbridge Ltd each of which entered into creditors' voluntary liquidation in 1989 and were dissolved on 17 August 1993 and 2 September 1993 respectively. Information on shortfall to creditors is

not available due to the length of time elapsed since the companies were dissolved. In addition he was appointed as a director of Hay & Robertson plc on 6 November 2003 in an attempt to assist that company to mount a rescue operation. The company did not trade during the period of his directorship and the board appointed a provisional liquidator on 17 February 2004. The liquidator has not yet reported to creditors with the final shortfall figure.

- 7.5 Peter Dodds has been a director of two companies which have been placed into creditors voluntary liquidation, ImageCom Limited and M906 Limited. ImageCom Limited was a company dealing in compression of video for application over the internet and other media. It suffered in the general downturn in 2000 and although it continued for another 2 years it was decided to wind it up in January 2003. The shortfall to creditors was estimated at the time of the winding up to be £1,251,695. M906 Limited was in the mobile video imaging business but failed to raise its second round of funding. The shortfall to creditors was £216,539.
- 7.6 Save as disclosed in this Document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.
- 7.7 None of the Directors (nor any member of any of the Directors' families) has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

8. Substantial Shareholdings

- 8.1 As at 4 May 2006 (the latest practicable date prior to the publication of this Document), the Directors were aware that the following persons were interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company as at that date:

<i>Name</i>	<i>Number of Ordinary Shares as at the latest practicable date before this Document</i>	<i>Percentage of issued ordinary share capital as at the latest practicable date before this Document</i>
Dganit Basha	6,680,000	33.4%
Andrew Caird	4,876,000	24.4%
Rony Cohen	3,340,000	16.7%
Ian Farrell	1,900,000	9.5%
Susan Tucker	1,900,000	9.5%
Nir Simionovich	1,000,000	5.0%

- 8.2 In addition to the interests of the Directors disclosed in paragraph 5.1 above, the Directors are aware that, as at 4 May 2006 (the latest practicable date prior to the publication of this Document), the following persons (excluding placees) will be interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company immediately following the Placing:

<i>Name</i>	<i>Number of Ordinary Shares immediately following Admission</i>	<i>Percentage of issued ordinary share capital immediately following Admission</i>
Dganit Basha	6,680,000	26.69
Ian Farrell	1,900,000	7.59
Susan Tucker	1,900,000	7.59

- 8.3 Save as disclosed in this Part IV, the Directors are not aware of any person who was at 4 May 2006 (the latest practicable date prior to the publication of this Document) interested, directly or indirectly, or who will, immediately following the Placing have an interest, directly or indirectly, in 3 per cent. or more of the

issued capital of the Company or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

8.4 Save as disclosed in this Part IV the Company is not aware of any person who exercises or could exercise, directly or indirectly, jointly or severally, control over the Company.

8.5 The Company's major Shareholders do not have any enhanced or additional voting rights to the Company's other Shareholders.

10. Working Capital

The Directors are of the opinion having made due and careful enquiry that, after taking account of bank and other facilities available and the estimated net proceeds of the Placing, the Company and the Group will have sufficient working capital for its present requirements, that is for at least 12 months from Admission.

11. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within two years immediately preceding the date of this Document and are or may be material:

11.1 On 7 March 2006 the Company entered into an agreement with City Financial Associates under which City Financial Associates agreed to act as the Company's Nominated Adviser and to advise and assist the Company in respect of the Admission and on an ongoing basis for an initial period of 6 months and thereafter until terminated by written notice by either party. On 5 May 2006 the Company entered into an agreement with CFA to provide Nominated Adviser services following Admission. The agreement contains indemnities and warranties given by the Company to City Financial Associates. In addition, in respect of its Nominated Adviser services, City Financial Associates will receive fees of £18,000 per annum.

11.2 On 20 April 2005 the Company entered into an agreement with H W Fisher & Company under which H W Fisher agreed to act as the Company's accountants and to advise and assist the Company in respect of the Admission and on an ongoing basis. The agreement contains warranties and indemnities given by the Company.

11.3 On 5 May 2006 the Company and the Directors entered into a Placing Agreement with Lewis Charles Securities and City Financial Associates whereby Lewis Charles Securities has conditionally agreed to use its reasonable endeavours (as agent of the Company) to procure subscribers for the Placing Shares. The agreement is conditional, inter alia, upon Admission. The Company and the Directors have given certain warranties and the Company certain indemnities as to the accuracy of the information contained in this Document and other matters in relation to the Company and its proposed business. Under the agreement, the Company will pay to Lewis Charles Securities the sum of £25,000 plus an amount equal to 5 per cent. of the monies raised pursuant to the Placing. Under the agreement the Company will also pay to City Financial Associates a fee of £70,000 in respect of its services in connection with Admission. In addition the Company will be liable for all other costs and expenses of the application for Admission.

11.4 On 5 May 2006 the Company allotted, conditional on Admission, 360,000 Warrants, equivalent to 1.4 per cent. of the Enlarged Share Capital, to Lewis Charles Securities, exercisable at the Placing Price pursuant to and on the terms of the Warrant Instrument dated 5 May 2006 at any time and from time to time in whole or in part during the period of three years from Admission. The Company will keep available sufficient authorised but unissued share capital to satisfy the exercise of the Warrants. Ordinary Shares issued pursuant to an exercise of Warrants shall rank pari passu in all respects with the Company's existing Ordinary Shares save as regards any rights attaching by reference to a record date prior to the receipt by the Company of the notice of exercise of the Warrants. The Company will apply to admit to trading on AIM the Ordinary Shares issued pursuant to the exercise of Warrants.

11.5 The Directors have covenanted with Lewis Charles Securities and City Financial Associates pursuant to the Placing Agreement, subject to certain limited exceptions, during the period of 12 months following Admission that they will not directly or indirectly transfer, sell or otherwise dispose of the legal or beneficial ownership of any Ordinary Shares held by them, and during the subsequent 12 month period will effect any such transfer, sale or disposal in such orderly manner as City Financial Associates, Lewis Charles Securities (or the broker of the Company for the time being) shall reasonably require. These covenants apply, currently, to an aggregate 9,241,000 Ordinary Shares held at Admission by the Directors.

11.6 Dganit Basha, Ian Farrell and Susan Tucker have covenanted with Lewis Charles Securities and City Financial Associates pursuant to individual deeds of restriction dated 13 April 2006, subject to certain limited exceptions, during the period of 12 months following Admission that they will not directly or indirectly transfer, sell or otherwise dispose of the legal or beneficial ownership of any Ordinary Shares held by them, and during the subsequent 12 month period will effect any such transfer, sale or disposal in such orderly manner as City Financial Associates, Lewis Charles Securities (or the broker of the Company for the time being) shall reasonably require. These deeds apply, currently, to an aggregate 10,480,000 Ordinary Shares held at Admission by Dganit Basha, Ian Farrell and Susan Tucker.

12. Key Systems

12.1 The Atelis platform comprises in-house, server-based systems, using Blade Technology from Intel, which in turn utilise dual Intel Xeon processors. The servers provide for Internet Protocol (IP) gatekeepers. The Company installs its core switching software on to the servers with in-house developed code to provide billing and provisioning services.

13. Litigation

No governmental, legal or arbitration proceedings are active, pending or threatened against or being brought by the Group which are having or may have a significant effect on the financial position of the Group and, so far as the Directors are aware, there are no such proceedings pending or threatened by or against the Group.

14. Intellectual Property

The Company has used Asterisk Open Source IP/PBX Switch (including Asterisk gateway interface and Manager API) in the creation of Atelis web management modules and management interfaces. Communication between the Atelis modules and open source are via publicly available API interfaces. Initially some code was developed by Dimitel UK Limited in Israel and that company has entered into a general deed of assignment of all its intellectual property rights in the code to the Company.

15. UK Taxation

This section provides a general guide to the UK taxation treatment for certain categories of shareholder under current UK legislation and what is understood to be UK Inland Revenue practice as at the date of this Document. It relates to certain limited aspects of the UK taxation position of shareholders who are the absolute beneficial owners of their shares, who are resident or ordinarily resident in the UK for taxation purposes and who hold their shares as an investment (otherwise than under an individual savings account or a personal equity plan). This section does not deal with the position of certain classes of shareholder, including personal representatives, trustees, insurance companies, collective investment schemes, dealers in securities and persons connected with depository arrangements or clearance services. Any shareholder who is in any doubt as to his own taxation position or who is subject to tax in any jurisdiction other than the UK should consult an appropriate professional adviser immediately.

15.1 Taxation of the Company

The Company will be liable to UK corporation tax at a tax rate between 19 per cent and 30 per cent (depending upon the level of the Company's profits for each accounting period).

15.2 Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) Tax Reliefs

- (a) The Inland Revenue has been asked to provide provisional confirmation that the Company is a qualifying company under EIS legislation. This means there may be income tax relief, capital gains tax exemption, loss relief and capital gains tax deferral depending on the investor's own tax status. The tax reliefs will only be relevant to investors who pay income tax and/or who wish to defer a capital gain.
- (b) It is further considered that the Ordinary shares to be issued by the Company should constitute a "qualifying holding" under the Venture Capital Trust scheme and should also represent "eligible shares" for the purpose of an investment made by a Venture Capital Trust.

This summary is not a substitute for the investor obtaining professional advice before applying for shares.

15.3 *Taxation of dividends*

Under current UK taxation legislation, there is no withholding tax on dividends.

(a) Individual shareholders

Individuals who are UK residents for taxation purposes and who receive a dividend paid by the Company will generally be entitled to receive a tax credit equal to one-ninth of the dividend. The dividend and the associated tax credit (the “Gross Dividend”) will be included in such individual’s income when establishing their marginal rate of tax. Individuals may set off the tax credit (currently 10% of the Gross Dividend) against their income tax liability. The tax credit will be sufficient to discharge an individual’s income tax liability in respect of the Gross Dividend except to the extent that individual’s taxable income (including the Gross Dividend) exceeds the basic rate limit. To the extent of any excess, individuals will be subject to tax at a rate of 22.5% of the Gross Dividend (after setting off the 10% tax credit). Tax credits are not repayable to individual shareholders with no income tax liability.

(a) Corporate shareholders

Corporate shareholders that are UK resident for taxation purposes and receive a dividend paid by the Company will generally not be liable to UK corporation tax on the dividend. UK corporate shareholders will not be entitled to claim a refund of any part of the tax credit related to a dividend paid by the Company.

(b) Non-resident shareholders

Subject to certain exceptions for Commonwealth citizens, residents of the Isle of Man or the Channel Islands and nationals of the European Economic Area (and certain others), the right of a shareholder to claim any part of the tax credit in respect of a dividend paid by the Company will depend on the existence and terms of any double tax agreement between the UK and the country in which the shareholder is resident. Owing to the amount of the tax credit it is unlikely in practice that any significant relief would be available to a non-resident shareholder.

Shareholders who are not resident in the UK should consult their own taxation adviser on the application of such provisions and the procedure for claiming relief.

15.4 *UK Taxation on Chargeable Gains for Shareholders*

Shareholders who are resident or ordinarily resident in the UK for taxation purposes may be subject to UK taxation on chargeable gains with individuals and trustees liable to Capital Gains Tax (“CGT”) on the disposal of the Company’s shares. Liability to UK CGT will depend on, among other things, the individual circumstances of the shareholder (including the availability of exemptions, taper relief and allowable losses), the period of time for which the shareholders has held the shares and the form of consideration received.

For individuals and trustees, taper relief may be available to reduce the amount of a chargeable gain according to how long the asset has been held. This may, for example, reduce the rate of CGT for an individual who is a higher rate taxpayer who has held the shares for two complete years and those shares qualify as “business assets” to a rate of ten per cent. Companies and other corporate bodies are not entitled to taper relief.

Individuals and certain trusts have an overall annual exemption for capital gains tax for the first £8,800 of chargeable gains in the current tax year. Most settlements have an equivalent exemption of £4,400 in the current tax year.

Indexation allowance, which increases the acquisition cost of an asset in line with the rise in the retail price index, is only available for corporate shareholders during the period of ownership of the shares.

Generally, losses realised on the disposal of assets may be set against other gains made during the tax year or carried forward and set against gains in future tax years.

Different tax treatment applies to persons who trade in securities.

Shareholders who are neither resident nor ordinarily resident in the UK for taxation purposes, and who do not hold the Company's shares as part of the assets of a trade carried on in the UK through a UK permanent establishment, will not be subject to UK CGT. Such shareholders who hold the Company's shares as part of the assets of a trade carried on in the UK through a UK permanent establishment may be subject to the same rules for the purposes of UK CGT which may apply to UK resident or ordinarily resident shareholders.

The terms of a double tax treaty may apply to persons of dual residence.

Shareholders who are not resident or ordinarily resident in the UK should consult their own tax adviser.

15.5 *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No liability to UK stamp duty or SDRT should arise on the allotment of ordinary shares by the Company under the Placing.

Any subsequent disposal of shares will generally give rise to payment of ad valorem Stamp Duty on the transfer document at the rate of 50p per £100, or part, on the amount or value of the consideration paid, subject to minimum duty of £5. Agreements for such transfers are generally subject to Stamp Duty Reserve Tax (unless, in general, the transfer of the relevant shares is duly stamped with ad valorem duty), generally at the rate of 0.5 per cent of the amount or value of the consideration paid. Liability to pay any Stamp Duty Reserve Tax is generally that of the transferee or purchaser. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the member or dealer will normally account for the collection and payment of the tax, but in all other cases the transferee or purchaser must account for the tax to the Inland Revenue.

Persons operating clearance services or depositary receipt schemes may be required to account for Stamp Duty and Stamp Duty Reserve Tax at rates higher than those referred to above.

The information and comment within paragraph 15 are intended only as a general guide to the current tax position in the UK as at the date of this Admission Document and have assumed that shares are held as an investment and not as a trading asset. Bearing in mind that the levels and basis of taxation can change and the value of a relief from taxation is dependant upon the circumstances of the taxpayer such a general guide should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation adviser.

16. General

- 16.1 The gross proceeds of the Placing are expected to be approximately £1 million. The total costs and expenses relating to Admission and the Placing are payable by the Company and are estimated to amount to approximately £300,000 (excluding Value Added Tax).
- 16.2 H W Fisher & Company has given and has not withdrawn its written consent to the inclusion of their report on the Company in the form set out in Part III of this Document and the references to its name and report in the form and context in which they appear in this Document.
- 16.3 City Financial Associates has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name in the form and context in which it appears.
- 16.4 Lewis Charles Securities has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name in the form and context in which it appears.
- 16.5 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 16.6 Save as disclosed in this Document there have been no significant recent trends in production, sales and inventory and costs and selling prices of the Company since incorporation and the Directors are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material affect on the prospects of the Company for at least the current financial year.

- 16.7 Save as disclosed in this Document:
- (a) there have been no significant recent trends concerning the development of the Group's business nor any significant acquisitions or disposals of assets since incorporation.
 - (b) there has been no significant change in the financial or trading position of the Group since incorporation.
 - (c) there are no investments by the Group in progress which are significant.
 - (d) the Directors are not aware of any exceptional factors which have influenced the Group's recent activities.
- 16.8 The preliminary expenses payable by the Company and any commission so payable to any person in consideration of his/her agreement to subscribe for or of his/her procurement or agreement to procure subscription for, any shares in the Company is £nil.
- 16.9 The accounting reference date of the Company upon incorporation was 30 September and on 6 March was changed to 31 December in each year and the first audited accounts will be made up to 31 December 2005.
- 16.10 H W Fisher act as the auditors of the Company and are members of the Institute of Chartered Accountants for England and Wales.
- 16.11 The Placing Price represents a premium of £0.2475 pence over the nominal value of £0.0025 for an Ordinary Share.
- 16.12 The Company has no convertible securities in issue.
- 16.13 Save as disclosed in this Document, in the last twelve months no person (save for professional advisers as disclosed herein and trade suppliers) has 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 at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.
- 16.14 The financial information relating to the Company contained in this Document does not constitute statutory accounts within the meaning of section 240(5) of the Act. No statutory accounts of the Company have been filed with the Registrar of Companies since its incorporation.
- 16.15 Save as set out in this Document, the Directors are not aware of any exceptional factors that have influenced the Group's activities and there are no investments in progress which are significant.
- 16.16 Save as set out in this Document:
- (a) no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which the Admission Document relates or of his procuring or agreeing to procure subscriptions for such securities;
 - (b) no payment (including commissions) or other benefit has been or is paid or given to any promoter of the Company;
 - (c) no paying agent has been appointed by the Company
- 16.17 Save as described in this Document, there are no patents or other intellectual property rights licences or particular contracts that are of fundamental importance to the Company's business
- 16.18 Monies received from placees in respect of the Placing Shares will be held in accordance with the terms of the placing letters issued by Lewis Charles Securities to such placees until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 23 May 2006, monies received from placees will be returned to placees at the relevant placees' sole risk without interest.

- 16.19 Following Admission, share certificates representing the Ordinary Shares to be issued pursuant to the Placing are expected to be despatched by post to placees who do not wish to receive shares in uncertificated form, at the relevant placees' sole risk. It is expected that certificates in respect of the Placing Shares will be despatched by 16 May 2006. No temporary documents of title will be issued in connection with the Placing. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.
- 16.20 The CREST accounts of placees who have duly elected to receive their Ordinary Shares in uncertificated form are expected to be credited to the designated CREST account on 9 May 2006.
- 16.21 There are no mandatory takeover bids and/or squeeze out and sell-out rules in relation to the Ordinary Shares.
- 16.22 No public take over bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.
- 16.23 The Placing Shares represent 20% of the Existing Ordinary Shares and their issue will result in a corresponding level of dilution.
- 16.24 Certain information contained in this Document has been sourced from websites of comparative VoIP suppliers and industry commentators. Where information has been sourced from a third party the Company confirms that such information has been accurately reproduced and that as far as it is aware or able to ascertain from the information published by each of these third parties no facts have been omitted which would render the reproduced information inaccurate or misleading

17. Availability of Documents

Copies of the following documents are available during normal business hours on any weekday (Saturdays, Sundays and public holidays are excepted) free of charge from the Company's registered office and at the offices of City Financial Associates at 6 Laurence Pountney Hill, London EC4R 0BL for the period from the date of this Document until one month after Admission.

- (a) The Memorandum and Articles of Association of the Company.
- (b) The material contracts referred to in paragraph 11 above.
- (c) The letters of consent referred to in paragraph 16.2, 3 and 4 above.
- (d) The service contracts of the Directors.

Dated 5 May 2006